



Annual Report 2016



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All sections with a red marking in the table of contents have been audited. Those sections with an orange marking have been reviewed by the Company's auditors. On page 132 is a GRI Index to clarify what is included in the sustainability reporting.

B Board of Directors' report **F** Financial statements

S Sustainability work

This is a translation of ICA Gruppen's Swedish Annual Report 2016, which is the original.

This is ICA Gruppen

We make every day a little easier

ICA Gruppen's vision

Simplicity

– we think simply first

Entrepreneurship

– we create opportunities

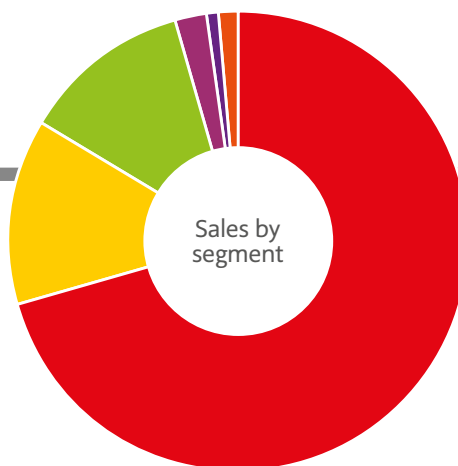
Commitment

– we make a difference

Food and health are key

ICA Gruppen AB 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, Apotek Hjärtat, which conducts pharmacy operations, ICA Real Estate, which owns and manages properties, and ICA Bank, which offers financial services. The Group also includes the home furnishings chain Hemtex.

ICA Gruppen's shares are listed on Nasdaq Stockholm, Large Cap segment. The largest shareholder at year-end 2016 was ICA-handlarnas Förbund (the Association of ICA Retailers).



Number of stores and pharmacies
31 December 2016

2,103

Sales 2016

SEK 103.7 bn

Operating profit* 2016

SEK 4.7 bn

ICA Sweden

The leading grocery retailer in Sweden.

Sales, SEK m **74,050**

Operating profit*, SEK m **3,504**

Rimi Baltic

Strong position in grocery retail in Estonia, Latvia and Lithuania.

Sales, SEK m **13,571**

Operating profit*, SEK m **526**

Apotek Hjärtat

Sweden's second largest pharmacy chain.

Sales, SEK m **12,531**

Operating profit*, SEK m **436**

ICA Real Estate

One of the largest commercial real estate companies in the Nordic region, focusing on retail properties.

Sales, SEK m **2,372**

Operating profit*, SEK m **493**

ICA Bank

The bank with a strong mobile offering.

Sales, SEK m **863**

Operating profit*, SEK m **51**

Other segments

Hemtex – a leading home furnishings chain in the Nordic region.

Sales, SEK m **1,316**

Operating profit*, SEK m **24**

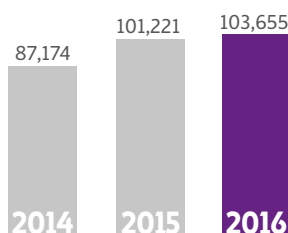
* Excluding non-recurring items.

2016 in summary

Strengthened positions and divestments contributed to a stronger ICA Gruppen

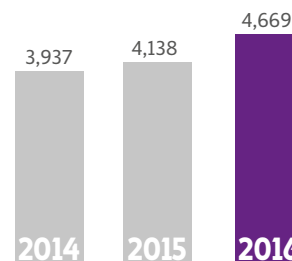
Net sales

SEK m



Operating profit

excluding non-recurring items, SEK m



Q1

Conversion of C shares to ordinary shares

On 20 January 2016 all C shares in ICA Gruppen – which were all held by ICA-handlarnas Förbund (the Association of ICA Retailers) – were converted to ordinary shares in accordance with the Articles of Association. Following the conversion ICA Gruppen has only one class of share, in the form of ordinary shares with equal dividend entitlement.

Acquisition and sale of pharmacies

During the quarter Apotek Hjärtat signed an agreement with Apoteket AB for the acquisition and sale of a total of 12 pharmacies. In parallel, two pharmacies were sold to Kronans Apotek.

Investment in easily accessible healthcare services

As part of Apotek Hjärtat's efforts to increase its range of services, in March three new "Minute Clinics" were opened for vaccinations and the treatment of acute but mild illnesses.

ICA turns food waste into fruit drinks and jam

A partnership was initiated with Helsingborg-based Rescued Fruits in which fruit that would otherwise have been thrown out is instead turned into ICA private label fruit drinks and jam.

Q2

ICA Gruppen sells inkClub

In June ICA Gruppen signed an agreement to sell its subsidiary inkClub. The purchase price was SEK 322 million.

Apotek Hjärtat and Kronans Apotek agree to buy and sell pharmacies

In May Apotek Hjärtat and Kronans Apotek entered into an agreement involving the acquisition and sale of a total of eight pharmacies.

ICA Real Estate acquires land leasehold rights for Bromma Blocks

In April ICA Real Estate acquired a land leasehold right for Bromma Blocks. The future aim is to establish a Maxi ICA Stormarknad, Apotek Hjärtat and other businesses.

ICA first to provide climate-guided recipes

ICA is the first grocery retailer to provide climate guidance in its recipes. The recipes are marked with one, two or three leaves depending on how good they are from a climate perspective. The calculations are based on a scientific method developed in partnership with Chalmers University of Technology.

Key figures

Further information and definitions, see page 75.

Group, SEK m	2016	2015	2014
Net sales	103,655	101,221	87 174
Operating profit before depreciation/amortisation (EBITDA)	6,238	6,191	5,819
Operating profit (EBIT) excluding non-recurring items	4,669	4,138	3,937
Operating profit (EBIT)	4,518	4,594	4,097
Profit before tax	4,154	4,225	3,727
Profit from continuing operations	3,397	3,721	3,105
Profit for the year	3,418	4,913	2,667
Cash flow from operating activities for continuing operations	5,422	5,723	3,794
Cash flow from operating activities	5,422	5,845	3,612
Operating margin excl. non-recurring items, %	4.5	4.1	4.5
Operating margin, %	4.4	4.5	4.7
Return on capital employed, %	10.5	9.8	10.1
Return on equity, %	11.9	16.6	9.3
Earnings per ordinary share, SEK	16.97	24.14	12.53
Earnings per share, continuing operations, SEK	16.87	18.21	14.71
Dividend per ordinary share, SEK*	10.50	10.00	9.50

* Board's proposal



Key sustainability indicators

Group	2016	2015	2014
ICA Gruppen's operations will be climate neutral by 2020			
Reduction in emissions compared with 2006, %	-33	-22	-27
Socially audited corporate brand suppliers, %	98	98	90
Quality certified corporate brand suppliers, %	87	87	84

Q3 UN award for climate project

In September the UN announced that ICA had won an award for its "Klimaträtt" (Climate-right) project, cited as one of the most innovative and scalable global examples of what companies can do to address and create solutions for reduced environmental impact. The project helped and inspired the residents of an apartment building in Uppsala to reduce their climate impact by simple means.

Greater focus on sustainability among ICA Gruppen's Management Team and Board

During the quarter ICA Gruppen's Chief Corporate Responsibility Officer joined the Management Team. At the same time, ICA Gruppen's Board of Directors established a Sustainability Committee in order to focus on these matters further.

Q4 ICA Real Estate sells ICA Eiendom Norge AS

In early December ICA Real Estate sold ICA Eiendom Norge AS, with an underlying property value of SEK 2.2 billion, to UNION Real Estate Fund II. The deal provides ICA Gruppen with a positive cash flow of around SEK 1.9 billion and generates a capital gain of just over SEK 400 million.

New IT solution for product sourcing – resulting in impairment loss of SEK 148 million

ICA Sweden is conducting a large IT project, the aims of which include modernising and improving the efficiency of product sourcing. After evaluating a previously chosen solution, in December ICA Sweden decided to switch to a different IT solution with better functionality and a more favourable investment calculation. The decision resulted in an impairment loss of SEK 148 million.

Acquisition of Lithuanian grocery chain IKI

In December ICA Gruppen signed an agreement to acquire UAB Palink, which operates the grocery retail chain IKI in Lithuania, for EUR 213 million on a cash and debt free basis. Completion is subject to competition authorities approval, which is expected to be received no later than the fourth quarter 2017. IKI has a nationwide store network of approximately 230 stores.

Events after year-end

Divestment of ICA Eiendom Norge completed

On 1 February 2017 ICA Real Estate's divestment of ICA Eiendom Norge AS to UNION Real Estate Fund II, was finalized.

Strong position in a changing market

2016 was a good year for ICA Gruppen. We strengthened our positions in grocery retail and continued to grow in the pharmacy market. By divesting our real estate assets in Norway and the former subsidiary inkClub, we also completed the streamlining of our operations which we began in 2013. Overall, this has helped create a stronger ICA Gruppen, well equipped both to face challenges and to make the most of opportunities.



During the year we continued working according to the strategy established when ICA Gruppen was formed. Alongside continued improvements in our operations, in recent years we have made a great many structural changes – including seven divestments and three acquisitions, most recently of the Lithuanian grocery chain IKI. The overall aim has been to create a stable basis for continued long-term, sustainable growth in a market that is undergoing major changes. This work has been successful and the results are clearly reflected in the figures for the past few years. Between 2012 and 2016 our operating margin excluding non-recurring items increased from 2.7% (including ICA Norway) to 4.5%. More than half of this improvement has its origins in the structural changes, while the remainder comes from operational improvements in continuing operations, particularly within ICA Sweden and Rimi Baltic.

Stable growth and improved earnings

Our financial performance in 2016 was largely in line with our financial targets. Sales continued to grow, and we had a good earnings performance. Net sales, adjusted for divestments, increased by 3.4% to just over SEK 103 billion. Operating profit excluding non-recurring items amounted to SEK 4.7 billion, corresponding to an operating margin of 4.5%.

The improvement in earnings is partly due to strong performance by ICA Sweden and Apotek Hjärtat, and a substantial improvement in results for Rimi Baltic. At ICA Bank, an ongoing focus on change and a broadening of operations enabled us to at least partially offset the negative earnings impact of low interest rates and changes in the rules on card fees. Profit for ICA Real Estate is at a stable high level. Hemtex moved from a loss into profit, and carried out a strategic review during the year aimed at achieving long-term sustainable profitability.

A market in transition

The grocery retail market is in a period of rapid and substantial change. Changed patterns of consumption, changed demographics, extensive blurring of industry lines, rapid digitalisation and new technology are changing the sector – both for us and for everyone else within grocery retail. Altogether, this has considerably increased the need for us to be innovative, agile and willing to change. In concrete terms it brings a need for continued investments – in product offerings, organisation and IT, in store and pharmacy networks and in logistics. We need to go to where customers are, in both physical and digital channels, with the right offering. We need more agile ways of working and processes, we need to increase our focus on skills development and bring in the right expertise from outside, and we need to be even quicker to embrace and implement new technology. The new employee strategy that we adopted during the year, provides a good basis for our continued efforts here.

While the changes in the market have perhaps never been more challenging, they bring with them great opportunities. We will not be standing still, but rather intend to continue being the driving force that we have been ever since we started 100 years ago. Entrepreneurship, a desire to evolve and seeing things from the retailer's perspective are key parts of our DNA – and undoubtedly among the main factors in our success.

“We have a stable platform that provides a good basis for further sustainable profitable growth”

Aiming high in sustainability and health

One of the areas in which we want to lead the way is sustainability. We have a responsibility because of our size, and we can clearly see that sustainability is important to our customers, and that it drives growth. For a number of years we have been working actively in a structured way on continual improvements at each stage of the value chain – an important part of which involves nudging both producers and consumers in a more sustainable direction. Certification and audits make this work focused, while targeted work is carried on within product development. This work is taking place within our own organisation, but also in partnerships – both national and international. We have been a signatory to the UN Global Compact since 2004.

For our own climate impact, the goal is that by 2020 we will be entirely climate neutral. This is an ambitious goal that requires improvements and far-reaching changes within a number of different areas, not least further measures as regards refrigerants in the stores, more efficient transport and optimising energy consumption. Overall our climate impact, measured as greenhouse gas emissions, reduced by 33% during the year compared with the base year of 2006.

Further digitalisation

One of the factors in the world around us that is impacting us most of all is ongoing digitalisation. This affects all of our businesses and essentially all areas of our operations – including logistics, marketing, sales and training, to name just a few. Digitalisation is a common theme in a number of our strategic priorities, and over the past year we have taken several important steps forward. Among the most visible are the continued roll-out of our e-commerce initiative, to which just over 200 ICA stores are now connected. Although development has been rapid and positive, it is important to point out that we are still in the early stages, with a lot left to do. Looking ahead we can see that physical and digital channels are going to complement each other in brand new ways, and our vision here is to offer the best omni-channel experience.

Stronger position in the Baltics

One of our strategic priorities is to continue strengthening our position in the Baltic region. To support this development, all critical processes are being reviewed and optimised in turn: sourcing, warehousing and logistics, store networks and product offerings. This work has been successful and has led to both increased sales and improved earnings.

Towards the end of 2016 we took another important step forward with the acquisition of Lithuanian grocery chain IKI and its nationwide network of around 230 stores. The acquisition takes us from being the fourth largest player to becoming the second largest player in the growing Lithuanian grocery retail market. Completion of the deal is subject to competition authorities approval, which is expected to be received no later than the fourth quarter 2017.

Simple and convenient

Also in focus in 2017 are continued initiatives for smart meal solutions. Many of us find it a struggle to get our everyday logistics to work, and one of the foremost trends in the grocery retail market is increased demand for ready meals or easily prepared meals. We are meeting this demand by offering a wide range of ready meal solutions and concepts for prepared or semi-prepared food – to eat in-store or take away. We will be stepping up these efforts in the forthcoming period.

Outlook – a stable platform for continued profitable growth

What we have achieved in recent years would not have been possible without great internal dedication and both close and effective cooperation with ICA retailers, suppliers, partners and shareholders. We are pleased with the results that we have achieved, but even more important are the long-term effects. Today, we have a stable platform that provides a good basis for further sustainable profitable

growth in the future and we have a clear idea of how we want to develop moving forward, both in individual parts and as a whole. At the same time, we

are in a strong financial position that allows further projects and investments to take place.

In 2017 we will again base our work on our strategic priorities. As we embark on our hundredth year of business, it is with the aim of maintaining and continuing to develop our strong position in grocery retail in Sweden. In the Baltics and in the pharmacy segment we see good opportunities to continue growing and to further improve both results and margins. ICA Bank is making extensive changes that will allow a good level of earnings long-term.

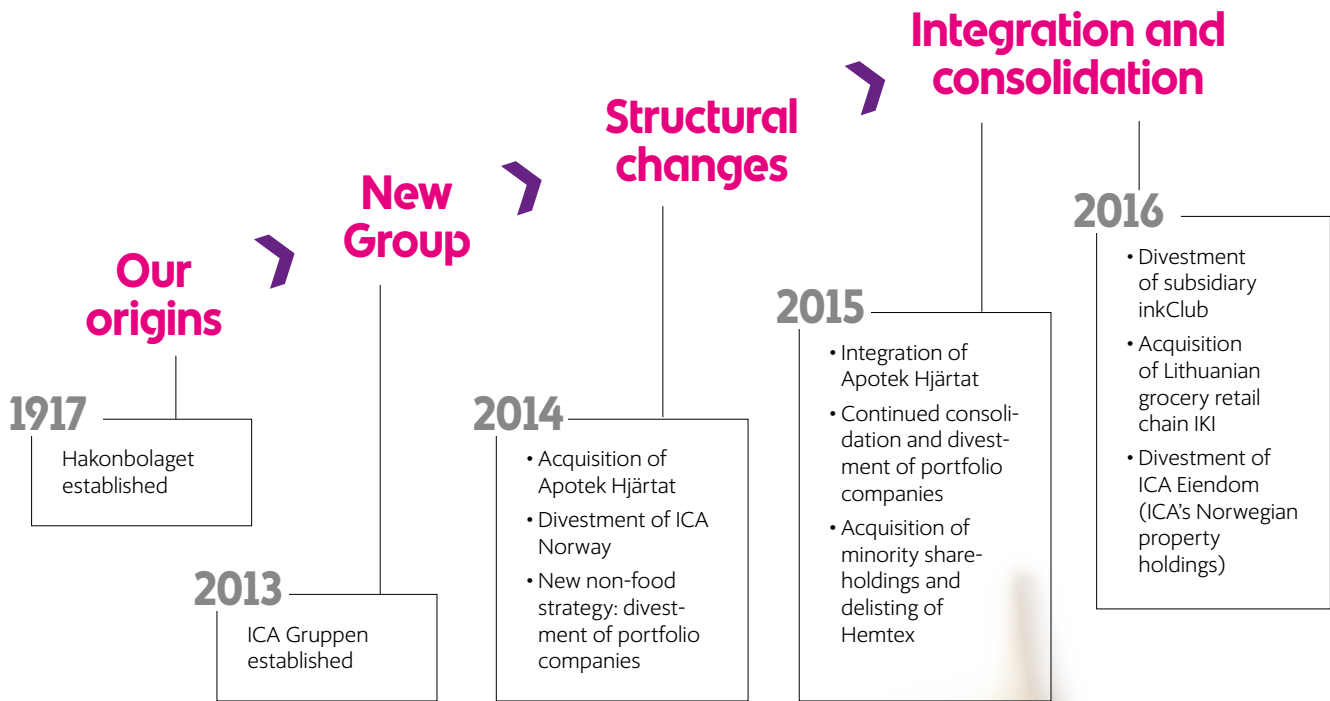
Right from the start, the ICA Idea – with its focus on cooperation between independent retailers – has been the basis of our business model and our value creation. Focusing yet more on reaping the benefits of our size and the synergies that exist between our operations will make us even stronger. It will also enable us to continue to generate value for shareholders, independent ICA retailers, employees and customers.

Stockholm, February 2017

Per Strömberg
CEO, ICA Gruppen

ICA Gruppen as an investment

Since ICA Gruppen was formed in 2013, the business has been refined by divesting unprofitable and non-core operations. Profitable operations have been developed further and acquisitions have been made that complement the business. This work has been based on a clear strategy and has a clearly defined purpose: to create a stable basis for continued long-term, sustainable growth.



Platform for profitable and sustainable growth

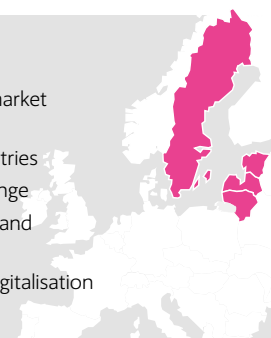
Leading positions and strong brands

- ICA Sweden – clear market leader in Sweden
- Rimi Baltic – leading position in Latvia and strong position in Estonia and Lithuania
- Apotek Hjärtat – largest privately owned pharmacy chain in Sweden
- ICA Real Estate – large, actively managed property stock within retail and important for achieving the goal of an increased market share in metropolitan areas



Attractive markets

- A strong and stable grocery retail market in Sweden
- A growing market in the Baltic countries
- A Swedish pharmacy market in change
- Changed patterns of consumption and growing populations
- Growth opportunities online and digitalisation



Synergies and cost efficiency

- Good opportunities for synergies within branding, marketing, sourcing, new establishments and EMV
- Cost efficiency through optimisation of store networks and digitalisation



Strong cash flows

- Allow continued investment in the business
- Basis for good dividend capacity



Read more on page 10 →

The ICA Idea – a unique, stable business model in Sweden

- Combines the local retailer's commitment, market knowledge and entrepreneurship with ICA Gruppen's economies of scale, efficiency and ability to run a large-scale operation
- Foundation for ICA's success in Sweden

Read more on page 8 →

Integrated sustainability work

- Aiming to lead the way in sustainability
- A growth driver

CLIMATE NEUTRAL BY
2020

Read more on page 26 →

A strong business model

At the heart of ICA Gruppen's operations is grocery retail, where the hub consists of some 1,950 grocery stores and pharmacies. Around these a number of operations have been built up which, individually or in combination, help maintain the Group's strong market position. Taking advantage of economies of scale and opportunities for coordination enables the Group to have strong customer offerings, efficient processes, the right properties in the right locations, high customer loyalty and low financial transaction costs.

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

Apotek Hjärtat is playing an important role in ICA Gruppen's efforts to achieve a leading position in health. Sourcing, organisation and loyalty programmes are coordinated with ICA Sweden.

ICA Bank fills a number of important functions within ICA Gruppen. In addition to providing a diverse range of user-friendly banking services, ICA Bank helps strengthen loyalty to the ICA stores while also reducing costs for the financial flows in the ICA system. Commissions and net interest income contribute to ICA Gruppen's earnings, and when customers use ICA Bank's own bank cards, the fees payable to other card issuers are reduced.

ICA Real Estate is one of the largest commercial real estate firms in retail in the Nordic region. The overall mission is to meet the

Group's long-term need for the right properties in the right locations. This is done through a combination of owning, leasing and developing marketplaces. The property portfolio is actively managed and properties are sold on an ongoing basis when the time is right. The tenants are primarily ICA stores, but may include other players as well.



ICA Sweden's business and earnings model

In Sweden ICA Gruppen's business within grocery retail is largely based on the so-called ICA Idea, which combines the local retailer's commitment, local market knowledge and entrepreneurship with ICA Sweden's economies of scale, efficiency and ability to run a large-scale operation. 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 mainly regulated in the so-called ICA Agreement. Among other things, this details how the store network is to be developed and how the establishment of new stores is to be financed. Key elements of the agreement include the overall division of responsibility between ICA Sweden and the retailer, the principles governing the rights to the ICA brand 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 the ICA retailers want to sell their company or its operations.

In addition to the agreement between ICA Sweden and the individual retailers, there is also an overarching agreement between ICA Sweden and ICA-handlarnas Förbund which regulates how goods and services from ICA Sweden to the stores are to be priced and how the common operations are to be financed.

From centralised establishment to retailer-owned stores

New stores are usually established through a company that is majority-owned by ICA Sweden, which also provides the initial financing. Once the store has repaid the investment and the cost of establishment by generating its own profits, the retailer can buy and then own the business. On average, this takes place after around five years. Thereafter the retailer holds 99% of the shares in the company that operates the store. ICA Sweden remains a minority shareholder with 1% of the shares.

ICA Sweden

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



The independent retailer

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

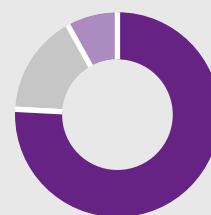


A strong, locally customised offering

ICA Sweden's revenue

- Wholesale sales of external and private label products within food and non-food (incl. fees for logistics and infrastructure)
- Non-food in Maxi ICA Stormarknad
- Additional services at market prices, in areas such as accounting and advertising
- Fees to finance the joint organisation ("ICA Subscription")
- Sales-based royalties
- Profit sharing based on results (for larger stores, mainly Maxi ICA Stormarknad)

Distribution of revenue

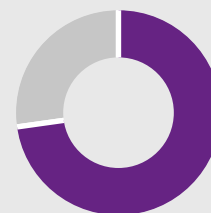


- Wholesale, 76%
- Store subsidiaries and non-food Maxi ICA Stormarknad, 16%
- Other sales/revenue, 8%

Factors influencing ICA Sweden's results

ICA Sweden's revenues come largely from wholesale sales of goods to the stores. ICA Sweden is contractually entitled to a percentage mark-up that varies depending on the type of goods. Other remuneration with a direct impact on results includes royalties and profit sharing.

Distribution of profits*



- Wholesale, 73%
- ICA Agreements (royalties and dividends), other 27%

* ICA Sweden's operation profit excl. non-recurring items.

The Group's performance in 2016

Net sales and profit

Consolidated net sales in 2016 amounted to SEK 103,655 million (101,221), equivalent to an increase of 2.4% compared with 2015.

Operating profit excluding non-recurring items increased by 13% to SEK 4,669 million (4,138). The same period the previous year included the cost of the acquisition and integration of Apotek Hjärtat in the amount of SEK 208 million. Adjusted for these costs, the increase in profit was SEK 323 million or around 7%. The operating margin excluding non-recurring items was 4.5% (4.1). All segments except for ICA Bank had improved operating profit.

Profit from continuing operations, i.e. ICA Gruppen excluding ICA Norway, was SEK 3,397 million (3,721). The profit includes capital gains on non-current assets and impairment losses totalling SEK -151 million (456). Earnings per share from continuing operations amounted to SEK 16.87 (18.21).

Net financial items and tax

The Group had a net financial expense for the full year 2016 of SEK -364 million (-369). Financial income fell when a shareholder loan in Ancore Fastigheter AB was converted to equity. The lower financial expense is explained by net debt being lower than in the previous year. The tax expense for the year was SEK 757 million (504), representing a tax rate of 18.2% (11.9). The lower tax rate in 2015 is explained by tax-free capital gains from divestments.

Financial position

The Group's net debt (excluding ICA Bank and pension liabilities) at the end of the year amounted to SEK 9.8 billion (11.7). The lower net debt is mainly due to a positive cash flow. As of 31 December, net debt/EBITDA ratio was 1.6 (1.9), which is in line with the Group's long-term target of <2.0.

Cash flow

Cash flow from operating activities (excluding ICA Bank) amounted to SEK 5,684 million (4,546). Cash flow before financing activities (excluding ICA Bank) amounted SEK 4,035 million (2,807). Apart from the higher underlying profit before depreciation (excluding capital gains), the improvement was driven by a more positive change in working capital than in 2015 and a lower amount paid in taxes. The change in the cash flow before financing activities is explained partly by somewhat higher investments in ICA Real Estate in 2016 and partly by lower cash flow from divestments in 2015.

Investments

Investments (excluding business combinations) in 2016 amounted to SEK 2,502 million (2,376) of which SEK 1,212 million (924) was

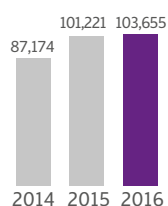
attributable to ICA Real Estate. Large investment projects during the year included the acquisition of future store locations, IT investments and new stores.

Parent Company

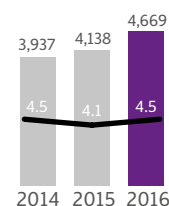
As of 1 February 2016 ICA Gruppen AB had acquired assets and liabilities from the subsidiary ICA Finans AB as part of integrating ICA Gruppen's entire Treasury & Tax department into the Group's Parent Company. All assets and liabilities were acquired at market value. In previous years the Parent Company's income from Group companies was recognised as reduced costs. Now this income and costs are recognised gross. Figures from previous years have been adjusted correspondingly.

The Parent Company's net sales were SEK 794 million (864). Income after financial items amounted to SEK 2,575 million (3,064). The acquisition of assets and liabilities from ICA Finans AB has increased the total assets and improved net financial items. Dividends received from subsidiaries are SEK 814 million lower than the previous year. Profit for the year amounted to SEK 2,803 million (3,668). Investments in property, plant and equipment and intangible assets amounted to SEK 60 million (98).

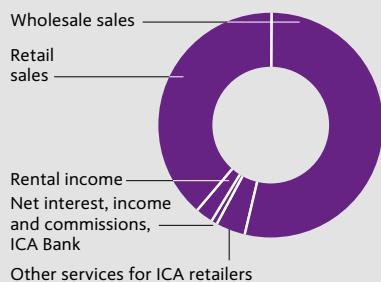
Net sales (SEK m)



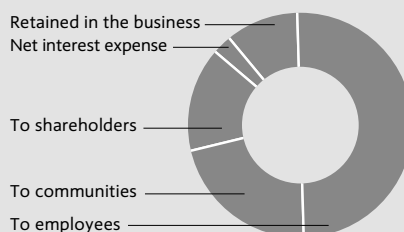
Operating profit (SEK m) and operating margin (%)



Revenues

103,655
SEK m

Cost of goods and services

90,372
SEK m

Distributed economic value

13,283
SEK m

ICA Gruppen's revenue

The largest percentage of ICA Gruppen's revenue (54.6%) comes from wholesale sales, mainly relating to ICA Sweden's sales to independent ICA retailers. The second largest source of revenue is Rimi Baltic's and Apotek Hjärtat's sales. Other revenue is mainly in the form of rental income, net interest income and commissions.

Distributed economic value

Sound and sustainable financial growth is necessary if ICA Gruppen is to be a positive force over

time. Growth and a good financial return provide the foundation for future investments and initiatives, and enable ICA Gruppen to provide good dividends to the shareholders. This also enables ICA Gruppen to continue to contribute to society by paying salaries and taxes. ICA is also involved in fundraising activities for various organisations. In 2016, for example, Swedish companies within ICA Gruppen and their customers together donated SEK 55 million to Pink Ribbon, SEK 5.8 million to World Childhood Foundation and SEK 7.5 million to the Red Cross.

Operating profit development



*Costs for acquisition and integration of SEK 208 million are in full related to the acquisition of Apotek Hjärtat in 2015.

Higher wholesale volumes in Sweden and increased volumes for Apotek Hjärtat and Rimi Baltic were offset by significantly lower sale volumes in Swedish store subsidiaries due to divestments at the beginning of the year, a change in the store mix with fewer larger stores compared to 2015. The positive impact from price effects,

mainly due to mix effects, in all operations was offset mainly by higher logistics costs. ICA Sweden's store costs were lower but costs increased in other segments. Other costs rose despite the positive effect of halted depreciation of the Norwegian properties from the beginning of the second quarter.

Net sales per segment

SEK m	2016	2015	2014
ICA Sweden	74,050	72,624	69,248
Rimi Baltic	13,571	12,632	11,632
Apotek Hjärtat	12,531	12,290	2,092**
ICA Real Estate	2,372	2,382	2,253
ICA Bank	863	859	848
Other segments	1,316	1,800	2,564
Other	863	932	856
Intra-Group sales	-1,911	-2,298	-2,319
Net sales	103,655	101,221	87,174

Operating profit excluding non-recurring items per segment

SEK m	2016	2015	2014
ICA Sweden	3,504	3,366	3,228
Rimi Baltic	526	415	383
Apotek Hjärtat	436	209*	21**
ICA Real Estate	493	456	409
ICA Bank	51	110	189
Other segments	24	-32	53
Other	-365	-386	-346

Operating profit excluding non-recurring items

SEK m	2016	2015	2014
Operating profit excluding non-recurring items	4,669	4,138	3,937

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

** 2014 refers to Cura pharmacy.

Cash flow statement, Group excluding ICA Bank

SEK m	2016	2015	2014
Cash flow			
Cash flow from operating activities before change in working capital	5,361	4,788	4,364
Change in working capital	323	-242	-300
From operating activities	5,684	4,546	4,064
Investing activities, net	-1,649	-1,739	-546
Before financing activities	4,035	2,807	3,518

Trends and business environment

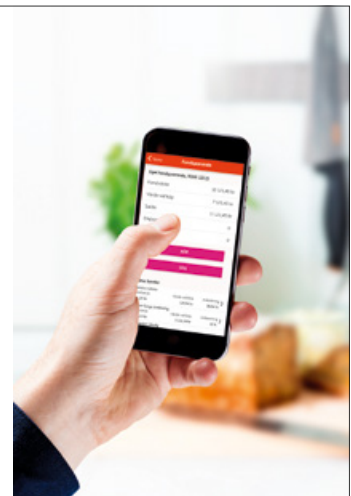
Understanding the business environment, how it is changing and how it impacts ICA Gruppen is critical for meeting the needs and demand going forward. Through close dialogue with consumers and customers and by developing its own organisation further, ICA Gruppen can take advantage of the drivers that create long-term and sustainable growth.

Digital and transparent

Technological development is moving fast; it is happening across the board and it is having a big impact on both consumers and businesses. All stages in the retail value chain are affected – product development, sourcing, logistics, supply chain and customer dialogue. Mobile devices, constant connectivity and faster processes are making goods, services and information available in an entirely new way. Digitalisation is also bringing greater transparency, is changing relationships and purchasing behaviours and is paving the way for new players with new business models and alternative customer offerings. New purchasing processes require new strategies for understanding and meeting customers' needs and preferences in whichever channel is being used.

ICA Gruppen's actions

- Continued digitalisation of the customer offering
- Targeted marketing and loyalty programmes that reward loyal customers
- New IT platform for HR
- Digital banking services
- Customised home delivery of medicines etc on the same day



Health and wellbeing

Changes in consumer behaviour are affecting ICA Gruppen in various ways. Among the most obvious trends in society is an increased focus on health – physical as well as mental. The health aspects span a broad spectrum of areas, and diet, exercise and finding a balance in life are increasingly important lifestyle issues. Interest in what the food contains and how it has been produced has increased substantially in recent years. But people do not want bland or complicated products either. Today's consumers demand food that is both healthy and tasty – and adapted to their own preferences. Products and services need to reinforce a desired image, lifestyle and identity, and many people are now seeking out brands that offer and reflect this.

ICA Gruppen's actions

- Major investment in an organic, healthy and locally produced range of products
- Investment in private label products
- Labelling of products with a health profile
- Dietary advice and Minute Clinics at pharmacies



Cross-industry offerings and changed consumption patterns

Competition in grocery retail has increased in recent years – mainly due to the establishment of discount chains, but also as a result of continued cross-industry offerings and increased competition from other channels, not least restaurants and cafés. In metropolitan areas people are less likely to do a “big shop”. Instead they are buying a growing share of their groceries on their way to or from work, and more and more purchasing decisions are not being made until they are in the store. Even if they would like to, they often do not have enough time to prepare everything from scratch, so there is increased demand for ready meal solutions.

ICA Gruppen's actions

- Better availability through digital channels
- Well-balanced ready-prepared food and complete meal solutions
- Pre-packed grocery bags
- Greater focus on securing the right price perception



Demographic changes

From a demographic perspective, ICA Gruppen's markets are being affected by continued urbanisation, immigration and changes in the age structure of the population. Meanwhile, the percentage of single-person households continues to grow. All these aspects are having a major effect, not only on what is consumed, but also where and how.

ICA Gruppen's actions

- Continued focus on establishing new stores in metropolitan areas
- Constant development and adaptation of the product range and offering to match changes in demand
- Major focus on diversity issues, including through the 100 Club initiative (government initiative to offer jobs to at least 100 newcomers in Sweden for three years) and ICA 2020 (which aims to give around 2,000 young people the chance of a first job at ICA over the coming years)

Sustainability and responsibility

Environmental, social and financial sustainability are “hygiene factors”. Consumers are becoming increasingly aware of the impact of food – both the effect on their own health and its impact on the environment. Apart from the environmental and health-related aspects, more people are concerned about the social conditions under which various products are produced. Environmental impact, business ethics and control within a company's own organisation, as well as its external supply chain, are increasingly important issues. This makes it more and more important for companies to show what they are doing to drive these issues forward, so as to strengthen preference for the brand.

ICA Gruppen's actions

- Sustainability perspective integrated into operations
- Environmentally and quality certified stores, sourcing and logistics processes
- Social audits to improve working conditions in high-risk countries
- Labelling in stores to guide customers towards sustainable and ethical choices
- Efforts to reduced food waste, such as fruit drinks made from rescued fruits and test of new date stamp

Vision, targets, strategy and values

ICA Gruppen's vision is to make every day a little easier. The overall goal is to firmly establish the Group's position as a leading retail company focusing on food and health. Group-wide targets, strategic priorities and values create clear frameworks and priorities for work in both the short and the long term.

Financial targets provide a framework

The Group's financial targets exist to ensure that ICA Gruppen creates shareholder value over the long term and to reflect the Group's focus on stable grocery retail sales. ICA Gruppen's long-term financial targets were established by the Board of Directors in December 2014. The targets take into account the acquisition of Apotek Hjärtat and the divestment of the Norwegian property portfolio.

Ambitious and inspiring sustainability targets

ICA Gruppen's sustainability work will lead to tangible results and ensure a sustainable value chain – from production to stores and pharmacies. The Group's sustainability targets are ambitious in order to drive the work forward. After the first climate target was achieved ahead of time in 2014, the Board of Directors established a new progressive target in December 2015. Apotek Hjärtat and Hemtex are included in the sustainability targets from 2016.

A strategy for the future

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

Shared values

ICA Gruppen's strong values form the basis of the Group's operations. A common approach and a shared view of basic values help customers better understand who we are and make the company more attractive to current and future employees. It also facilitates decision-making and improves internal efficiency. ICA Gruppen works within a framework provided by its three common values and the seven position statements established in ICA's Good Business.



Vision

We make every day a little easier

Targets

Long-term financial targets

Grow faster than the market

Operating margin of 4.5%

Return on capital employed of 10%

Net debt/ EBITDA <2

Dividend of at least 50% of net profit for the year

Read more on page 16 →

Sustainability targets

ICA Gruppen's operations will be climate neutral by 2020

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

80% of ICA Gruppen's corporate brand suppliers will be quality certified

Read more on page 17 →

Strategy

Strategic themes

CUSTOMER EXPERIENCE

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

BRAND & LOYALTY

Strengthen customer relationships through leading brands, loyalty programs and CRM

SIMPLICITY

Drive efficiency throughout the value chain

PEOPLE

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

SUSTAINABILITY

Create customer engagement and responsible, climate neutral operations

Values

Values and framework

**Simplicity
Entrepreneurship
Commitment**

ICA's Good Business

Read more on page 22 →

Targets and outcomes

Financial targets

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. ICA Gruppen's long-term financial targets were established by the Board of Directors in December 2014. The targets take into account the acquisition of Apotek Hjärtat and the divestment of the Norwegian property portfolio.

Grow faster than the market

Good sales performance and a strong market position are important factors for achieving and maintaining good profitability and growth in value.

Outcome

In 2016 growth in the Swedish ICA stores was slightly higher than preliminary market growth, mainly due to strong development in the second half of the year. Apotek Hjärtat and Rimi Baltic also increased their sales faster than their respective markets.

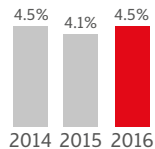
Achieve an operating margin excluding non-recurring items of 4.5%

The target level provides room for investments in the business and a return on capital invested, and is at a good level for the sector. In their business control and follow-up work, the Board and Management Team do not take into account non-recurring items; these items are therefore excluded from the target.

Outcome

Driven by improved margins for Rimi Baltic and ICA Sweden, the Group reached the margin target of 4.5% in 2016.

All segments except ICA Bank improved their operating profit during the year.

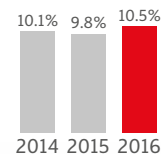


Achieve a return on capital employed of 10%

The level of the target indicates that the Group is using capital effectively. ICA Bank is not included in the calculation because banking legislation means that its assets and liabilities are not available to the Group. ICA Bank instead has a target for return on equity that is a relevant target for banking operations.

Outcome

The improvement is mainly due to Apotek Hjärtat developing well and the fact that the previous year was negatively affected by acquisition and integration costs, and also that capital employed has been reduced by SEK 559 million, mainly within ICA Real Estate. Return on capital is now back to a level that is just above target.

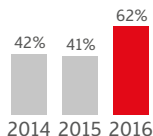


Dividend of at least 50% of profit for the year

The intention is to provide shareholders with a good dividend while at the same time being able to implement value-adding investments in operations.

Outcome

The Board of Directors proposes a dividend of SEK 10.50. This is an increase of SEK 0.50 or 5% and, accordingly, the dividend percentage is 62%.

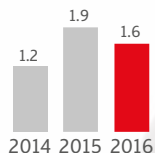


Net debt/EBITDA <2

A good balance between earnings and borrowing provides freedom to act, even in times of recession.

Outcome

Cash flow from operating activities driven by an underlying profit increase (excluding capital gains) has lowered the net debt by SEK 1.9 billion, which has reduced the key ratio overall from 1.9 to 1.6. This is well in line with the target level.



Sustainability targets

As one of the leaders in grocery retail and the pharmacy market, ICA Gruppen has an important responsibility as regards environmental as well as social and financial aspects. ICA Gruppen's starting point is that acting responsibly goes hand in hand with good profitability. The sustainability work will lead to tangible results and ensure a sustainable value chain – from production to stores and pharmacies. The Group's sustainability targets are ambitious in order to drive the work forward. When the first climate goal was reached ahead of schedule in 2014, the Board decided to set a new progressive target in December 2015. Apotek Hjärtat and Hemtex have been included in the Group's sustainability targets from 2016.

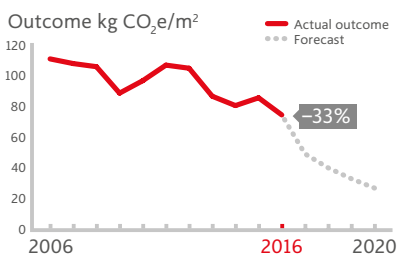
ICA Gruppen's operations will be **climate neutral by 2020**

Climate change affects everyone. To contribute to the UN goal of reducing the temperature increase, ICA Gruppen has an ambitious climate target.

Outcome

During 2016 ICA Gruppen's direct greenhouse gas emissions reduced by 33% (22) compared with the base year of 2006, due to long-term measures involving energy, refrigerants and transport. The main reason for the reduction in 2016 is the substantial increase of renewable fuels in the Swedish logistics operations. The percentage of ICA stores that have switched to refrigerants with a lower climate impact also increased, contributing to the reduction in emissions. Since the base year of 2006 the Group's emissions of carbon dioxide equivalents per square metre have reduced from 111 kg CO₂e/m² to 75 kg CO₂e/m².

ICA Gruppen's climate target places high demands on continued equipment maintenance, operation, contracts and knowledge. The climate impact that cannot be eliminated from operations by 2020 will be offset.

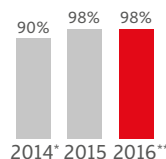


100% of ICA Gruppen's corporate brand suppliers in high-risk countries will be **socially audited**

To ensure that ICA Gruppen's corporate brand products are produced in an acceptable way with respect to human rights, social audits are performed on the premises of suppliers in high-risk countries. The audits are to be performed according to a model approved by ICA Gruppen or according to ICA Gruppen's own social audit tool.

Outcome

By year-end 2016, 98% (98) of the suppliers in high-risk countries that produce ICA Gruppen's corporate brand products had been socially audited. In the product categories food and home and personal care, work during the year resulted in all of the production units for ICA's corporate brand products in high-risk countries having been socially audited. In the categories fruit, vegetables, flowers and non-food, improvements were made during the year, even if not all of the production units have yet been socially audited. The focus in 2017 is on ensuring that a social audit is carried out on new production units and the current production units that have not yet been socially audited.



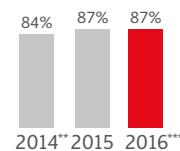
* Outcome has been corrected based on the divestment of ICA Norway.
 ** From 2016 Hemtex and Apotek Hjärtat are included in the outcome.

80% of ICA Gruppen's corporate brand suppliers will be **quality certified**

ICA Gruppen's work on product safety is based on ensuring that all suppliers have a safe production. This is done by requiring that suppliers are certified to a third-party standard that ICA Gruppen accepts, before being approved for contracts.

Outcome

The share of quality certified suppliers producing ICA Gruppen's corporate brand products was 87% (87) at year-end 2016. The share of quality certified suppliers remained stable at a high level throughout 2016. Both the number of production units and the number of quality certified production units increased. One of the reasons for the increase in the number of production units is that Apotek Hjärtat and Hemtex were included in the reporting for 2016. Effective internal routines and ongoing follow-up of quality certificates contributed to the outcome exceeding the target. The goal of ensuring that 80% of ICA Gruppen's corporate brand suppliers are quality certified will remain in place as it is one of ICA Gruppen's key operational targets.*



* Suppliers of food to ICA Gruppen will be quality certified but to allow for a wider range within the category non-food and allow room for small local food suppliers, the overall target is 80%.
 ** Outcome has been corrected based on the divestment of ICA Norway.
 *** From 2016 Hemtex and Apotek Hjärtat are included in the outcome.

For boundaries see "Measurement and calculation methods" on page 130.

Strategic themes and priorities

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

In addition to the long-term themes, several shorter-term common priorities are identified every year. These are assigned targets and broken down into Group-specific activities which are then followed up on a quarterly basis. These priorities, which are central to ICA Gruppen's strategy, also facilitate cooperation and take advantage of synergies between different businesses within ICA Gruppen.



ICA Gruppen's vision is to make every day a little easier. The overall goal is to firmly establish the Group's position as a leading retail company focusing on food and health. The Group's strategy establishes the frameworks and priorities for all that is done to secure the Group's position in the long term.

In 2016 the Group's strategic themes and priorities were revised.

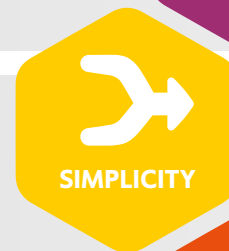
Create growth

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



Enable growth

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





- ✓ Target for the year reached
- NEW! New priority for 2017
- MOD Modified priority for 2017

<p>Provide a great offering, value for money, a strong store network and a personal omni-channel experience</p>	<p>Priorities 2016</p> <ul style="list-style-type: none"> • Ensure competitive pricing and fair price perception ✓ • Strengthen the non-food offering, leveraging Hemtex ✓ • Build a leading omni-channel offering across OpCos and platforms ✓ • Build ICA's overall health offering and position ✓ • Further strengthen our position in the Baltics ✓ 	<p>Priorities 2017</p> <ul style="list-style-type: none"> • Ensure competitive pricing and fair price perception • Implement new strategies with strengthened customer offerings for ICA Non Food, Hemtex and ICA Banken MOD • Build a leading omni-channel offering across businesses and platforms • Strengthen store network and concepts with focus on urban areas, convenience and health NEW! • Ensure a successful integration planning and closing of the IKI acquisition MOD
<p>Strengthen customer relationships through leading brands, loyalty programs and CRM</p>	<p>Priorities 2016</p> <ul style="list-style-type: none"> • Develop leading CRM and build a common Swedish loyalty program ✓ 	<p>Priorities 2017</p> <ul style="list-style-type: none"> • Develop leading CRM and leverage the common Swedish loyalty program MOD
<p>Drive efficiency throughout the value chain</p>	<p>Priorities 2016</p> <ul style="list-style-type: none"> • Drive efficiency throughout the value chain, with focus on store operations and digitalisation ✓ • Improve IT development through closer business integration and new ways of working ✓ 	<p>Priorities 2017</p> <ul style="list-style-type: none"> • Drive reliability and efficiency throughout the value chain with focus on logistics and store operations MOD • Improve speed and project delivery through new ways of working MOD
<p>Engage and develop our people in a fast-moving and diverse organisation</p>	<p>Priorities 2016</p> <ul style="list-style-type: none"> • Integrate ICA's common values and improve talent management ✓ 	<p>Priorities 2017</p> <ul style="list-style-type: none"> • Improve performance management process and change ability NEW!
<p>Create customer engagement and responsible, climate-neutral operations</p>	<p>Priorities 2016</p> <ul style="list-style-type: none"> • Drive sustainable customer choices and climate-smart operations ✓ 	<p>Priorities 2017</p> <ul style="list-style-type: none"> • Drive sustainable customer choices and climate-smart operations

An agile organisation

New technology, new patterns of consumption, the extensive blurring of industry lines, rapid digitalisation and demographic changes are affecting conditions in the sectors in which ICA Gruppen operate. From an organisational perspective it means we have to be innovative, agile and willing to change. To continue adapting the organisation to these rapid developments, ICA Gruppen adopted a new people strategy in 2016.

The changes in the world around us are affecting communities, organisations and individuals. They are changing the relationship both between organisations and the outside world, and between managers and employees. Within organisations, the changes are affecting decision making. Today, more people are involved in decision processes, while managers are generally spending less time on leading their staff. The tasks we are required to do and what we spend time on are gradually changing. Many of the tasks that we do today will disappear and new ones will take their place. Technological developments are also creating opportunities for new players and new business models to challenge and replace existing ones. In parallel with this, extensive changes are taking place in demographics as migration, an increasingly ageing population and extensive urbanisation create new patterns of consumption and changes in demand.

Innovation and agility

What distinguishes these developments from what has happened previously is the speed at which they are happening. It is those who can to change quickly who will be able to benefit most from the changes that are taking place.

To create better conditions for driving innovation and allowing faster decision processes, ICA Gruppen adopted a new Group-wide people strategy during the year. It focuses on continued strong leadership, a greater emphasis on learning and increased value creation through continued work on diversity issues.

Strong leadership

One of the main factors in ICA Gruppen's success is its strong, well-functioning leadership, and a key part of the people strategy is to con-

tinue developing both leadership and employees. As the pace of change steps up and the planning horizon becomes shorter, information flows and decision paths need to be adapted. Our ways of working and processes need to become more agile. A strong, shared culture based on common values, a high level of commitment among employees, strong leadership and a shared view of the overall goals are decisive factors for ensuring the agile organisation that is required going forward.

Greater focus on learning

The development that is now taking place is requiring entirely new strategies for continuous learning. Both the organisation as a whole and the individual employees need to develop continually and to enhance their skills in relevant areas.

ICA has a long tradition of learning. The ICA School has been training employees ever since 1955, and today it offers a wide range of courses for employees – wherever they work in the organisation.

In 2016 we made clear the responsibility that both leaders and the individual employees have to continue learning. Employees must drive their own development, while the leader has an overarching responsibility to secure the organisational expertise in both the short and the long term.

Diversity makes us more competitive

As demographic changes take place, internal diversity becomes an ever greater competitive advantage. Our diversity work focuses on making the most of the creativity and added value that differences provide, thereby creating a dynamic business that leads to high quality products and services. ICA Gruppen therefore

strives to have an organisation that reflects society. Within the Group, everyone must have the same chance of being recruited and of developing in their role at work.

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

Strong forces for change

- Digitalisation
- Cross-industry offerings
- New business models
- Demographic changes
- New patterns of consumption

Major initiatives in 2016

SpICAp identifies areas for improvement

ICA Gruppen goes to great lengths to measure and follow up the initiatives implemented within the Group. One important tool for this is the annual employee survey, SpICAp. The survey focuses on three main areas: engagement, well-being and leadership. The results of the 2016 SpICAp survey indicated continued positive development in all areas.

Continued digitalisation

During the year the implementation of ICA Gruppen's new IT platform for HR continued. In 2015 fundamental HR processes were introduced in areas such as recruitment, administration and pay reviews. In 2016 processes were implemented in respect of individual targets, development plans, and career and succession planning.

Simplicity, Entrepreneurship and Commitment

Work to clarify and implement ICA Gruppen's common values continued during the year. All employees working in offices, warehouses and at pharmacies in Sweden, as well as all employees working in offices, warehouses and stores in the Baltic countries, have been working with ICA's values in several stages. Values are now included in recruitment, introduction, employee surveys, relevant courses and in how we work on performance, learning and development. The responsibility for this continued focus on values now lies with the respective manager and in each company.

Careers and development

In 2016 job and skills profiles were defined. We have clarified the responsibilities and business-critical skills associated with each position, as well as the structure of potential career paths within ICA. Increased transparency enables employees to become familiar with different functions and what is required in them, and allows open, fact-based dialogue between manager and employee concerning continued development opportunities within the company.

Clearer responsibility for the work environment

ICA in Sweden carried out work during the year to ensure compliance with the new regulations on social and organisational work environments. Among other things, these regulate workloads, working time and discrimination. Organisational responsibility for the work environment has been clarified and systematic work environment processes have been developed. New routines and key performance indicators have been introduced to allow clearer follow-up.

Activities to support learning

ICA Gruppen's activities to support learning are primarily concerned with shifting learning into day-to-day activities. The Group's approach is that continuous learning, fast access to knowledge and sharing knowledge are crucial if all employees are to be able to improve at work and drive their development forward. ICA has started using digitalisation to make learning more effective.

- Learning as a theme in management forums and development of ways of working on performance, learning and careers
- Clarification of the employees' and managers' responsibility for learning
- Development of methods and systematic approach to effective learning in Sweden
- Establishment of method within the ICA School for measuring the effect of training and skills development efforts

Activities to strengthen leadership

Leadership at ICA Gruppen is about creating the conditions that allow the individual, the team and the organisation to perform in line with targets and strategies. Work on developing leadership continued during the year, with positive effects for the individual leaders, for the management teams and for a common approach to leadership throughout the Group.

- Further development of the management programme
- New management introduction programme in Sweden
- New structure and content for Rimi Business School
- Clarification of the duties of managers and employees
- Establishment of digital support tools and methods for optimising the development and effectiveness of management teams and leaders

Innovation and agility

LEARNING

LEADERSHIP

DIVERSITY

Activities to support diversity

ICA Gruppen runs a number of initiatives to increase diversity, for example by creating employment for young people and people with disabilities and by supporting newcomers as they seek to become established in Sweden.

- Continued participation in the 100 Club, the government initiative to provide jobs for more newcomers

- Apotek Hjärtat offers assistant positions and internships to trained pharmacists from other countries, even before their qualifications have been approved in Sweden
- Activities aimed at young people who have been out of the labour market for a long time through the initiative ICA 2020
- More employment opportunities at ICA stores for people with disabilities through the project "We can do more"

ICA – 100 years and going forward

2017 we are celebrating the ICA Idea – cooperation between independent retailers. We have been on a fantastic journey through Swedish food history and we are incredibly grateful for it. We also want to look ahead and work for a better future that makes a difference for the next generation through various types of community engagement. This may involve working with schools and sports clubs, offering work placements to newcomers or working to reduce food waste. And much, much more. All in order to shape a living, sustainable local community.



1971 ICANDER is created and functions as a common symbol for the ICA retailers.



1917 THE ICA IDEA IS BORN!
Hakon Swenson establishes AB Hakon Swenson, also known as the Hakon Company, in Västerås, Sweden.



1920 LUXUS COFFEE IS LAUNCHED
The brand lives on for 80 years, up until 2001.

1939 ICA AB IS FORMED
The four wholesale companies Hakonbolaget, Speceristernas Varuinköp (Essve), Ekström & Leffler (Eo) and Nordsvenska Köpmanna AB together form Inköpscentralernas AB ICA.

1940 ICA FÖRBUNDET is started, to provide the retailers with training and financial assistance.

1955 ICA SCHOOL starts up.



1964 PREMIERE of the current ICA logo, designed by Rune Monö.

1972 THE BIGGEST change of ownership to date, as ICA Förbundet becomes the main shareholder in ICA AB.



ICA
100
är och
framåt!



2001 PREMIERE of ICA's commercials known as "the ICA soap".

2011 ICA HANDLA gets an app. The start of ICA's online venture.

1980

1988 THE GREEN DOT is launched – the predecessor of the industry-wide Keyhole label.



1990

1992 THE ICA CARD is launched – ICA's own customer card.

1994 MAJOR INVESTMENT in ICA's private label products begins.

1997 RIMI BALTIC opens its first store in Riga, Latvia.

1998 NORWAY ICA Handlarnas AB and Norwegian Hakon Gruppen AS merge.

2000

2002 ICA Bank is started.

2005 ICA FÖRBUNDET INVEST becomes Hakon Invest and the company is listed on the stock exchange.

2009 ICA STARTS its own pharmacy, Cura apoteket.

2010

2013 HAKON INVEST buys out Royal Ahold. A new group of companies is formed – ICA Gruppen.

2015 APOTEK HJÄRTAT is bought up by ICA. Cura apoteket and Apotek Hjärtat become one.

2015 ICA GRUPPEN SELLS the Norwegian grocery retail business.

2017

Our community engagement in 2017 and onwards

As one of Sweden's largest companies, we have a responsibility to contribute to a community in which health, sustainability and diversity are important. We therefore want to look forward and do what we can for the next generation. Read more about how we are celebrating at ica.se/ica100.

Leading the way in sustainability

ICA Gruppen's ambition is to lead the way in sustainability – to be a positive force and an active player in the long-term sustainable development of society.

ICA Gruppen's aim to lead the way in sustainability comes partly because as a major player, the Group has a great responsibility, but also because sustainability drives long-term growth. Sustainability work is integrated into all of the Group's operations, and one of ICA Gruppen's strategic priorities for 2016 was to drive sustainable customer choices and climate-smart operations. Maintaining a global, national and local perspective simultaneously allows changes to be made in the different markets while joint solutions are found at Group level.

ICA Gruppen works actively to bring about improvements at every step in the value chain, for example by making demands of suppliers, using certification and audits and by developing new sustainable products. Sales of eco-labelled, organic and ethically labelled products are continuing to increase, showing that customers are interested in sustainability. ICA Gruppen supports customers' sustainable choices by offering products and services that both reduce the customers' environmental impact and have a positive impact on their health.

An important part of this work is reducing the Group's own environmental impact, for example through continued measures in respect of refrigerants in the stores, more efficient transport and optimising energy consumption – all in order to achieve the Group's goal of being climate neutral by 2020.

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

The basis of ICA Gruppen's sustainability work

As part of its work on contributing to and working 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 the seven position statements in ICA's Good Business, which have been adopted by ICA Gruppen's Management Team and serve as a foundation for the Group's sustainability work. All governing bodies and employees are trained in ICA's Good Business principles, both via online courses and through special initiatives. Policies and guidelines are linked to these position statements and explain how each is to be put into practice.

ICA Gruppen is also a signatory to the UN's Caring for Climate initiative (2007) and has undertaken to follow the sustainability programme of the Consumer Goods Forum, a global industry organisation. ICA Gruppen supports and follows the OECD's guidelines for multinational enterprises, the International Chamber of Commerce's (ICC) Business

Charter for Sustainable Development and the ICC's anti-corruption and anti-bribery principles. ICA Gruppen is also a signatory to Science Based Targets (2015) and the ERRT Position Paper on Circular Economy (2015). Since 2015 ICA Sweden has been taking part in the government initiative Fossil Free Sweden.

ICA Gruppen has carried out an analysis of the UN Sustainable Development Goals that were adopted in autumn 2015 in order to survey how the Group can best contribute to achieving these goals. The Group is now starting to use the analysis results in its ongoing work.

Key issues and strategy

Each year ICA Gruppen performs a materiality analysis in order to define the specific issues that are most relevant to the Group's work. The materiality analysis provides a basis for the strategic direction of sustainability work, which is established by the Board of Directors and implemented based on strategic planning and business planning processes. Ultimate responsibility for sustainability issues rests with ICA Gruppen's CEO. Read more on pages 61 and 120.



Strategy

Excel in corporate responsibility

Key issues

Socially and environmentally responsible sourcing	Product safety and quality	Country-of-origin labelling	Locally produced food	Quality in stores	Support customers in making sustainable choices	Climate impact of consumer behaviour
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Read more on page 33 →

Sustainability targets

ICA Gruppen's operations will be climate neutral by 2020	100% of ICA Gruppen's corporate brand suppliers in high-risk countries will be socially audited	80% of ICA Gruppen's corporate brand suppliers will be quality certified
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Read more on page 17 →

Foundations

<p>The 10 principles of the UN Global Compact</p> 	<p>ICA's Good Business</p> <p>Read more on page 22 →</p>	<p>ICA's policies on ethics and sustainability</p> <ul style="list-style-type: none"> • Sustainability Policy • Communication Policy • Customer Policy • Business Ethics Policy • Sponsorship Policy
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A thoroughly sustainable organisation

Through ICA's Good Business and associated policies and guidelines, the set targets and certified processes, sustainability work is integrated into day-to-day operations in the Group's stores, pharmacies, logistics and offices.

Sustainability work within the Group is led by the Chief Corporate Responsibility Officer, who in 2016 became a member of ICA Gruppen's Management Team. During the year ICA Gruppen's Board of Directors also established a Sustainability Committee in order to focus on these matters further. Among other things, the Committee will prepare policies for business ethics and sustainability as well as the annual and quarterly sustainability reports.

ICA's Good Business principles and the associated policies and guidelines are evaluated and revised continuously to remain effective and maintain support in day-to-day operations. Every employee is responsible for adhering to ICA's Good Business principles, and is encouraged to report serious irregularities that contravene laws, regulations or ICA's Good Business.

The Group has an external whistleblower service, where employees anonymously can report irregularities.

Supporting tools and standards

ICA Gruppen works in a structured way, using tools and models to follow up and ensure that the products sold and processed by the Group meet both internal and external requirements.

One element of this is certification of large parts of the sourcing, logistics and store processes to relevant standards on quality and the environment. The main advantage of certification is that customers and employees have the assurance that the processes comply with ICA Gruppen's policies and guidelines.

A list of certified operations can be found on page 122.

Continuous dialogue with stakeholders

An important aspect of ICA Gruppen's ongoing development is finding out what both internal and external players think about ICA Gruppen's operations. The goal is, through an ongoing dialogue, to balance and optimise different interests, expectations and wishes, and thereby create the greatest possible value.

The most important stakeholder groups are customers, employees, owners, independent ICA retailers in Sweden, suppliers, authorities and a number of NGOs. These groups have different expectations and place different demands on ICA Gruppen's sustainability work.

Enhancing work on business ethics

Ethics and anti-corruption work are of utmost importance for building trust and strengthening ICA Gruppen's relations with the world around it. The Group does not accept any kind of bribery or corruption, and works actively to ensure that such things do not occur. ICA Gruppen's Board of Directors, CEO and Management Team stands clearly behind this message. In 2016 work continued in accordance with the business ethics governance model produced in 2015.

ICA Gruppen's Business Ethics Policy describes ICA Gruppen's anti-corruption guidelines and includes guidance on gifts and benefits, conflicts of interest and fair competition. In addition to the Business Ethics Policy, there are internal guidelines for entertaining clients, meetings and travel. All supplier agreements must contain a clear business ethics wording, to ensure ICA Gruppen's position on these issues. All members of ICA's Management Team have a responsibility to ensure that the operations in their area of

responsibility are conducted in accordance with the Group's Business Ethics Policy and guidelines. All managers are responsible for ensuring that the policy and guidelines are communicated to employees. One of the tasks of the Board's Sustainability Committee, which was established during the year, is to follow up work on business ethics within the Group. Business ethics is also included as an area in the overall risk analysis for the Group.

Internal online training is provided in order to ensure that all employees are aware of and act in accordance with the Business Ethics Policy. The training is mandatory for all white-collar workers within the Group and is available to other employees. The number of employees who have completed the training is monitored every month and the aim is to report the outcome externally in the future. To complement the online training, classroom-based courses are taught to those groups of employees who are most

vulnerable to business ethics dilemmas. A number of further initiatives are intended to spread knowledge concerning business ethics within ICA – for example, ICA Sweden's intranet has information and ethical questions to decide on. Managers are provided with support for continuing the dialogue on business ethics and anti-corruption in their respective management teams and leadership forums.

ICA Gruppen's external web-based whistleblower service allows employees to anonymously report any irregularities that they feel contravene laws, rules or the position statements in ICA's Good Business. The service has clear rules and procedures for how matters that are reported are dealt with. During 2016, the whistleblower service was accessible for ICA Gruppen's operations in Sweden (although not the operations of Hemtex AB or store subsidiaries), in the Baltic states and in Asia.

ICA Gruppen's stakeholders

Customers

Key issues

- Food safety
- Loyalty programmes and value for money
- Accessibility
- Healthy living
- Organic food
- Climate-smart choices
- Additives
- Working conditions in production

Forums for dialogue

- Informal meetings in-store
- Central and in-store customer service and via social media
- Image and brand surveys
- Regular customer surveys on sustainability issues
- Customer panels
- Local customer meetings

Suppliers

Key issues

- Responsible sourcing and social responsibility
- Food safety
- Sourcing locally
- Climate impact

Forums for dialogue

- Central and local supplier meetings
- Supplier visits and regular contact

Society

Key issues

- Food safety
- Product safety
- Public health
- Integration
- Diversity
- Environmental issues and climate change
- Responsible conduct

Forums for dialogue

- Industry partnerships and networks
- Interest groups
- Participation in conferences, e.g., Almedal Week in Sweden



Owners

Key issues

- Long-term profitability
- Responsible conduct
- Strategic sustainability work
- Food safety

Forums for dialogue

- Annual General Meeting
- Shareholder meetings, seminars and private meetings
- Financial performance and sustainability reports

Independent ICA retailers

Key issues

- Food safety
- Employer responsibility
- Store safety
- Environmental management
- Value-added products, e.g., organic products and products with eco-labels and ethical labels
- Energy efficiency in the stores
- Food waste

Forums for dialogue

- Retailer national convention
- Annual district meetings
- Coordination with the board of ICA-handlarnas förbund
- Ongoing contact through sales managers and quality coaches
- Internal channels such as the intranet, internal TV channel and various targeted printed materials

Employees

Key issues

- Opportunities for skills training and professional development
- Strong leadership
- Good work environment
- Diversity

Forums for dialogue

- Employee survey SpiCAP
- Workplace meetings
- Performance reviews
- Courses
- Whistleblower service

This is how ICA Gruppen can have an impact

Although ICA Gruppen's responsibility reaches beyond its own operations, the Group is not able to influence all parts of the value chain to an equal degree.





One way to increase the Group's ability to have an impact is to set standards for suppliers and work together with customers and the wider world. ICA Gruppen is also a member of various organisations and networks that focus on relevant issues to promote sustainable development.

Climate impact from operations

To achieve the UN's climate goals, global warming needs to be limited – which above all requires a dramatic reduction in global emissions of greenhouse gases. Food accounts for nearly a quarter of humans' climate impact, and since ICA Gruppen operate in the food industry, there is a great opportunity to contribute to positive development.

ICA Gruppen is ambitious in its environmental work and aims for the business to be climate neutral by 2020. Environmental issues are integrated into day-to-day work in stores, pharmacies, logistics and offices, including environmental certification of sourcing, real estate and logistics operations. There is a focus on energy measures, switching to refrigerants with less climate impact, increased use of renewable fuels and minimising waste throughout the chain.

This is how ICA Gruppen can have an impact

						
Part of the value chain	Production	Transport	ICA Gruppen's operations	ICA retailers in Sweden	Transport	Customers
Scope	Suppliers, supplier brands, outsourced transport solutions	Outsourced transport	Own stores and pharmacies, own warehouses and transport, private label products, own properties	Independent retailers' stores	End consumers	End consumers
Influence	Some influence	Some influence	Big influence	Some influence	Limited influence	Limited influence
Management	Choice of suppliers, contracts and stipulations, choice of products, supplier audits, ongoing inspections and follow-up.	Choice of haulage companies, contracts and stipulations, transport route requirements, modes of transport, efficiently loaded lorries, ongoing inspections and follow-up.	Choice of products, choice of store locations, warehouses, modes of transport and energy sources, waste management, regular self-assessments, internal training and professional development, product range strategy, e.g., range of value-added products such as eco-labelled, organic, ethical labelled and Keyhole-labelled.	To some extent, choice of products, contracts and partnerships, information and lobbying, dialogue and collaboration with stakeholder groups.	Choice of store locations, charging points at stores, dialogue and collaboration with stakeholders, communication and consumer information.	Product offerings, loyalty programmes, dialogue and collaboration with stakeholders, communication and consumer information.

Since 2006, ICA Gruppen's direct greenhouse gas emissions have decreased by 33% (22). The decline has been largely thanks to long-term efforts within the areas of energy, refrigerants, transport and business travel. ICA Gruppen's target to be climate neutral by 2020 puts high demands on equipment maintenance, operation, contracts and knowledge to improve resource efficiency and drastically reduce the climate impact of ICA Gruppen's own operations.

Within ICA Gruppen, the greatest climate-influencing factor is at the stores. The Group is therefore focusing work on a gradual switch to

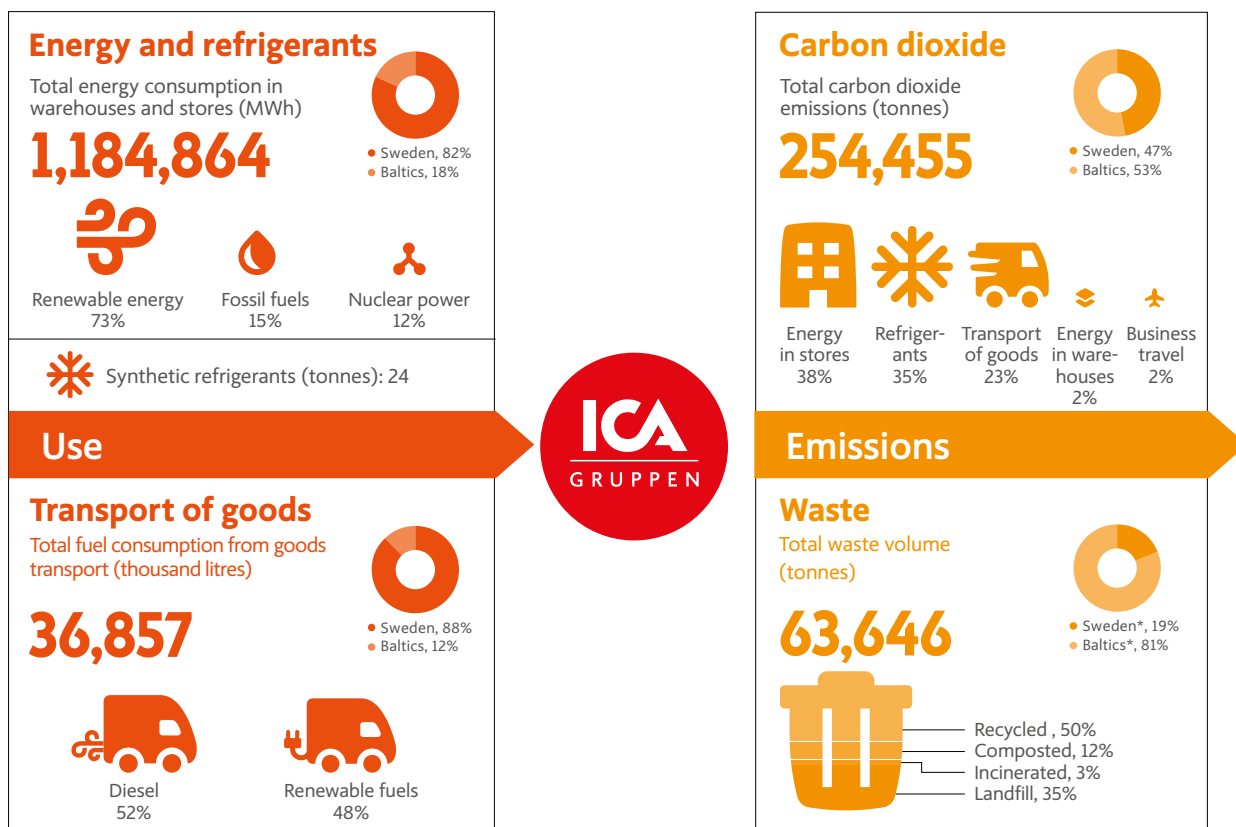
renewable energy and refrigerants with less climate impact, and on energy efficiency measures such as changing to LED lighting and putting lids and doors on chillers and freezer cabinets. These measures help reduce the Group's greenhouse gas emissions and at the same time – in the longer term – reduce costs, both for the Group and for individual stores.

A fourth of ICA Gruppen's total direct climate impact comes from operating warehouses and transports, so the Group is always working to make improvements and improve efficiency in this area. More extensive efforts during the year included an increased share of

renewable fuels. Nearly half of ICA Gruppen's total fuel consumption consists of renewable fuels.

The figure below illustrates ICA Gruppen's energy and material overview, i.e., the resources consumed by operations and what is left behind, and include all companies in ICA Gruppen. The waste data does not include waste from the Swedish ICA stores, Apotek Hjärtat and Hemtex. Read more on page 124 onwards.






ICA Gruppen's use of resources



* 100% of waste in Sweden and 57% of waste in the Baltics was recycled.

Focus areas for sustainability

ICA Gruppen aims to lead the way on key issues in the areas of the environment, quality, health, ethical trade and community engagement. The Group's sustainability work is structured around these five focus areas.

Focus area	Target
 <p>Environment Environmental issues are integrated into day-to-day work in stores, pharmacies, logistics, sourcing and offices, partly through tools and certification schemes. Major focus is on improved energy efficiency, transport optimisation and minimising waste throughout the chain.</p>	<ul style="list-style-type: none"> • ICA Gruppen's operations will be climate neutral by 2020 (page 17) • ICA Gruppen's sourcing operations, as well as ICA Sweden's logistics operations, will be environmentally certified (page 122) • All palm oil and soy used in ICA Sweden's corporate brand food products will be responsibly produced (page 34) • ICA Real Estate's wholly owned new buildings will be classified Gold by the Sweden Green Building Council (page 122) • Cotton in Hemtex's corporate brand products will come from more sustainable sources by 2020 (page 35)
 <p>Quality Every product that ICA Gruppen sells should meet the quality standards set by the Group and associated stakeholders. This is achieved by means of regular supplier audits, reviews of product contents and labelling, and product testing. ICA Gruppen also carries out systematic quality assurance work in its logistics operations as well as in stores and pharmacies.</p>	<ul style="list-style-type: none"> • 80% of ICA Gruppen's corporate brand suppliers will be quality certified (page 17) • ICA Gruppen's sourcing operations, as well as ICA Sweden's logistics operations, will be quality certified (page 122) • 95% of ICA stores in Sweden will be internally audited every year (page 38) • 600 ICA stores will be certified to the Swedish standard for food handling in stores (page 38) • 120 pharmacies will be internally inspected (page 38)
 <p>Ethical trade ICA Gruppen sells products from around the world and needs to know where the products come from and under what conditions they were produced. ICA Gruppen does not accept discrimination, child labour, forced labour, infringement of the right to organise and collectively bargain, young workers being exposed to hazardous work or other failures to comply with human rights.</p>	<ul style="list-style-type: none"> • 100% of ICA Gruppen's corporate brand suppliers in high-risk countries will be socially audited (page 17)
 <p>Health Helping customers to feel good and inspiring them to have a healthy lifestyle are important roles played by ICA Gruppen. Through products that address issues concerning additives, allergies, trends and lifestyles, ICA Gruppen can spread information and inspire customers to make conscious choices on a daily basis. This is always based on official nutritional recommendations and dietary guidelines.</p>	<ul style="list-style-type: none"> • At least 42% of respondents in customer survey* will feel that ICA Sweden makes it easier for them to make healthy choices (page 127)
 <p>Community engagement ICA Gruppen aspires to be a positive force in society and to make smart investments for the future, particularly through partnerships and strong local connections. The Group partners with charitable organisations that focus on public health, the environment, humanitarian efforts and diversity.</p>	<ul style="list-style-type: none"> • At least 28% of respondents in customer survey* will feel that ICA Sweden is committed to sustainable development (page 127) • At least 47% of respondents in customer survey* will feel that ICA Sweden is good at Swedish produce (page 127)

Key issues

ICA Gruppen's sustainability work is based on an annual materiality analysis which identifies the sustainability issues that are most relevant. The materiality analysis is based on the continuous dialogue that takes place with ICA Gruppen's stakeholders, along with internal analyses of the business and the world in which it operates. For further information on the materiality analysis see page 120.



Socially and environmentally responsible sourcing

Read more on page 34 →



Product safety and quality

Read more on page 36 →



Country-of-origin labelling

Read more on page 37 →



Locally produced food

Read more on page 37 →



Quality in stores

Read more on page 38 →



Support customers in making sustainable choices

Read more on page 38 →



Climate impact of consumer behaviour

Read more on page 40 →

ICA Gruppen's sustainability work

Sustainability work at ICA Gruppen is structured around the five focus areas of the environment, quality, health, ethical trade and community engagement. This section describes ICA Gruppen's work on the key issues within these areas.



Socially and environmentally responsible sourcing

ICA Gruppen does business all over the world, which means taking responsibility across borders. Continuous monitoring and dialogue ensure that suppliers comply with both social and environmental requirements.

ICA Gruppen does not accept discrimination, child labour, forced labour, young workers being exposed to hazardous work, infringement of the right to organise and collectively bargain, or other failures to comply with human rights. This is made clear in policies and in the contracts with all suppliers. The requirements are based on the UN's Universal Declaration of Human Rights, the Convention on the Rights of the Child and the International Labour Organisation's (ILO) core conventions.

To ensure that ICA Gruppen's corporate brand products are produced in an acceptable way with respect to human rights, social audits are performed on the premises of suppliers in high-risk countries. ICA Gruppen has a number of sourcing offices in Asia with teams for product quality, environmental issues and social responsibility, which allows better insight and provides valuable experience that helps these collaborations. To monitor this and to help suppliers meet the requirements, training and projects are also regularly carried out in partnership in the suppliers' countries.

Local support for suppliers

ICA Gruppen makes regular visits to suppliers to see what happens on-site and to encourage and stimulate continued development and follow-up. During the year, for example, representatives of ICA Sweden visited suppliers of almonds in California to discuss the problems of drought and the large amount of irrigation that almond trees require.

ICA Gruppen also participates in various partnerships in order to work more directly with local producers around the world in projects that not only result in local development, reduce poverty and encourage farming that is more sustainable in the long term, but also ensure a supply of high quality produce. In Guatemala, ICA Sweden and the Dutch aid organisation IDH The Sustainable Trade Initiative have run a project to grow peas, which included training growers in improved growing techniques, social responsibility and human rights. The main aim of the project is to help the farmers to achieve two harvests per season and thereby double their incomes.

For the past five years ICA Gruppen has been working in partnership with the Centre for Child Rights and Corporate Social Responsibility (CCR CSR) in China, an organisation started by the Swedish branch of Save the Children. A project

in the supply chain jointly funded and supported by ICA Gruppen, CCR CSR, Disney, Clas Ohlson and HP, called WeSupport, ended in 2016. The focus of the project was on training line managers, young workers and parents about rights and obligations concerning employment, conflicts and parenting, and to increase awareness of child labour. In total, close to 5,700 workers took part of the training program between May 2014 and November 2016.

For a number of years ICA Sweden has been driving the issue of acceptable terms for people employed to pick berries in Swedish forests, and has also participated in the revision of the guidelines for responsible berry sourcing issued by the Swedish Food Federation and the Swedish Grocery Trade Federation. During the year social audits according to the Swedish Grocery Trade Federation's common tools were conducted at ICA Sweden's Swedish suppliers of wild berries. The results show that the berry suppliers have taken seriously their responsibility to ensure good working conditions for their employees and can demonstrate that the guidelines are largely complied with.

Responsible use of raw material

ICA Gruppen is involved in partnerships to improve the production conditions for both palm oil and soy, since the production can cause environmental and social problems. ICA Sweden has set a goal for all palm oil used in its corporate brand food products to be RSPO-certified (Roundtable on Sustainable Palm Oil). During 2016, the vast majority of ICA Sweden's corporate brand food products contained RSPO-certified segregated palm oil. Regarding the small share that did not contain RSPO-certified segregated palm oil, ICA's approach is to compensate for these by buying so-called palm oil credits. In January Rimi Baltic organised a seminar on RSPO-certified palm oil for its suppliers. The aim was to raise awareness of the certification, but also in the longer term to contribute to all palm oil that is used in Rimi's corporate brand products being certified.

Soy that is used in ICA Sweden's corporate brands in soy products and in meat and dairy products from animals raised with soy is responsibly produced and certified according to RTRS (Round Table on Responsible Soy) or ProTerra. This is in line with the Swedish Soy Dialogue, a call for responsibly produced soy, to which ICA Sweden is a signatory.

Since 2011 ICA has been able to offer customers recyclable plastic bags made from sugar cane. In 2016 ICA Sweden went one step further, and its central product range will use only plant-based plastic bags, rather than petroleum-based plastics.

ICA's environmentally friendly bag is made from sugar cane, which has 85% lower carbon dioxide emissions when incinerated than petroleum-based bags. The bag is also fully recyclable.

New sustainable method of labelling

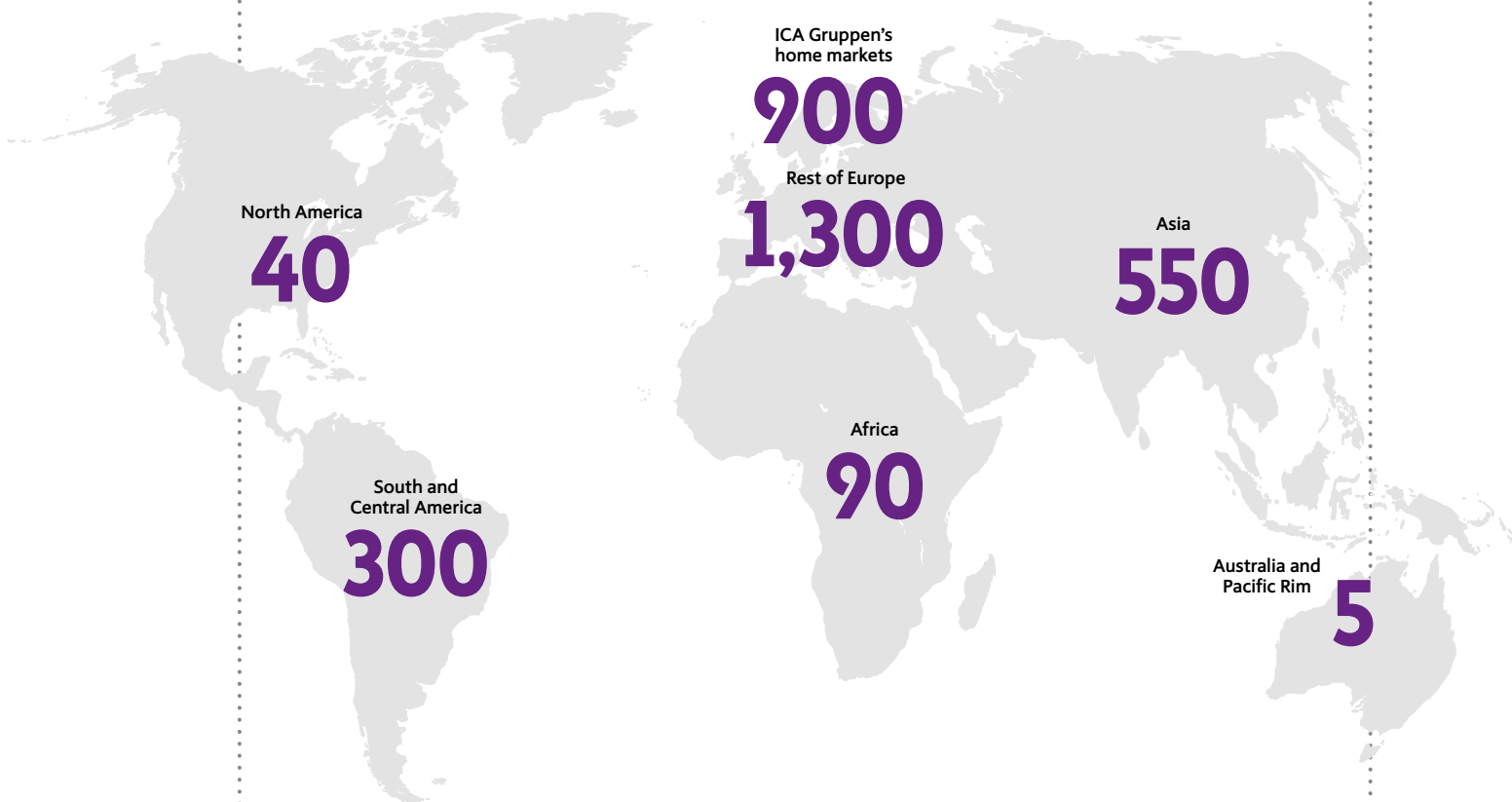
During the year ICA Sweden was the first Swedish grocery chain to test out a new method of labelling fruit and vegetables. The method is more sustainable and provides better traceability. The products are labelled directly on the skin using lasers that change the pigment so that the name, country of origin and PLU code can clearly be seen. Organic avocados and organic sweet potatoes were the first to be tested, since organic produce needs to be able to be distinguished from other produce. Since the marking is on every product, there is no need for stickers, trays or plastic film around the products. Through this initiative ICA Sweden expects to save more than 200 kilometres of plastic film a year for the organic avocados alone.

Hemtex adopts goal of more sustainable cotton

Since 2007 Hemtex has been a member of the Better Cotton Initiative (BCI), which is working to make global cotton production more sustainable as regards environmental, economic and social factors. Hemtex's target is for the cotton in its corporate products to come from more sustainable sources by 2020, and is also looking into other sustainable materials such as recycled cotton and alternative fibres such as lyocell.

ICA Gruppen's world of suppliers

Below is a list of where in the world ICA Gruppen is active in the sourcing and production of its corporate brands. The number of production units is not static; it depends on the product range in the stores and on seasonal variations.



Approximate number of production sites around the world for ICA Gruppen's corporate brand products.



Product safety and quality

Country-of-origin labelling and traceability are important parameters in ICA Gruppen's quality work. Obviously, the products ICA Gruppen sells must comply with laws regarding such matters as labelling and ingredients.

ICA Gruppen is working on several fronts to prevent food fraud, including through quality certificates, testing and checks as well as collaboration with others in the industry. ICA Gruppen is also engaged in a continuous dialogue with the food industry and relevant authorities, and monitors the work of the Global Food Safety Initiative (GFSI) in this area. An internal vulnerability analysis in accordance with GFSI requirements has been performed, and the Group has its own action plan to counter food fraud.

During the year work on surveying the product range in terms of risk assessment continued at ICA Sweden, forming a basis for future priorities when it comes to countering food fraud. Every year 10 focus areas are selected for internal analyses. For certain products it is not sufficient simply to analyse the products; the suppliers also need to be audited. ICA Gruppen has produced a tool based on its own method for making unannounced visits to suppliers. During the year two visits were made in Sweden – one to a dairy supplier and one to a meat supplier – with the aim of verifying that the tool worked satisfactorily. The results were good and the method will now continue to be used in further audits. In addition, a number of tests were carried out at the product level during the year. No indication of food fraud was found in any of these.

Continuous checks

ICA Gruppen's work on product safety is based on ensuring that all suppliers have good, safe production. This is done by requiring and checking that suppliers are certified to a third-party standard before being approved for contracts.

Before a private label product is launched, it undergoes several stages of assessment and testing to ensure that ICA Gruppen knows the exact content and that the product meets requirements as regards flavour and functionality. Moreover, all products are examined and approved to ensure that they comply with ICA Gruppen's policies and internal guidelines. Packaging information is also inspected and approved.

After launch, follow-up checks are carried out on the supplier's premises and on the product to check that it continues to meet ICA Gruppen's expectations of a good quality, safe product. During the year 3,600 product tests were carried out by ICA Sweden.

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 shelves and distributes a press release announcing a recall. In 2016 ICA Sweden carried out nine recalls of private label products. Rimi Baltic did not have any recalls of private label products.

During the year the directors-general of the Swedish Board of Agriculture, the Swedish National Food Agency and the Swedish Agency for Economic and Regional Growth visited Maxi ICA Stormarknad Lindhagen to see first-hand how digitalisation and traceability are being implemented in practice and the ways in which this can be of use throughout the value chain, right up to the end consumer. The aim was to make the work of the grocery retail sector visible and shed light on future requirements of traceability, food checks, labelling and waste management.

Phase-out of harmful substances

ICA Gruppen works actively to limit the use of chemicals that could be harmful to humans and the environment. Identified substances are included in relevant steering documents, such as so-called negative lists, which are used to set requirements for the content of the products included in the product range. Particularly stringent requirements apply to ICA Gruppen's private label products. Suppliers are contractually obligated to abide by the Group's restrictions, which is monitored through random sampling and inspections. During the year Apotek Hjärtat updated its negative list for several groups of products.

In recent years ICA Sweden has been working to phase out BPA from food packaging and products. This year ICA Sweden reached its target of having no BPA in the packaging used for its grocery range – whether these are private label products or products from external suppliers. This means that all baby products, plastic food containers, grocery packaging and cash register receipts are entirely BPA-free.





Country-of-origin labelling

The issue of country-of-origin labelling has continued to grow in significance. More and more customers want clear information on both where the products come from and where they were packed. Growing demand from customers for clear country-of-origin labelling means that it will remain important for ICA Gruppen to increase traceability and transparency about where the primary products are grown or where the animals were raised.

In 2016 this work continued with ICA Sweden's customer communication "From here, in Sweden", which will make it

easier for the stores to highlight Swedish and local product ranges and communicate Swedish added value. In addition, a new, industry-wide "From Sweden" country-of-origin label was launched. The aim is to make it easier for customers to find Swedish-produced goods in the stores. The label is blue and yellow and can be used on foods, primary produce and plants that are produced in Sweden and meet the criteria. To date the label can be found on 615 of ICA Sweden's private label products.



Locally produced food

In both Sweden and the Baltic countries demand for locally produced food is substantial and growing. ICA Sweden and Rimi Baltic are working in various ways to increase the share of locally produced food in their respective product ranges.

ICA Sweden has a digital platform where local suppliers can register themselves. Quality assurance of suppliers takes place in partnership with an external party. This means that ICA stores can find locally produced, quality assured products more easily. More than 1,200 suppliers were linked up to the system during the year.

Rimi Baltic also initiated various efforts and campaigns during the year on the theme of organic and locally produced food. There was also a major focus on highlighting seasonal produce. Among other things, local producers were invited to present their products in stores.

ICA Sweden continues working with the Federation of Swedish Farmers

Since 2014 ICA Sweden has been working with the Federation of Swedish Farmers with the aim of expanding its offering of Swedish products in stores, increasing sales of Swedish food

and supporting development and growth in Sweden's rural areas. During the year the partnership continued with various joint projects. Major activities included the "milk krona", which raised SEK 113 million for Sweden's farmers, and a new agreement that secures Swedish raw milk for ICA Sweden's dairy products. In addition, ICA Sweden has implemented a number of communication measures and campaigns to highlight the added value in Swedish food. ICA Sweden has also organised local cheese festivals and arranged meetings to make it easier for store representatives and farmers to establish contacts and build business relationships.





Quality in stores

Ensuring quality in stores is of great importance to ICA Gruppen. Structured work based on standards and certification helps achieve this. Since 2009 ICA stores in Sweden have applied the Swedish standard for food handling in stores. ICA Sweden played a decisive role in developing what became the world's first third-party food safety standard for grocery stores.

In order to increase the number of ICA stores certified to the standard, ICA Sweden decided to subsidise half the cost of certification for all stores once during the period January 2016 up to and including June 2017. This had the desired effect and at year-end 2016 428 (351) ICA stores had been audited and certified by an external inspection body. In total, around 1,000 (950) ICA stores had implemented the standard at the end of the year.

ICA Sweden's quality coaches carry out an annual internal audit of practically all ICA stores, which includes an extensive

review of all the store's food handling. The goal is that 95% of ICA stores will be internally audited each year. In 2016, ICA Sweden achieved 96% (91). Rimi Baltic uses its own standard for food handling, which is based on the Swedish standard and covers all of the store formats in Estonia, Latvia and Lithuania.

The quality system at pharmacies, the so-called self-monitoring programme, is regulated by the Medical Products Agency's (MPA) legislation. All pharmacies must have a pharmacist with responsibility for medicines, who is responsible for ensuring compliance with the requirements and who also reports to the MPA if there are serious deficiencies in the operations. In addition, every year an inspection is carried out by the pharmaceutical manager at the pharmacy. Apotek Hjärtat has quality assurance specialists who conduct regular internal inspections to ensure that its pharmacies maintain a high level of quality and follow the self-monitoring programme. In 2016, 142 (120) internal inspections were conducted.



Supporting customers in making sustainable choices

For sustainable development to take place, major changes are needed so as to reduce our use of natural resources and decrease harmful emissions. As a major player, ICA Gruppen has an important responsibility as well as great opportunities to influence and inspire people. For some years ICA Gruppen has worked actively and purposefully to encourage customers to adopt a lifestyle that benefits not only their own health and the environment, but also society in general. Increasing their intake of fruit, vegetables and legumes provides benefits both for the climate and for their own health.

The Group supports customers' sustainable choices, for example by offering sustainable products and services and by encouraging physical activity and increased knowledge. Through products that address issues concerning additives, diets, allergies and lifestyles, the Group can spread information and inspire customers to a healthy lifestyle. This work is based on official Nordic dietary guidelines and nutritional recommendations. ICA Gruppen also maintains continuous

dialogue with politicians, authorities, trade colleagues and other stakeholders concerning how the retail trade can help reduce public health problems.

Increased sales of eco-labelled, organic and ethically labelled products

In recent years, consumer demand for products that give consideration to the environment, production conditions and customers' own health has increased dramatically, and store sales of products in ICA Sweden's range that are eco-labelled, organic or ethically labelled continued to increase during the year. Eco-labelled, organic and ethically labelled products accounted for 10.2% of sales during the year.

To meet the increasing demand and support customers' sustainable choices, ICA Gruppen is continuing to launch new products. One example is the flour Vetemjöl på väg ("Flour on its way") the collaboration between Berte Qvarn and ICA Sweden, which aims to support farmers who want to switch

Sales of
eco-labelled, organic and ethically labelled product range

+7%

Total sales of ICA Sweden's eco-labelled, organic and ethically labelled product range in Swedish ICA stores, excluding local sourcing by the ICA stores.

Sales of
organic product range

+18%

Total sales of ICA Sweden's organic product range in Swedish ICA stores, excluding local sourcing by the ICA stores.

to organic farming and produce organic flour. During the year ICA Sweden also launched a number of new vegetarian products in the ICA Gott Liv (Good Life) range, expanded its range of MSC-labelled products and increased the organic assortment. During the year, ICA Sweden's main product range included more than 3,200 organic products. The organic range as a share of total sales during the year was 5.3% (5).

ICA Gruppen's own organic brand, ICA I love eco, is available in all of the Group's markets. In 2016 sales of the ICA I love eco range in Sweden increased by 22% (72). In all, the product range included 970 (500) ICA I love eco products. In partnership with Apotek Hjärtat, ICA Sweden also produced an organically certified body care range consisting of around 20 face, body and hair care products.

Sustainable choices in Apotek Hjärtat

Apotek Hjärtat launched an organic skin care range, Apolosophy ECO, and also offers easily accessible health care services in a number of what are known as Minute Clinics connected to Apotek Hjärtat or ICA stores. The project "Välj med Hjärtat" (Choose with your Heart) continued during the year. This project aims to help customers make sustainable choices of both medicines and other products at Apotek Hjärtat. A pilot test in three pharmacies has been carried out, where products in the over-the-counter medicines category from suppliers that meet Apotek Hjärtat's sustainability requirements have been given a label to show this. Starting in the beginning of 2017, the label will be introduced in all of Apotek Hjärtat's pharmacies.

Labelling and nutritionists make choices easier

To make things easier for customers in Sweden, ICA products are clearly labelled and the stores have clear signs for hypo-allergenic products and products that are healthier. In Sweden,

the Keyhole label guides customers to products that are lower in salt and sugar, that contain more whole grains or fibre or more healthy or less fat. For a number of years Rimi Baltic has put great efforts into health campaigns to encourage customers to increase their intake of fruit and vegetables. During the year Rimi in Lithuania launched the "Choose healthier" label, which is based on the criteria for the Keyhole label, the ICA Gott Liv product range and the EU's health claims.

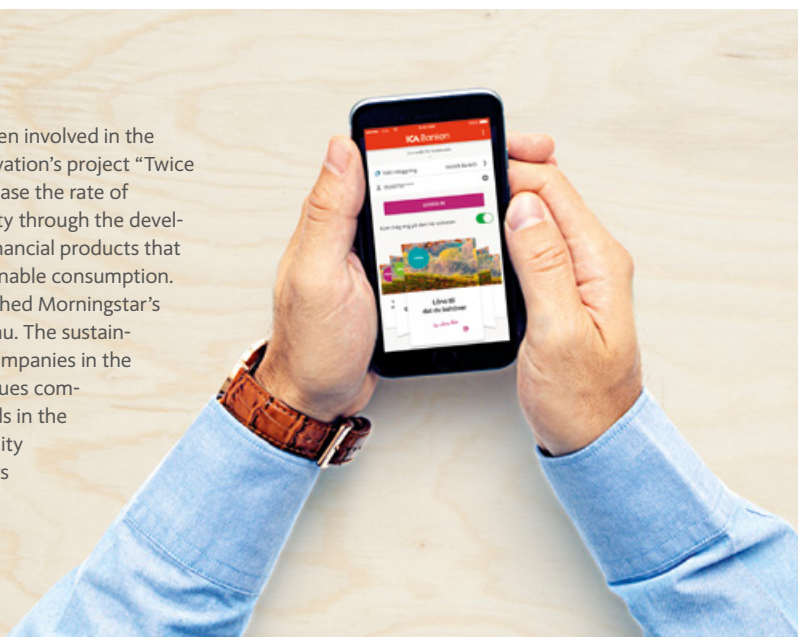
As part of its work to help customers have a healthier diet, during the year ICA Sweden introduced the ICA nutritionists – three experts in the significance of food for health. The ICA nutritionists base their work on current science, WHO guidelines and the Nordic Nutrition Recommendations. In Estonia, Rimi also offers support in the form of video clips from a nutritionist and personal coach, with the aim of inspiring people to exercise and eat healthily.

Support for health and exercise activities

ICA Sweden has long been committed to children's and young people's health, including through the annual health initiative "Buddy with your Body". ICA's children's health initiative has been under way for 15 years and to date over 900,000 schoolchildren have completed the training, in which they learn more about the importance of good food and exercise. During the year ICA Sweden also became involved in the new organisation GEN-PEP which works to provide children and young people with opportunities to live an active, healthy life. The organisation aims to spread knowledge and commitment in the area of children's and young people's health.

ICA Bank offers greener products and sustainability ratings

Since January 2016 ICA Bank has been involved in the Swedish Society for Nature Conservation's project "Twice as Green". The project aims to increase the rate of change to a more sustainable society through the development and quality assurance of financial products that favour resource-efficient and sustainable consumption. During the year ICA Bank also launched Morningstar's sustainability ratings in its fund menu. The sustainability ratings show how well the companies in the fund are managing sustainability issues compared with companies in other funds in the same fund category. The sustainability ratings are a way to guide customers to making informed choices when selecting funds.





Climate impact of consumer behaviour

Food accounts for nearly a quarter of people's climate impact, and already the consumption is higher than the Earth's finite resources can cope with. By virtue of its size, ICA Gruppen has both a responsibility and an opportunity to help customers reduce their own climate impact, such as by highlighting more sustainable options. ICA Gruppen is implementing a range of measures to contribute to reducing the climate impact of consumer behaviour.

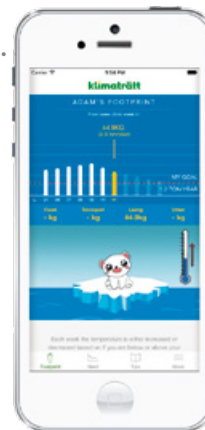
With over 17,000 recipes and 2.4 million visits per week, ica.se is Sweden's single largest food website. During the year climate guidance was added to the recipes on ica.se. The recipes are given one, two or three leaves symbolising how good they are from a climate perspective. The calculations are based on a scientific method developed in partnership with Chalmers University of Technology. At year-end 2016 more than 2,500 recipes had climate guidance, and in the future all new recipes will be graded from a climate perspective.

Nobel Week seminar on the future of food

During the year ICA Gruppen put on an exhibition as part of Nobel Week Dialogue, which is a major scientific conference in Sweden on 9 December each year. The event is part of the official Nobel Week and brings together Nobel Laureates, leading researchers, opinion shapers, decision makers and the general public. This year's theme was "Your plate. Our planet: The future of food". Taking part gave ICA Gruppen a way of demonstrating ICA's knowledge and ambitions in the areas of food, climate and health, and to discuss on the spot some of the greatest challenges of our time with Nobel Laureates and some of the world's most knowledgeable experts in the field. ICA also provided the menu for the event, created from ICA's climate-guided recipes.

UN award for climate project

The "Klimaträtt" (Climate-right) project has helped and inspired the residents of an apartment building in Uppsala to reduce their climate impact in simple ways by using practical tools in their everyday lives. Using an app that calculates the carbon dioxide emissions of the participants' various purchases, the participants were able to measure and reduce their climate impact. The project was started on the initiative of ICA Sweden and Uppsalahem, working with partners WWF, Chalmers, ICA Bank, ICA Supermarket Torgkasen, Sunfleet, UL, Automile, Uppsala Municipality and Metry. Vinnova helped finance the development of the app used in the project through its programme for test beds in the area of environmental technology. In the autumn the project won an award from the UN initiative Momentum for Change, which is a collaboration with the World Economic Forum Global Project on Climate Change and the Global e-Sustainability Initiative.



Measures to reduce food waste

Roughly a quarter of all food bought is thrown away rather than being consumed. ICA runs a number of initiatives to help reduce food waste. During the year ICA Sweden launched the “Fresh until at least” date stamp for four of ICA’s private label yoghurt variants as a way of drawing consumers’ attention to the actual significance of food date stamping, and thereby reducing food waste. Far too much of the food thrown out by households is still good even though the “Best before” date has passed. However, the date stamp was questioned by the Swedish National Food Agency, as a result of which ICA Sweden changed back to the “Best before” date stamp.

Another way to reduce food waste is to ensure that the packaging design is functional. For example, ICA Sweden has introduced yoghurt packaging that makes it easier to scrape out all the contents without anything being wasted. The packaging is also easier to squash, so takes up less space in the recycling bin.

Together with the company Rescued Fruits, ICA Sweden also rescued nearly 22 tonnes of fruit during the year that would otherwise have been discarded. Surplus fruit from ICA’s warehouses was turned into fruit drinks under ICA’s private label. During the autumn the rescue campaign was expanded to also include fruit from ICA stores.

Breakdown of food waste in Sweden



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

- ICA takes anatomical responsibility, buying for example the whole pig and the whole of milk production.

- Private label products with improved packaging for a longer life.
- Accurate forecasts for production.
- Circular collaboration, e.g. with Rescued Fruits.
- Testing out of new date stamp.
- Meal solutions, e.g. pre-packed grocery bags and ICA’s meal boxes.

- Good knowledge of the local market and efficient buying procedures, so the right kind of products are bought in the right quantities.

- Juice drinks made with fruit salvaged from stores and warehouses.
- Local engagement in stores, e.g. meals from products that are nearing the best before date.
- Reduced prices for products that are nearing the best before date.
- Partnerships with charity organisations.

- Recipes for cooking with leftovers on ica.se and grocery bags designed to minimise waste.

- Information to consumers to increase knowledge concerning the shelf life of food and food handling.
- Sizes designed for small households (both packaging sizes and e.g. splitting root vegetables).

Food waste = all food waste that arises, including unavoidable waste such as skin, bones, etc.

Avoidable food waste = unnecessary food waste

* Refers to all food waste that arises, not just the unnecessary food waste known as food loss.

** Where the source report contains no data on food loss at the wholesale stage/ in warehouses, the same figure as for retail has been used for wholesale – since in the report and based on earlier studies, this element is said to be lower than at the retail stage/in stores.

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

ICA Gruppen's segments

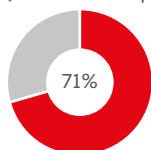
ICA Gruppen's operations are divided into six segments: ICA Sweden, Rimi Baltic, Apotek Hjärtat, ICA Real Estate, ICA Bank and Other Segments (the former Portfolio Companies segment is now Hemtex only). The core business is grocery retail. The intention is for other operations to support the core business, but they may also be further developed for new business opportunities and contribute to profitability and further growth on their own merits.

ICA Sweden

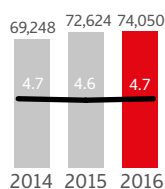
With 1,296 stores and a market share of approximately 36%*, ICA Sweden is the leading grocery retailer in Sweden. The independent ICA retailers own and operate their stores, but have agreements with ICA Sweden in areas such as coordinated sourcing, logistics, market communication and store development.

* Calculated based on total grocery consumption irrespective of channel according to Nationalräkenskaperna (Sweden's National Accounts).

Net sales, %
(of entire Group)



Net sales (SEK m)
and operating margin (%)

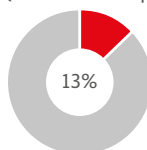


Number of employees
7,622

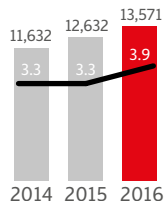
Rimi Baltic

Rimi Baltic is a grocery retailer operating 264 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 2016 Rimi Baltic had 88 stores in Estonia, 119 in Latvia and 57 in Lithuania, providing a market share of 15.9%.

Net sales, %
(of entire Group)



Net sales (SEK m)
and operating margin (%)

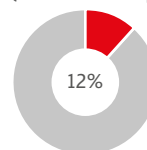


Number of employees
9,679

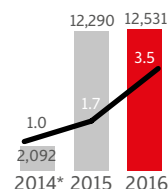
Apotek Hjärtat

With 385 pharmacies and a market share of just over 31%, Apotek Hjärtat is the second largest company in the Swedish pharmacy market. Pharmacy operations play an important role in ICA Gruppen's efforts to achieve a leading position in health.

Net sales, %
(of entire Group)



Net sales (SEK m)
and operating margin (%)



Number of employees
3,234

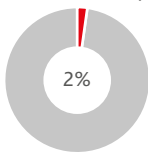
*2014 refers to Cura pharmacy.



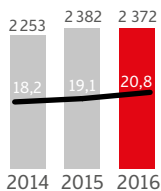
ICA Real Estate

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

Net sales, %
(of entire Group)



Net sales (SEK m)
and operating margin (%)



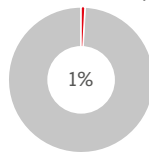
Number of employees

87

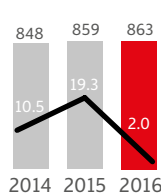
ICA Bank

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

Net sales, %
(of entire Group)



Net sales (SEK m)
and return on equity, (%)



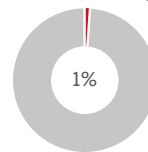
Number of employees

356

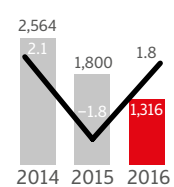
Other Segments

With a total of 158 stores in Sweden, Finland and Estonia, Hemtex is a leading home furnishings chain in the Nordic region. It is currently implementing extensive changes, with the overall aim of laying the foundations for long-term sustainable profitability.

Net sales, %
(of entire Group)



Net sales (SEK m)
and operating margin (%)*



Number of employees

607

*All years include divested companies.

ICA Sweden

Good sales growth and stable profits

For ICA Sweden, 2016 was a year of continued good sales growth and stable profits. Meanwhile, competition in the market continued to increase.

Focus areas for the year included increasing sales, further development of the product range, growing the share of private label products, continuing the launch of the online sales platform and completing comprehensive logistics changes in southwestern Sweden. In the majority of these areas good results were achieved during the year, helping to strengthen the offering and achieve a solid market position for the independent ICA retailers.

Work on developing the physical store network continued during the year. A total of 17 new stores were opened, while 27 were closed. As an important aspect of efforts to strengthen and broaden the customer offering, ICA Gruppen also continued to invest in private label products. Private label products' share of total sales amounted to 24% this year, an increase of 0.8 percentage points compared with the preceding year. During the year 687 new products were launched, including a number of new products in the areas of meal solutions and food from different regions.

Disruption to the logistics structure in the spring and summer resulted in high costs and unreliable deliveries to ICA stores in parts of southern and western Sweden. Stability

increased during the autumn, but at year-end the cost level was still higher than planned. The new logistics structure aims to increase capacity in order to handle a broader product range efficiently.

Significant effort was also put into improvements to and the continued rollout of ICA Gruppen's online sales offering during the year. At year-end more than 200 stores were connected. At the end of the year, online sales accounted for an average of 1.3% of these stores' total sales. Including pre-packed grocery bags, sales growth in the online channel amounted to slightly above 43%. Overall, ICA's online sales grew faster than the market.

Organic and locally produced food

One of the most obvious trends in the Swedish grocery retail market is a considerable increase in demand for organic, locally produced and healthy food. During the year, sales of organic products in the main product range increased by 15%.

To expand the offering of Swedish products in stores and to contribute to rural Sweden's development and growth, ICA Sweden has been working in cooperation with the Federation of Swedish Farmers (LRF) since 2014. A number of joint projects were conducted during the year. One of the biggest was the "milk krona", which raised a total of SEK 113 million for Sweden's dairy farmers. During the year a new agreement was also signed that secures Swedish milk for the production of all ICA Sweden's private label dairy products. Once the agreement is fully effective, 90% of dairy products and nearly 70% of hard cheese will be entirely made from Swedish milk.

Key ratios

	2016	2015	2014
Net sales, SEK m	74,050	72,624	69,248
Operating profit before depreciation and amortisation (EBITDA), SEK m	3,941	3,784	3,581
Operating profit excl. non-recurring items, SEK m	3,504	3,366	3,228
Operating margin excl. non-recurring items, %	4.7	4.6	4.7
Investments, SEK m	640	780	596
Depreciation and amortisation, SEK m	438	418	358
Number of employees	7,622	8,242	7,512
Private label share of store sales, %	24.0	23.3	22.2

Financial performance

Net sales in 2016 increased by 2.0% to SEK 74,050 million (72,624). The sales increase was mainly driven by increased wholesale sales and newly opened stores. However, sales at store subsidiaries were lower as several larger stores were sold in January. Operating profit excluding non-recurring items rose by 4.1% to SEK 3,504 million (3,366). Higher logistics costs and increased investments in marketing had a negative effect. The operating margin was 4.7% (4.6).





ICA stores' sales

Sales at the Swedish ICA stores increased by 2.4% in 2016, with a 2% rise for like-for-like units. The sales increase can mainly be attributed to more customers and higher average buy. All store profiles had positive growth numbers although ICA Nära increased the most. Growth for the grocery retail market as a whole in Sweden was 2.2% according to HUI Research AB.

Market development

The grocery retail market in Sweden is a mature market in which the traditional players have mainly been ICA, Axfood, Coop and Bergendahls. Combined, these players account for

around 70% of the market. Competition continued to increase over the past year, mainly due to the further establishment of discount chains but also as a result of an increase in blurring industry offerings and intensified competition from other channels such as restaurants, cafés and online sales, all of which are growing faster than traditional grocery retail.

Future focus

The focus in 2017 will be on ensuring strong sales growth and thereby continuing to grow faster than the market. There will be a particular emphasis on metropolitan areas.

The development of concepts aimed at the mealtime market will continue, as will development of the private label product range. Significant effort will also be put into ensuring the right price perception and broadening the digital customer offering. Rapid development of the online offering will continue, not least as regards supporting the stores in their work on selling and marketing the service.

The number of new stores established is expected to be somewhat lower than in 2016. In total 10–15 new stores are planned in 2017. The rate of renewals of the existing store network will remain high and will encompass around 250 stores.

Sales growth and number of stores including retailer-owned stores

Format	Store sales (excluding VAT)			Number of stores in Sweden				
	2016, SEK m	Change, all stores %	Change, like-for-like %	Dec. 2015	New	Converted	Closed	Dec. 2016
Maxi ICA Stormarknad	33,806	2.6	2.1	81	1	0	-1	81
ICA Kvantum	26,877	2.4	1.9	123	2	0	0	125
ICA Supermarket	33,619	1.9	1.7	431	7	-1	-5	432
ICA Nära	16,634	2.7	2.9	671	7	1	-21	658
Total	110,936	2.4	2.0	1,306	17	0	-27	1,296

Rimi Baltic

Strong profit trend and increased market shares

For Rimi Baltic, 2016 was characterised by good sales growth, a strong increase in profits and increased market share in all markets.

The main strategic priorities for 2016 included further strengthening the Rimi brand. A total of 14 new stores opened, of which five in Estonia, two in Latvia and seven in Lithuania. As part of this strategy it was also decided during the year to discontinue the Säästumarket discount stores in Estonia. The majority of the stores will be converted to Rimi stores.

Alongside this was a focus on product range development and price perception, especially for private label products and non-food products. All in all, private label products accounted for 22.4% of total sales during the year, an increase of 1.1 percentage points compared with the previous year. Work also continued during the year on increasing the percentage of joint sourcing for the three markets. The

expansion of the central warehouse and head office in Riga is an important part of this work. The start of the expansion was delayed during the year, but this did not affect day-to-day operations.

Acquisition of IKI

At the end of 2016 ICA Gruppen signed an agreement to acquire UAB Palink, which operates the grocery retail chain IKI, for EUR 213 million on a cash and debt free basis. IKI is the second largest player in the Lithuanian grocery retail market with a market share of around 15% in 2015 and a nationwide store network of approximately 230 stores.

The acquisition, which is subject to competition authorities approval, will take Rimi Baltic from being the fourth largest to the second largest player in the growing Lithuanian grocery retail market. In addition to a rapid scaling up of the operations, the merger is expected to generate annual cost synergies of around EUR 15 million when fully realised in 2020. The synergies will arise mainly from larger purchasing volumes, more efficient logistics and joint marketing.

Market development

In total the grocery retail market in the Baltic countries grew by 3.1 during the year. A rapid rate of expansion, not least by discount chains, and increasing sales area have brought about fiercer competition in recent years. Rimi Baltic's collective market share for the year was 15.9%.

Future focus

The overall aim going forward is to continue to grow faster than the market. The main focus will be on improving profitability further. The investments in both new and existing stores will continue, as will investments in complementary digital channels. In total, 10 new stores are planned in 2017. Work on private label products will continue, but with a shift of emphasis from volume growth to increased margins. Great efforts will also be put into further improving internal efficiency.

Key ratios

	2016	2015	2014
Net sales, SEK m	13,571	12,632	11,632
Operating profit before depreciation and amortisation (EBITDA), SEK m	838	807	722
Operating profit excl. non-recurring items, SEK m	526	415	383
Operating margin excl. non-recurring items, %	3.9	3.3	3.3
Investments, SEK m	372	384	500
Depreciation and amortisation, SEK m	306	290	285
Number of employees	9,679	9,562	8,995
Private label share of store sales, %	22.4	21.3	19.9
EUR exchange rate, average	9.4718	9.3528	9.1093

Financial performance

Net sales in 2016 increased by around 7.4% to SEK 13,571 million (12,632) and by just over 6% in local currency. The increase was mainly driven by positive volume effects from new and converted stores, although price development also contributed to the growth. Operating profit excluding non-recurring items rose by 26% to SEK 526 million (415). The profit improvement is mainly due to better price and campaign margins, but also to increased volumes and improved efficiency. The operating margin increased to 3.9% (3.3).

Sales growth and number of stores

Format	Store sales (excluding VAT)			Number of stores in the Baltics			
	2016, EUR m	Change, all stores %	Change, like-for-like %	Dec. 2015	New	Closed	Dec. 2016
Estonia	389	5.7	2.7	87	5	-4	88
Latvia	722	5.0	1.2	117	2	0	119
Lithuania	313	8.9	0.3	52	7	-2	57
Total	1,424	6.0	1.4	256	14	-6	264

Apotek Hjärtat

Increased market share and continued digitalisation

Despite fierce competition, Apotek Hjärtat continued to grow faster than the market during the year. Behind this lies successful work on the store network, further development of digital channels and services and the successful launch of private label products.

Apotek Hjärtat worked extensively during the year to continue to develop the customer offering, the store network and online sales. Overall the efforts helped increase sales, raise margins and achieve a generally stronger market position. Sales increased in all product segments, but growth was strongest in the traded goods segment, which grew by 6.1%.

During the year 16 pharmacies were sold and 5 were acquired. The purpose of these transactions was to streamline the pharmacy network, so that no pharmacies share premises with competing grocery stores. Eleven new pharmacies were opened and five were closed. The newly opened pharmacies follow Apotek Hjärtat's new store concept, which aims to combine traditional pharmacy services with a broad offering within health and wellbeing, including simple health services.

As part of efforts to increase the range of services, a further three Minute Clinics were

opened to provide simple healthcare, tests and vaccinations. In total there are now six Minute Clinics, all directly connected to Apotek Hjärtat or Maxi ICA Stormarknad. The aim of the concept is to make life easier for customers, enhance the shopping locations and at the same time relieve the burden on traditional care providers.

In 2016 there was also a major focus on completing the integration and benefiting from the synergy gains with other operations within ICA Gruppen. Among other things, joint bonuses were introduced for members of Apotek Hjärtat's and ICA Sweden's loyalty programmes.

Market development

At year-end 2016 the number of pharmacies in Sweden exceeded 1,400. Following the 2009 regulatory reform the number of pharmacies has grown by more than 40%, and opening hours have increased from 45 to 55 hours on average per pharmacy and week. Although the growth rate has slowed in recent years, competition remains fierce – not least because of extensive blurring of industry lines and the increased presence of online-only players.

Sales in the outpatient pharmacy segment in 2016 amounted to SEK 40 billion. Around 75% of total market sales were prescription drugs, 10% were OTC drugs, and just over 15% were traded goods and services. Both the purchasing and retail prices of prescription drugs are set according to a price model and regulations established by the government through the Dental and Pharmaceutical Benefits Agency (TLV).

Future focus

The focus in 2017 will be on further strengthening Apotek Hjärtat's position as one of the leading players in the Swedish pharmacy market. The plan is to establish 10–15 new pharmacies in 2017. The broadening of the private label product range will continue, online sales will be developed and work on streamlining logistics flows will continue. In addition, Apotek Hjärtat has high ambitions in the area of sustainability – including through the launch of “Choose with your Heart”, which guides customers to make more sustainable choices of OTC medicines.

Key ratios

	2016	2015	2014
Net sales, SEK m	12,531	12,290	2,092
Of which:			
Prescription drugs	9,251	9,193	1,260
OTC drugs	1,415	1,345	471
Other products and services	1,865	1,752	361
Operating profit before depreciation and amortisation (EBITDA), SEK m	594	354	58
Operating profit excl. non-recurring items, SEK m	436	209	21
Operating margin excl. non-recurring items, %	3.5	1.7	1.0
Investments, SEK m	168	95	30
Depreciation and amortisation, SEK m	136	155	37
Number of employees	3,234	3,113	701
Private label share of other products, %	17.6	14.2	6.9

Financial performance

Apotek Hjärtat's net sales in 2016 amounted SEK 12,531 million (12,290). Adjusted for divestment activities, sales rose by 6.2%. Market growth is estimated to have been 5.4%. Operating profit excluding non-recurring items amounted to SEK 436 million (209). Integration and acquisition costs totalling SEK –208 million as well as operating profit from divested operations of SEK 8 million were included in the 2015 operating profit. The underlying profit increase is therefore SEK 27 million or 6.6%.

Antal apotek

	Dec 2015	New	Closed	Dec 2016
Apotek Hjärtat	390	16	–21	385

ICA Real Estate

The right properties in the right locations

2016 was an eventful year for ICA Real Estate. Major projects during the year included the sale of the Norwegian property portfolio and the continued development and planning of sites in locations close to Sweden's large cities. There was also continued work to ensure that the properties are managed in a customer-focused and sustainable way, in order to support and develop ICA's store network in Sweden.

The overall goals for ICA Real Estate include meeting ICA Gruppen's long-term need for appropriate properties in the right locations, with particular focus on the metropolitan regions. For ICA Real Estate this means working with municipalities and other players to develop detailed plans and build marketplaces in attractive locations. As well as grocery retail, the projects include other retail units, residential properties, offices, restaurants and community services. What these projects have in common is that, supported by ICA's recently established site development strategy, ICA Real Estate takes greater responsibility for the entire site.

In 2016 four large properties were acquired, two in Gothenburg and two in the Stockholm region, that are classified as undeveloped land and development properties. During the year ICA Real Estate also won a land allocation competition for a large property at Arninge shopping centre in Täby outside Stockholm.

capital gain of around SEK 400 million. The buyer was a property fund managed by the Norwegian company UNION Eiendomskapital. The sale means that ICA's entire property holdings in Norway have been divested. Since 2015 a total of 73 properties were sold for SEK 2.8 billion, with a capital gain of just over SEK 430 million.

Market value

During the year an assessment was made of all Swedish properties. The market value of the wholly owned Swedish properties was assessed at SEK 12.2 billion (book value SEK 10.1 billion). The market value of the three jointly owned companies, which are all managed by ICA Real Estate, Secore Fastigheter AB, Ancore Fastigheter AB and Långeberga Logistik AB, was assessed during the year at SEK 8.9 billion in total, compared with book values of SEK 7.4 billion. ICA Real Estate owns 50% of all three companies.

Future focus

In 2017 ICA Real Estate plans to continue to support the core business in Sweden by enhancing and developing marketplaces, stores and pharmacies, with a particular focus on sustainability. In 2017 properties with a value of around SEK 1 billion are planned to be sold to Secore Fastigheter AB.

Key ratios

	2016	2015	2014
Net sales, SEK m	2,372	2,382	2,253
Of which rental income from owned properties, SEK m	1,117	1,187	1,147
Operating profit before depreciation and amortisation (EBITDA), SEK m	1,032	1,145	973
Operating profit excl. non-recurring items, SEK m	493	456	409
Operating margin excl. non-recurring items, %	20.8	19.1	18.2
Investments, SEK m	1,212	924	1,055
Divestments, SEK m	404	1,178	1,037
Depreciation and amortisation, SEK m	467	524	515
Direct yield, %	7.1	7.4	6.9
Occupancy rate, %	98.6	98.3	98.3
No. of properties owned	173	175	187
Sq. m. owned, 000s	718	768	781
Number of employees	87	86	77

Financial performance

Net sales during the year totalled SEK 2,372 million (2,382) of which revenue from owned properties was SEK 1,117 million (1,187). Operating profit excluding non-recurring items amounted to SEK 493 million (456). The reasons for the increase include lower depreciation, lower operating expenses and a higher contribution to profits from joint ventures.

Sale of properties in Norway

Following ICA Gruppen's earlier sale of the grocery operations in Norway, in December an agreement was signed on the sale of ICA Eiendom Norge AS. The transaction was completed on 1 February 2017. The sale included a real estate portfolio of 58 properties as well as the existing organisation. The underlying property value was SEK 2.2 billion, with a cash flow effect for the Group of SEK 1.9 billion and a

Other key ratios

	Consolidated operations		JV according to the equity method
	Sweden	Norway	
Book value of owned properties, SEK bn	11.6	1.6	5.8
Estimated market value, SEK bn	14.0	2.2	7.1
No. of properties owned	115	58	43
Square metres owned, thousands	603	115	294
Occupancy rate, %	98.8	98.4	99.2
Share of rents from non-ICA operations, %	11.5	100	
Investments, SEK m	1,208	4	
Divestments, SEK m	21	383	

ICA Bank

Broader offering and intensified customer relationships

For ICA Bank, 2016 was characterised by broadening, intensification and continued digitalisation. Revenues increased, while the low interest rates and continued building up of the insurance business squeezed net interest income and operating profit.

For ICA Bank, 2016 was largely about continued work on developing and adapting the business. The main priorities included a continued broadening of the customer offering combined with measures to intensify relations with existing customers. In addition, distribution channels for insurance and loan products were broadened and cooperation began with a number of players. Overall, competitive prices and services combined with a strong brand attracted many new customers.

As part of the continued establishment of ICA Insurance, the insurance offering was expanded during the year. The insurance business strengthens and broadens ICA Bank's customer offering, and also helps improve customer loyalty to the grocery stores. Insurance customers with an ICA card get a bonus on their insurance premiums, and customers with a strong involvement with ICA Bank and ICA Insurance were rewarded with a double bonus.

Overall, the year's work within banking and insurance was successful and resulted in more customers, an increased volume of business and higher revenues. Lower net interest income, reduced card revenues and start-up costs for ICA Insurance, however, resulted in a reduction

in operating profit compared with previous year. ICA Insurance posted an operating loss for the year, as the business is still being built up. The number of bank customers at year-end was 713,000, an increase of 4.7% compared with previous year. Business volumes increased by 12%. The number of insurance customers was around 75,000, making ICA Insurance Sweden's fastest growing insurance company.

Launch of ICA Bank Corporate

Among the major events of 2016 was the launch of ICA Bank Corporate, a business bank tailor-made for ICA retailers and ICA stores. Its offering includes financial services such as payment solutions, company bank cards, investments, liquidity management and various financing solutions.

Market development

The Swedish banking market is still dominated by a few large full-service banks, although new customer needs, changed consumption patterns and new digital solutions combined with more players have led to more and more banking customers choosing multiple suppliers for their financial needs.

Future focus

The overall goal going forward is to continue to increase revenues, partly through the investments made in the insurance company and corporate business, and partly through a wider offering to existing and new private customers. The development of new innovative, primarily digital, services that help simplify people's lives and their personal finances will continue. The business model will become driven even more by customer intelligence, with a major focus on digital marketing and targeted offerings. The launch of new categories of insurance will continue. Since January 2017, ICA Insurance has offered pet insurance, and boat and sickness insurance will also be added during 2017, giving ICA Insurance a complete insurance offering.

Key ratios

	2016	2015	2014
Revenues, SEK m	863	859	848
Of which net interest income, SEK m	385	395	418
Operating profit before depreciation and amortisation (EBITDA), SEK m	74	406	219
Operating profit excl. non-recurring items, SEK m	51	110	189
Cost/income ratio, %	89.2	84.0	78.9
Return on equity, %	2.0	19.3	10.5
Credit loss ratio, %	-0.6	1.9	0.1
Common equity Tier 1 ratio, %	17.1	18.0	16.3
Business volume, SEK m	32,288	28,859	26,353
Number of employees	356	338	322

Financial performance

ICA Bank's revenue in 2016 amounted to SEK 863 million (859) and operating profit excluding non-recurring items to SEK 51 million (110). The profit decline was due to lower net commission, mainly due to lower card revenue as well as lower net interest driven by market interest rates, which resulted in lower deposit margins. Also, credit losses increased by SEK 13 million. ICA Insurance, which was launched at the end of 2015, contributed to the increased revenue but is not yet operating at a profit and this was also a contributing factor in the lower operating profit in 2016.



Other Segments

Focus on Hemtex

In line with ICA Gruppen's non-food strategy, the online company inkClub was divested in 2016. The divestment completes ICA Gruppen's streamlining of the former portfolio companies. The segment now consists of the home furnishings chain Hemtex, with operations in Sweden, Finland and Estonia.

At year-end 2016 there were 158 stores in total, of which 136 were in Sweden, 17 in Finland and 5 in Estonia. Of the stores, 142 are owned by the Hemtex Group and 16 are franchises.

ICA Gruppen acquired the minority shareholdings in Hemtex in 2015, and Hemtex became a wholly owned subsidiary of ICA Gruppen at the end of 2015. Extensive changes were then begun, with the overall aim of achieving long-term sustainable profitability. Greater efficiency and a stronger customer offering are of particular importance. Efficiency improvements have been made in distribution, and cooperation with ICA Sweden has been intensified – including the joint customer offering, ICA Home by Hemtex. The cooperation is a way of broadening the sales channels and thereby reaching out to new customer groups.

During the year a strategic review of the entire business took place, covering sourcing, the customer offering, organisational structure

and internal processes. In addition, selective cost cuts have been implemented – mainly within central overheads, but to a certain extent also in the stores. At the beginning of the year Björn Abild took up the position of CEO, having previously been CEO of ICA Special.

Future focus

The focus in 2017 will be on implementing the strategy that has been established. Essential elements include a clearer product range, a new pricing strategy, a new store concept and continued investment in online sales.

Sale of inkClub

The online company inkClub has been sold because it had limited synergies with other operations within ICA Gruppen. The purchase price was SEK 322 million, which after transaction costs resulted in a capital loss for ICA Gruppen of SEK 30 million.

Key ratios

	2016	2015	2014
Net sales, SEK m	1,316	1,800	2,564
Operating profit before depreciation and amortisation (EBITDA), SEK m	21	-2	537
Operating profit excl. non-recurring items, SEK m	24	-32	53
Operating margin excl. non-recurring items, %	1.8	-1.8	2.1
Investments, SEK m	13	33	49
Depreciation and amortisation, SEK m	28	41	41
Number of employees	607	725	1,025

Financial performance

Net sales in 2016 amounted to SEK 1,316 million (1,800), of which Hemtex's sales accounted for SEK 1,074 million (1,108). Hemtex's operating profit excluding non-recurring items was significantly higher than the previous year, at SEK 5 million (-23). The improvement is mainly explained by higher gross margins resulting from a lower percentage of discount sales. This was partly offset by a reduced sales volume driven by a lower number of customers. In addition, costs were slightly higher, which can be partly explained by the operational review that is taking place.

Sales growth and number of stores

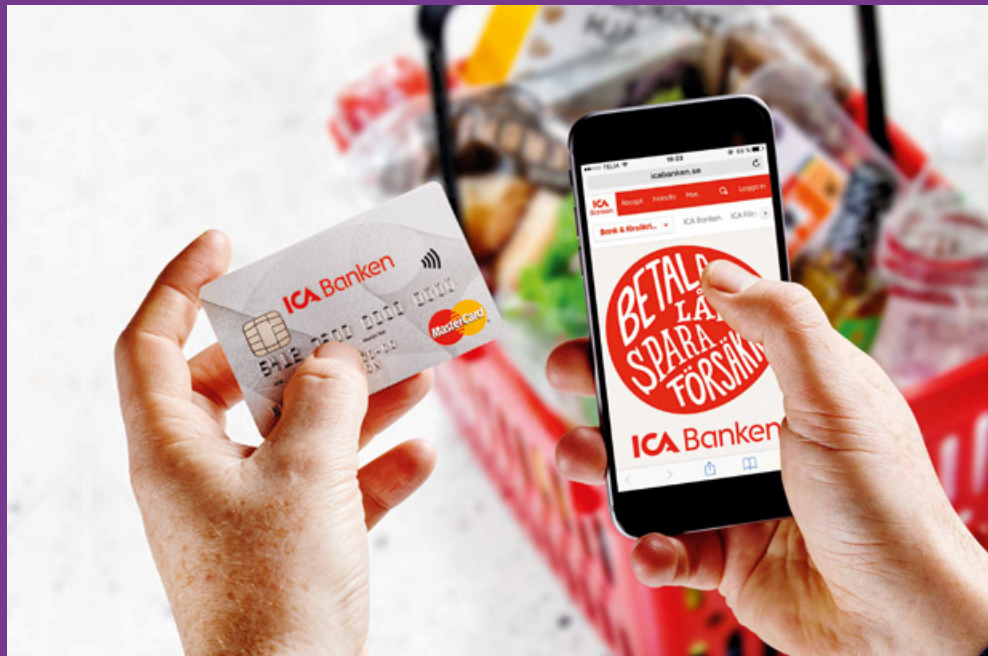
Format	Store sales (excluding VAT)			Number of stores incl. franchise stores			
	2016, SEK m	Change, all stores %	Change, like-for-like %	Dec. 2015	New	Closed	Dec. 2016
Hemtex	1,120	-1.9	-4.1	162	1	-5	158



Trend

Fast digitalisation continues

The ongoing digitalisation is affecting all the businesses within ICA Gruppen in essentially all areas – those relating to customers as well as behind-the-scene processes. Everything – from logistics, sourcing to marketing, sales and training – is affected. In 2016 ICA Gruppen took several important steps forward. Among the most visible of these were the continued rollout of ICA's online sales offering, the launch of smart digital bank services and the continued digitalisation of the pharmacy offering. The high priority ICA Gruppen are placing on digitalisation is reflected in a number of ICA Gruppen's strategic priorities for 2017.



Risks and risk management

ICA Gruppen's operations are naturally associated with risk. A good understanding of the risks and continuous follow-up of changes in the risk profile provides the conditions for risk-informed decisions that contribute to creating opportunities and reaching the Group's strategic objectives. An important aspect of corporate governance therefore involves continuous analysis and management of the risks that may have a negative impact on ICA Gruppen's ability to achieve its objectives.

Risk management strategy

As one of leading players in grocery retail, real estate, banking and pharmacy business, it is very important to be able to live up to the expectations of customers and stakeholders. For ICA Gruppen this means trying to limit undesirable events if they can be expected to weaken the trust in the Company or result in significant disruptions to operations. By identifying risks at an early stage and efficiently managing business-related risks, ICA Gruppen can create the necessary conditions for long-term, competitive operations and be a safe and reliable choice for customers, employees and partners.

During the year a new framework for risk management was implemented. The framework establishes the level of risk that is acceptable to the Group and provides instructions for the reporting and management of risks that exceed these levels.

Risk management process

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

ICA Gruppen's Risk Management Committee monitors the efficiency of the risk manage-

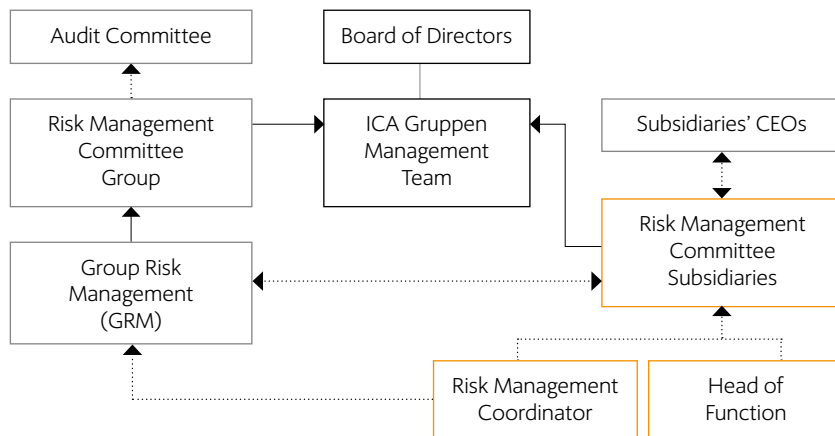
ment process. The Risk Management Committee, headed by ICA Gruppen's CFO, has overall responsibility for maintaining an overview of the Group's risk exposure by providing guidance and governance, and for reporting on significant changes in the risk profile. During the year such committees were set up in the subsidiaries, and together with appointed risk management coordinators these will ensure that the risk management work is conducted in a coordinated and effective way within each business.

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

Through regular meetings with the Internal Control and Internal Audit departments, any scrutiny short-comings found can be taken into account when identifying risks and coordinating actions to improve risk awareness in the identified risk areas. For further information on internal control over financial reporting see the Corporate Governance Report on page 70.

Among the changes that affected ICA Gruppen's risk profile during the year were the continued divestment of the property stock in Norway, the divestment of inkClub, an agreement to acquire IKI in Lithuania, the expansion of the Minute Clinic operations and the ongoing expansion of the central warehouse and head office of Rimi Baltic.

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



Risk areas

IT-related risk

Risk description

ICA Gruppen's operations are highly dependent on having an efficient IT infrastructure. Any inability to ensure that the Group has a modern IT infrastructure that is adapted to ICA Gruppen's operations could have a significant negative impact on the Group's operations and earnings.

In addition, any violations or shortcomings in the management of customer or employee data, or data that is business-critical for the Group, could reduce trust in ICA Gruppen and have a negative impact on the Group's earnings.

Opportunities

At a time characterised by a clear shift towards increased digitalisation, a well-managed IT infrastructure can create opportunities to successfully adapt business operations to meet the demand for different channels of communication and different product and service offerings. In addition, new technical solutions often make it possible to achieve a higher level of automation and improve the efficiency of processes.

Management

During the year preparations continued for a planned change of platform, an important part

of which involves surveying dependencies and carrying out tests to reduce the risks associated with the switch.

As part of its structured risk management work, the Group is engaged in ongoing activities to limit the number of system disruptions and the consequences of these.

In addition, the Group functions carry out structured training and work to increase awareness of the rules and procedures that ICA Gruppen has for the secure management of data and to reduce the risk of losing sensitive data.

Distribution risk

Risk description

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

Opportunities

The efficiency of logistics management is frequently enhanced through a higher level of automation and the renovation of logistics units, thereby improving ICA Gruppen's delivery reliability and competitiveness.

Management

Before major changes are made to the distribution processes, such as the renovation of the central warehouse for Rimi Baltic that is currently in progress, risks are analysed and measures identified to help prepare for any distribution

disruptions. There is also an ongoing process to help ensure a high level of safety in the facilities through, for example, ongoing plant maintenance, training of employees and monitoring of routines via self-assessment and risk inspections to ensure good order is maintained.

In 2016 there have been disruptions in the logistics network for the Swedish operations, which mainly has impacted the delivery of goods to stores in the southern and western parts of Sweden. The stability of production and the level of service to the stores has gradually improved during the year.

Personnel risk

Risk description

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

The fast pace of change within our sectors and the current extensive focus on change in our operations could affect our employees as well as our capacity to attract and/or retain expertise.

Opportunities

Having talented and dedicated employees is a competitive advantage. Internal mobility is encouraged as it creates opportunities for employees to grow, which makes ICA Gruppen

more attractive as an employer and helps ensure access to the right talent and expertise.

Management

In 2016 ICA Gruppen worked in a structured way to develop effective tools to support continuous skills enhancement and opportunities for continued development within the Group.

There are also ongoing efforts to keep track of and reduce dependency on key individuals.

Brand risk

Risk description

A good reputation is a key factor in ICA Gruppen's success. A product that is harmful to health or is inferior in another way that is supplied by ICA Gruppen or sold through any of the stores, bank or pharmacies 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.

Opportunities

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

Management

ICA Gruppen's framework ICA's Good Business, which is integrated into the business, support the Group's employees understand how to act when interacting with customers, colleagues and suppliers. Since ICA Gruppen's operations in Sweden consist of independent retailers who to various extents purchase products from suppliers other than ICA Sweden, the Group's ability to ensure adherence to ICA's Good Business can sometimes be limited. The Group strives to achieve a high level of adherence to the framework through continuous dialogue with ICA Retailers Association and ongoing training.

Real estate-related risk

Risk description

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

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

Opportunities

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

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

Management

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

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

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

Market risk

Risk description

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

Opportunities

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

Management

In 2016 ICA Gruppen continued developing the online offering, to which slightly more than 200 ICA stores are now connected.

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

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

Regulatory risk

Risk description

ICA Gruppen's grocery retail, pharmacy, insurance and financial operations require special permits and are subject to ongoing scrutiny from various supervisory authorities. There has been a general sharpening of the rules over the past few years, making it more important to ensure that resources and controls are in place to implement and comply with laws and regulations. An inability to comply with laws or regulations, or changes in the application or interpretation of existing ones, could require ICA Gruppen to change its business methods or could result in

the loss of permits to operate or incur unforeseen costs and affect the Company's good reputation among customers and shareholders.

Opportunities

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

Management

Adapting operations to changes in laws and regulations is an ongoing process and is achieved by monitoring regulatory changes, through analyses and training, and through updating policy documents. ICA Gruppen also maintains a dialogue with the supervisory authorities to keep them informed about the Group's operations and to ensure compliance with laws and regulations.

Risk related to acquisitions

Risk description

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

Opportunities

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

Management

In 2016 the integration of Apotek Hjärtat continued according to plan, including the launch of a joint loyalty programme. Integration of Hemtex also continued according to plan, including the development of the ICA Home by Hemtex product range.

ICA Gruppen also divested InkClub as part of the refinement of the Group that has been in progress in recent years.

Risk relating to agreements with ICA retailers

Risk description

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

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

Opportunities

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

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

Management

ICA Gruppen and ICA retailers are engaged in ongoing dialogue to ensure that products are competitive, that good experiences are communicated and that agreements are in line with prevailing norms.

Financial risk

Risk description

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

Opportunities

Successful financing creates the necessary conditions to maintain an appropriate level of liquidity and keep currency and borrowing costs down, for example – which helps ICA Gruppen to reach its financial targets.

Management

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

Sustainability risk

Risk description

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

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

Opportunities

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

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

If ICA Gruppen can meet customer demand for transparency, food safety, country-of-origin labelling, human rights, and green and healthy products to a greater extent than its competitors, then the trust in ICA Gruppen may increase among the customers and in the community at large.

Management

Sustainability is a core aspect of ICA Gruppen's operations. Overall sustainability targets for the environment, quality and social responsibility are monitored, and the results are published in quarterly sustainability reports. A significant element of the sustainability work is certification of the sourcing, logistics and store processes to relevant standards on quality and

the environment. In 2016, ICA Gruppen's Board of Directors established a Sustainability Committee in order to focus on these matters further.

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

ICA stores in Sweden apply the Swedish standard for food handling in stores. Dedicated quality coaches support the stores in implementing the standard and conduct annual audits. ICA Gruppen also works in co-operation with other players such as the Federation of Swedish Farmers (LRF) and can therefore meet increased demand for Swedish food while helping to promote Swedish agriculture.

Risk related to climate change

Risk description

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

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

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

Opportunities

New customer requirements stimulate innovation and the development of the product

range, so that it always remains current while also taking into account the climate and environmental impact.

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

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

Management

ICA Gruppen has an ambitious target for its climate work and is implementing targeted measures in areas such as energy saving, switching

to renewable electricity and refrigerants in stores and warehouses, and reducing transport emissions.

ICA Sweden is focusing on raising the percentage of renewable fuels used in transportation of goods for ICA. In both Sweden and in the Baltic countries there have been substantial efforts in the stores to replace lighting and refrigerants with alternatives that have a lower climate impact.

ICA Sweden has performed an analysis of potential climate-related risks associated with sourcing, to identify how access to various food ingredients may be affected. The results are being used to increase awareness about and commitment to the climate issue internally and to review the need for long-term changes in sourcing systems. There is regular dialogue with suppliers with a view to managing future risks. In 2016 ICA Sweden visited Californian suppliers to discuss the challenges surrounding water usage in the growing of almonds.

During the year ICA Sweden was the first player to launch climate-rated recipes, with the aim of drawing customers' attention to the climate impact from food.

Trend

New concepts for smart meal solutions

Among the most obvious trends in the grocery retail market is an increased demand for ready or easily prepared meals. Many of us are trying hard to make our daily logistics work. We want to eat tasty, nutritious and healthy food, but do not always have time to prepare it from scratch. ICA Gruppen is meeting this demand by expanding the range of ready meal solutions and concepts for prepared or semi-prepared food – to eat in the store or take home. The trend is strongest in metropolitan areas. In 2016, ICA Gruppen tested a number of different concepts with a focus on ready meals – everything from sushi and pizza to breakfast bags to meal boxes. The investments in this area will continue in 2017.



Corporate Governance Report 2016

Good corporate governance is the foundation for a healthy business culture

A changing world and the acquisition of IKI in Lithuania were important focus areas in the Board's work in 2016. In addition, we have continuously monitored our performance in relation to Group-wide targets and the strategic priorities we have set.



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 stable systems, routines and procedures in place, enabling us to continually follow up on targets, internal control and risk management.

Participation and continuity

It gives me great pleasure to again note the high level of commitment among the Board members. Once again the discussions during the year have been intense, constructive and characterised by openness and distinguished by an enduring ambition to think in new ways – all the qualities we need to enable us to continue to develop as an organisation. The Board has performed its duties during the year through formal Board meetings and in various committees. The fact that each Board member serves on at least one committee allows participation and continuity to be maintained between the formal meetings.

A changing world

A major focus of the Board's work in the past year has been the rapid changes taking place in the world around us and in the markets. The most distinctive aspects are changed consumer behaviour, extensive cross-industry offerings and digitalisation, which are

affecting most of the areas where we operate. We have talked about this for a long time and over the past year the trends have become even more pervasive. The new conditions entail both challenges and opportunities to a large organisation like ICA Gruppen. They require a readiness to change and courage to continue developing. This also requires a strong capacity and ability for continued investments.

Capacity for continued investments

In recent years we have made major structural changes involving both acquisitions and divestments – most recently the acquisition of IKI in Lithuania, which has been discussed at numerous Board meetings in 2016. We have a strong financial position and a stable platform for continued growth. Our strong cash flow and healthy capital structure put us in a strong position to be able to continue to invest and to provide good and stable returns to our shareholders.

Agile and long term oriented

Just as the rest of the organisation, the Board needs to make sure that we are sufficiently agile to quickly take advantage of opportunities or react to events in the world around us or within our own organisation. At the same time, we must maintain a long-term perspective in all situations. In 2017, it will be 100 years since ICA was founded and we want to be here for at least 100 years more. Our decisions on goals, strategies and special initiatives are always based on this long-term perspective.

In a fast-changing world it is of great importance to constantly evaluate the Board's composition and combined expertise. Over the past years we have added reinforcements to the Board in important areas and in my opinion, the Board holds today a good mix of expertise.

New Sustainability Committee

Our foremost strategic priorities include continued investments in sustainability. The goal we have established is that ICA Gruppen's operations are to be

climate neutral by 2020 – a goal that is both challenging and inspiring. The Board is following the progress made carefully and with great interest. To firmly establish the comprehensive sustainability perspective further, we formed a committee in 2016 entirely dedicated to this issue.

Courage to continue developing

One of the Board's most important tasks is to support and challenge members of the ICA Management Team (IMT) and critically evaluate their work. To succeed in this, there has to be an open and constructive dialogue between the Board and the IMT. From the Board's perspective, we experience that this is the case. I would also like to express our appreciation for the commitment that everyone in the entire organisation has shown and continues to show. We live and work in a fast-changing era, where the ability and courage to think in entirely new ways is critical for success. The enthusiasm that has characterised the past year bodes well as we now take on the next 100 years.

Stockholm, February 2017

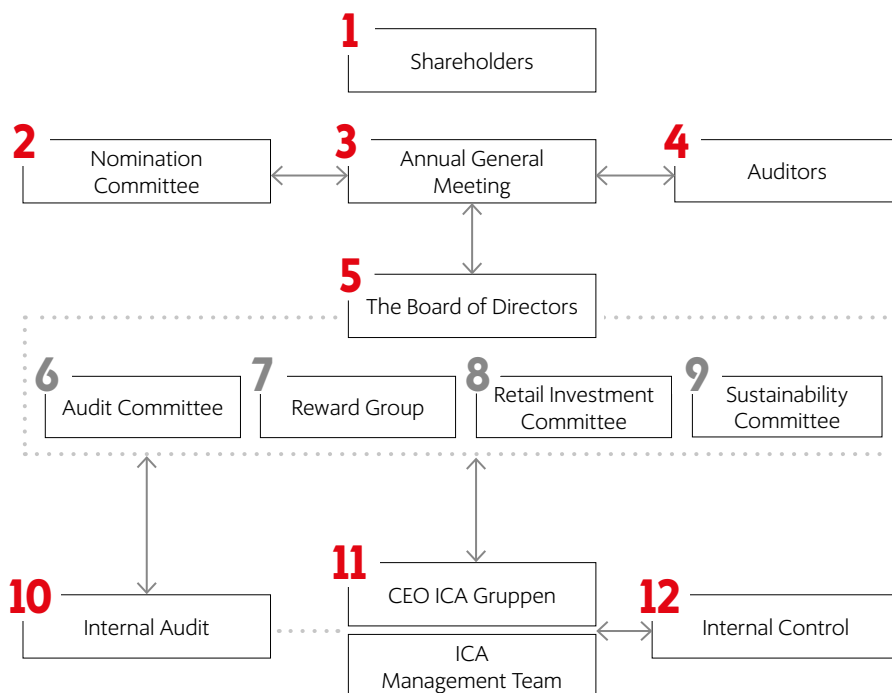
Claes-Göran Sylvén
Chairman of the Board

Further information:

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

Governance for value creation

Good corporate governance is about ensuring, on behalf of all shareholders, that 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 AB (ICA Gruppen or the Company) are the Swedish Companies Act, Nasdaq Stockholm's Rule Book for Issuers, the Swedish Corporate Governance Code (the Code), the Articles of Association adopted by the Annual General Meeting of the Board of Directors, the instructions for the Board committees, the instructions for the CEO, including instructions on financial reporting, and the policies established by the Board. ICA Gruppen's Board of Directors is responsible for the Company's organisational structure and the administration of the Company's affairs. The CEO is responsible for ensuring that the day-to-day administration of the Company is carried out in accordance with the Board's guidelines and instructions. In dialogue with the Chairman of the Board, the CEO also compiles an agenda for Board meetings and is otherwise responsible for providing the meetings with information documents and materials for use as a basis for decisions.



Shareholders

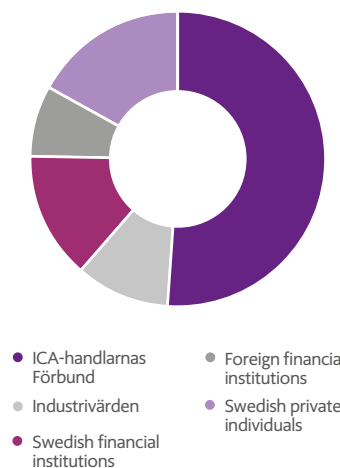
1 ICA Gruppen is listed on Nasdaq Stockholm in the Large Cap segment since 8 December 2005. The largest shareholder is ICA-handlarnas Förbund with a holding of 51.3%. The second largest shareholder, AB Industrivärden, owns 10.3% of the shares. As of 31 December 2016 the remaining shares were owned by 46,437 natural and legal persons. As of that date, none of these shareholders held more than 10% of the shares in the Company, neither directly nor indirectly. In voting at general meetings each share carries entitlement to one vote and each person may vote for the full number of shares he/she represents.

Until 20 January 2016, the Company had a share structure with two classes of shares: ordinary shares and C shares. The C shares, which constituted 40.8%

of the total number of shares, were unlisted and did not carry entitlement to cash dividends. The remaining 59.2% were listed ordinary shares with dividend entitlement. On 20 January 2016 the C shares were converted to ordinary shares with entitlement to dividends.

The share capital in ICA Gruppen amounts to SEK 502,866,988, distributed among 201,146,795 shares, each with a quota value of SEK 2.50. As of 31 December 2016 the Board of Directors had no outstanding authorisations from the Annual General Meeting for the Board to issue new shares or acquire treasury shares. More information on ICA Gruppen's shares and shareholders can be found in the section "Shares and shareholders" on pages 72–73 and on the Company's website, www.icagruppen.se.

Shareholders



Nomination Committee

2 The rules for ICA Gruppen's Nomination Committee were adopted at the 2016 Annual General Meeting. The Nomination Committee is to consist of four members representing the Company's shareholders. ICA Gruppen's Chairman is to be co-opted onto the Nomination Committee. Two of the members are nominated by the largest shareholder and two by the next two largest shareholders. The largest shareholders in terms of votes are to be determined based on the list of registered shareholders maintained by Euroclear Sweden AB as of the last trading day in August. If, during the Nomination Committee's term, one or more of the shareholders who have appointed members to the Committee are no longer among the three largest shareholders, the members appointed by such shareholders are to vacate their positions and the shareholder or shareholders now among the three largest shareholders shall appoint members. The Nomination Committee will present proposals regarding the following matters prior to the 2017 Annual General Meeting:

- (i) proposal for a chairman for the general meeting;
- (ii) proposal for members of the Board of Directors;
- (iii) proposal for Chairman of the Board;
- (iv) proposal for Board fees, broken down into amounts for the Chairman of the Board and other Board members and as remuneration for committee work; and
- (v) proposal for auditor or auditors and proposed fees to be paid to the Company's auditor.

The work of the Nomination Committee

The composition of the Nomination Committee was announced on 28 September 2016. It consists of representatives from the three largest shareholders: Claes Ottosson and Anna-Karin Liljeholm representing ICA-handlarnas Förbund, Annika Lundius representing Industrivärden and Hans Ek representing SEB Investment Management. No compensation is paid by ICA Gruppen to the members of the Nomination Committee for their work and the members have concluded that there are no conflicts of interest that would affect their assignment. The chairman of the Company'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 future focus areas. The Nomination Committee was also presented with the results of the 2016 evaluation of the Board. In addition, the chairman of the Audit Committee, Cecilia Daun Wennborg, informed the Nomination Committee about the work of the Board, of the Audit Committee and of ICA Gruppen's Accounting department. Cecilia Daun Wennborg also informed the Nomination Committee about an evaluation of the audit work carried out by the Audit Committee in 2016 and the purchases of audit services that the audit committee has made in 2016.

The Nomination Committee has applied rule 4.1 of the Code in the form of a diversity policy, through which the Nomination Committee ensures that the

Board of Directors, taking into consideration the nature of the Company's business, stage of development and circumstances in general, has an appropriate composition characterised by diversity and width with respect to the expertise, experience and backgrounds of the members elected by the general meeting. The Nomination Committee also focuses on meeting the goal of having a balanced gender distribution in the Board.

With regard to the above, the Nomination Committee has obtained a sound basis for assessing whether the composition of the Board is satisfactory, whether the Board has satisfactory expertise, width and experience, and to provide proposals regarding audits of the Company. Shareholders have been given the opportunity to submit suggestions and points of view on the work of the Nomination Committee prior to the 2017 Annual General Meeting. The Nomination Committee's proposals for the 2017 Annual General Meeting are presented in the notice of the meeting and on the Company's website, www.icagruppen.se. More information on the work of the Nomination Committee will be presented in the Nomination Committee's report prior to the 2017 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 after the end of the fiscal year and that sets out 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 decision on the income statement and balance sheet, the Annual General Meeting also decide on, among other things, the appropriation of earnings, the composition of ICA Gruppen's Board of Directors, fees for the Board and guidelines for remuneration to senior executives. The AGM also elects external auditors. General meetings are advertised in Post- och Inrikes Tidningar (the Official Swedish Gazette) and on the Company's website, www.icagruppen.se. When a general meetings is

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

2016 Annual General Meeting

The 2016 Annual General Meeting was held on Wednesday 20 April 2016 at Friends Arena in Solna. In

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

2017 Annual General Meeting

The 2017 Annual General Meeting will be held on Friday 7 April 2017 at Stockholm Waterfront. Shareholders who, no later than Saturday 1 April 2017, are registered in the share register (maintained by Euroclear Sweden AB), which in practical terms means no later than Friday 31 March 2017, and who no later than Monday 3 April 2017 have notified the Company of their intention to participate in the AGM are entitled to participate in the AGM, in person or by proxy.

Auditor

4 According to the Articles of Association, the Annual General Meeting is to appoint a minimum of one and a maximum of two auditors, or one or two registered public accounting firms. The accounting firm of Ernst & Young AB was elected audi-

tor at the 2016 Annual General Meeting for a term of one year. Ernst & Young AB has therefore audited the Company's accounts for 2016, and the authorised public accountant Erik Åström was the auditor in charge. The auditors attended one Board meeting to

present Ernst & Young AB's audit process for ICA Gruppen and to give Board members an opportunity to ask questions without the presence of ICA Management Team. In addition, the auditors attended all of the meetings of the Board's Audit 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 subject of a decision by the Nasdaq Stockholm Disciplinary Committee or a decision on infringement of good practice in the stock market by Aktiemarknadsnämnden (the Swedish Securities Council).

Internal rules

ICA Gruppen has a number of internal rules which, together with the external rules, provide a framework for its operations. The main rules are the Articles of Association, the rules of procedure for the Board of Directors and each committee, the instructions for the CEO including instructions on financial reporting, instruction for conflicts of interest and Bill of Authority. The Company's internal rules with respect to ethics and social responsibility are brought together under the concept ICA's Good Business. Linked to ICA's Good Business are the Sustainability Policy, the Business Ethics Policy, the Sponsorship Policy and the Customer Policy. In addition, the following fundamental policies are in place:

- Financial Policy
- Risk Management Policy
- Insider Policy
- Tax Policy

ICA's Good Business

ICA's Good Business is designed to be applied practically in day-to-day operations. ICA's Good Business states that ICA Gruppen shall:

- be driven by profitability and high ethical standards;
- listen to customers and always base decisions on their needs;
- nurture diversity and growth among its employees;
- maintain an open dialogue internally and with the community;

- ensure quality and safe products;
- promote a healthy lifestyle; and
- adopt sound environmental practices to promote sustainable development.

Governance of ICA Gruppen's sustainability work

In September 2016 the Board of Directors decided to appoint a Sustainability Committee within the Board and at the same time the Board revised the processes for governing the Company's sustainability work. Below is a description of the situation after September 2016. For a description of how sustainability work was governed before this date, please refer to the 2015 Corporate Governance Report.

The strategic direction for the Company's sustainability work is set by the Board of Directors through the Sustainability Committee and is managed through strategic planning and business planning processes. The Sustainability Committee's mandate is based on the Code's rules on the responsibility of a board of directors to set the guidelines for how the Company should behave in society. The Committee's duties include preparing policies on business ethics and sustainability and preparing sustainability reports (annually and quarterly), and following up business ethics and sustainability issues. Furthermore, the Board of Directors annually review ICA Gruppen's sustainability work and how it relates to ICA's Good Business. The review involves risk analysis, a focus on ethical dilemmas and providing an in-depth training in specific identified areas.

Although the CEO has ultimate responsibility for sustainability issues within the Group, the day-to-day sustainability work has been delegated to the Chief Corporate Responsibility Officer. This position has been part of the ICA Gruppen's Management Team (IMT) since the autumn of 2016. The IMT, under the leadership of the Chief Corporate Responsibility Officer, is tasked with developing and, if need be, monitoring the Company's application of ICA's Good Business. To support the IMT and the Chief Corporate Responsibility Officer the Company has established a Sustainability Work Group. The Sustainability Work Group is cross-functional and address matters regarding sustainability. The IMT suggests sustainability prior-

ities to the Board and monitors ethical dilemmas, risks and public opinion. The IMT is also tasked with proposing policies to the Board and revising existing ones.

For a number of years the operating companies in ICA Gruppen have been using selected key indicators in the areas of the environment, gender equality, human rights and quality. The Company publishes quarterly reports on its sustainability work showing ongoing progress during the year. The report covers all operating companies within the Group. In addition, the Company publishes an annual sustainability report in accordance with the Global Reporting Initiative (GRI) guidelines to provide an overall picture of its sustainability work. Read more about the Group's sustainability work starting on page 26 and on the Company's website, www.icagruppen.se.

All employees are responsible for ensuring that the Company is in compliance with external and internal rules, including ICA's Good Business. Employees are encouraged to report any irregularities in the Company's operations. Employees can report any issues to their immediate superior, the safety officer or the HR department. It is also possible to report issues through the Company's online whistleblower service or to the head of the Company's Internal Audit function. Issues can be reported through the whistleblower service anonymously. The status of individual employees is not negatively affected if they raise an issue or concerns about irregularities.

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

The Board of Directors

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

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

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

Independence of Board members

Four of the Board's members, Cecilia Daun Wennborg, Jan Olofsson, Jeanette Jäger and Andrea Gisle Joosen, are independent in relation to ICA Gruppen, its management and the principal shareholders. Bengt Kjell is independent in relation to ICA Gruppen and its management but not in relation to the Company's principal shareholders as he is a member of the board of AB Industrivärden. Fredrik Hägglund and Göran Blomberg are independent in relation to ICA Gruppen and its management but not in relation to the principal shareholders since they are employed by ICA-handlarnas Förbund. Peter Berlin and Magnus Moberg are ICA retailers and members on the board of the Association of ICA Retailers. They are regarded as independent in relation to ICA Gruppen and the Company's management, but not in relation to the principal shareholder

ICA-handlarnas Förbund. With respect to Peter Berlin, in conjunction with the establishment of his ICA store ICA Kvantum Emporia, ICA Sverige AB (a subsidiary of ICA Gruppen) provided a financing solution according to the normal routines within ICA Sverige AB. This does not affect his independence in relation to the Company or his membership of ICA-handlarnas Förbund. Claes-Göran Sylvén was CEO for the Company up to 20 May 2013. Accordingly, under the Code he is not considered independent in relation to the Company and its management. In his capacity as an ICA retailer and member of ICA-handlarnas Förbund he is not regarded as independent in relation to ICA-handlarnas Förbund either.

The work of the Board

The main mission of the Board of Directors is to establish the Company's overall goals and strategies. The key issues for the Board to address are strategy work, monitoring and controlling the Company's operations and risks, value creation and monitoring the Company's compliance with external and internal rules and regulations. The processes for following up and controlling the Company's risk are described in more detail in the section "Risks and risk management" on pages 52–56. One of the ways the Board monitors the Company's compliance with internal and external rules and regulations is through the risk-based audits performed by Internal Audit; see the section "Internal Audit" below. The Board is guided in its work by the Chairman. 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, other than the instructions for the Sustainability Committee, were discussed and formally adopted at the Board meeting on 24 May 2016. The instructions for the Sustainability Committee were adopted at the Board meeting on 26–27 September 2016. The Board of Directors met 11 times in 2016.

Conflicts of interest

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

10 Internal Audit

The Company has created an independent and objective Internal Audit function that works on tasks assigned by the Board of Directors. Internal Audit examines corporate governance, risk management and the management and control of ICA Gruppen's business processes. The mandate of the Internal Audit function covers all operations within ICA Gruppen in Sweden and the Baltic countries. Each year the Audit Committee draws up a risk-based plan for Internal Audit work to ensure that it focuses on the areas where the most value can be added to ICA Gruppen. In 2016 the scrutiny of Internal Audit included ongoing programmes for change, IT security in operations, e-commerce, compliance with external

Key issues and matters dealt with in 2016

January

- All C shares were converted into ordinary shares.

February

- Increased investment in the service offering in health through opening of three new "Minute Clinics" (Minut-kliniker) within Apotek Hjärtat.

June

- Decision to divest inkClub.

September

- Decision to establish the Sustainability Committee from among members of the Board.
- Kerstin Lindvall is appointed as ICA Gruppen's Chief Corporate Responsibility Officer (CCRO) and as a member of the ICA Gruppen Management Team.

December

- ICA Real Estate divests ICA Eiendom Norge AS.
- ICA Gruppen sign an agreement to acquire the Lithuanian grocery retail chain IKI.

regulations, and management and control of personal data. Store audits constitute a special area within the review of business processes. The observations and recommendations made by Internal Audit aim to reduce the level of risk within a business area and to increase efficiency and improve ICA Gruppen's processes. It is the responsibility of the respective management team to put in place appropriate action plans based on the recommendations made by Internal Audit. An important aspect of Internal Audit's work is to review the established action plans quarterly. Internal Audit reports quarterly to ICA Gruppen's Audit Committee, which in turn reports to the Board. This reporting covers the audit work carried out over the past quarter and the status of the action plans. Internal Audit also prepares a report annually which is presented to the Board.

Evaluation of the Board of Directors

An evaluation of the Board of Directors is carried out every year in order to develop the work of the Board and provide a basis for the Nomination Committee's evaluation of the Board's composition. The evaluation of the Board in 2016 was carried out by Board members completing a questionnaire. Their responses were then compiled into a report that was remitted to the Board. The evaluation showed that the Board functioned very well and that considerations from the evaluation performed in 2015 have been taken into account but that there is room for further improvement. The evaluation further showed that the Board is a well-composed group of highly committed individuals and that each of the members contributes broad expertise and many years' experience in various areas that are relevant to ICA Gruppen's operations.

Remuneration to the Board of Directors

The Nomination Committee submits proposals to the Annual General Meeting for resolutions on Board fees. The 2016 Annual General Meeting approved the Nomination Committee's proposal concerning fees. Information on Board fees in 2016 can be found in Group notes, Note 4 on pages 64–65 and on pages 87–89. The Nomination Committee's remuneration proposals for the 2017 Annual General Meeting are presented in the notice of the meeting.

In September 2016 the Sustainability Committee was established. Supported by a resolution at the 2016 Annual General Meeting on earmarking SEK 300,000 to allow the Board to form additional committees, it was decided that the Board members appointed to the Sustainability Committee would be remunerated for the period until the next AGM in an amount equivalent to half the remuneration for the members of the Retail Investment Committee and the Reward Group.

Board committees

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

6 The Audit Committee

The Audit Committee's mandate is to supervise the Company's accounting and financial reporting and to monitor the effectiveness of the Company's internal control, internal audit, risk management and compliance with rules and regulations. The Audit Committee shall also keep itself informed concerning the audit of ICA Gruppen and shall review and monitor the impartiality and independence of the audit. The Audit Committee assists with the preparation of proposals to the Annual General Meeting concerning the election of auditors. In 2016 the Audit Committee conducted an evaluation of the auditing of the Company. The Committee also carried out a procurement

process regarding auditing services that aimed at providing a recommendation on auditors to the Nomination Committee. In 2016 the Audit Committee consisted of Cecilia Daun Wennborg (chairman), Bengt Kjell, Göran Blomberg and Magnus Moberg. The Company's CFO is responsible for presenting information.

7 The Reward Group

The Reward Group is responsible for the preparation and evaluation of issues regarding remuneration and other terms of employment for the ICA Management Team, including pay structures, pension plans, incentive programmes and other terms of employment. The Reward Group also monitors and evaluates ongoing and concluded remuneration programmes for the IMT during the year, and monitors and assesses the implementation of the guidelines for remuneration to senior executives adopted by the Annual General Meeting, as well as remuneration structures and levels within the Company. In 2016 the Reward Group consisted of Claes-Göran Sylvén (chairman), Andrea Gisle Joosen and Fredrik Häggglund.

8 The Retail Investment Committee

The Retail Investment Committee's shall review and quality assure the documentary basis for decisions on acquisitions and divestments, including necessary risk analyzes. In addition, the Retail Investment Committee has an investment and divestment mandate as set out in the Company's Bill of Authority. In 2016 the Retail Investment Committee consisted of Claes-Göran Sylvén (chairman), Jan Olofsson, Jeanette Jäger and Peter Berlin.

9 The Sustainability Committee

The Sustainability Committee's mandate is based on the Code's rules on the responsibility of a board of directors to set the guidelines for how a company should behave in society. The Committee's duties include preparing policies on business ethics and sustainability as well as sustainability reports (annually and quarterly), and following up on business ethics and sustainability issues. The Sustainability Committee consists of Cecilia Daun Wennborg (chairman), Andrea Gisle Joosen and Fredrik Häggglund.

ICA Gruppen's Board of Directors



	Claes-Göran Sylvén	Peter Berlin	Göran Blomberg	Cecilia Daun Wennborg	Andrea Gisle Joosen	Fredrik Hägglund
Born	1959	1960	1962	1963	1964	1967
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	Master of Science in Business and Economics	Master of Science in Business and Economics, Cand. Merc.	Master of Laws
Elected	2013	2011	2013	2005	2010	2013
Other significant assignments	Chairman of the Board MQ Holding AB. Board member Centrum Fastigheter i Norrtälje AB and HUI Research etc. ICA retailer, ICA Kvantum Flygfyrn in Norrtälje.	Chairman of the Board ICA-handlarnas Förbund etc. Board member Hyllie Mat AB and Grobladet AB. CEO Hyllie Mat AB. ICA retailer, ICA Kvantum Emporia in Malmö.	Chairman of the Board Urbano AB, Expandia Modular AB and Retail Finance Europe AB. Board member Hakon Media AB etc. CFO ICA-handlarnas Förbund	Board member Getinge AB, Loomis AB, Bravida Holding AB, Sophiahemmet, Atvexa AB, Hotell Diplomat and Oxfam Sverige etc.	Chairman of the Board Teknikmagasinet AB. Board member Dixons Carphone plc, BillerudKorsnäs AB, Mr Green & Co AB and James Hardie Industries plc.	Board member Svensk Handel and Independent Retail Europe etc. CEO ICA-handlarnas Förbund.
Previous significant positions	Chairman of the Board ICA AB. Board member Svensk Handel. CEO Hakon Invest AB (publ) and ICA-handlarnas Förbund.	Chairman of the Board Sandby Livs AB. Board member Erfa gruppen AB and ICA AB. CEO Erfa gruppen AB and Sandby Livs AB.	Board member ICA AB and Rindi Energi AB, etc. CFO Hakon Invest AB, RNB Retail and Brands AB, Portwear AB and Pronyx AB.	Vice President Ambea AB, President and CFO Carema Vård och Omsorg Aktieföretag, Acting CEO Skandia-banken, Head of Skandia Sweden and CEO Skandia-Link Livförsäkrings AB.	Board member Lighthouse Group AB and Elektronikbranschen Sverige etc. CEO Boxer TV Access AB, CEO Panasonic Nordic AB, CEO Chantelle AB.	Board member ICA AB, the Swedish Anti-Corruption Institute and EuroCommerce. Vice President and General Counsel ICA-handlarnas Förbund. General Counsel Hakon Invest AB. Lawyer, Clifford Chance, Brussels. Assistant Lawyer, Linklaters.
Total remuneration in 2016, SEK	1,175,000	475,000	510,000	632,500	500,000	500,000
Independence	Not independent in relation to the Company, its management and the Company's principal shareholders.	Independent in relation to the Company and its management, but not in relation to the Company's principal shareholders.	Independent in relation to the Company and its management, but not in relation to the Company's principal shareholders.	Independent in relation to the Company, its management 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.
Shareholding	657,889 shares (incl. related parties)	141,680 shares (incl. related parties)	20,625 shares (incl. related parties)*	3,125 shares (incl. related parties)	1,780 shares (incl. related parties)	17,067 shares (incl. related parties)*
Committees	Member of the Reward Group (chairman) and the Retail Investment Committee (chairman)	Member of the Retail Investment Committee	Member of the Audit Committee	Member of the Audit Committee (chairman) and the Sustainability committee (chairman)	Member of the Reward Group and the Sustainability Committee	Member of the Reward Group and the Sustainability Committee
Attendance at board meetings	11/11	10/11	10/11	9/11	11/11	11/11
Attendance at Audit Committee meetings	-	-	4/4	4/4	-	-
Attendance at Reward Group meetings	7/7	-	-	-	7/7	7/7
Attendance at Retail Investment Committee meetings	11/11	10/11	-	-	-	-
Attendance at Sustainability Committee meetings	-	-	-	1/1	1/1	0/1

*As appose to previous years, the shareholding includes shares in a pension insurance. plan.



Jeanette Jäger	Bengt Kjell	Magnus Moberg	Jan Olofsson	Jonathon Clarke	Magnus Rehn	Ann Lindh
1969	1954	1966	1948	1968	1966	Deputy member Employee representative Unionen
Business studies, Stockholm University	Master of Science in Business and Economics	Various courses of study (finance, business management, leadership development etc.)	Master of Science in Business and Economics	Trained welder, studies in labour law	Upper secondary school	Born: 1964 Education: Upper secondary school Appointed: 2013 Previous significant positions: Employee representative ICA AB. Total remuneration 2016: SEK – Independent: – Shareholding: 0 (incl. related parties) Attendance at board meetings: 5/11 Attendance at Audit Committee meetings: – Attendance at Reward Group meetings: – Attendance at Retail Investment Committee Meetings: –
2015	2013	2008	2005	2013	2013	
Director Digital Solutions, Bankgirot.	Chairman of the Board Hemfosa Fastigheter AB and SSAB. Board member AB Industrivärden, Indutrade AB and Pandox AB etc.	Chairman of the board, Nya Ulfmag AB. Board member, ICA-handlarnas Förbund, Jomag AB and Storbutiken i Falköping AB etc. CEO Storbutiken i Falköping AB. ICA retailer, Maxi ICA Stormaknad Falköping.	Chairman of the Board Korshags Food AB. Board member and CEO Kabi- nettet AB.	Employee representative	Employee representative	
Board member SeeCity AB. Head of Marketing and Communications Tieto, VP Financial Services Global Tieto, VP Capital Markets Global Tieto, Product and Market Director Tieto, TDC. CEO Inne AB. Market- ing Director Paynova AB. Mentor in Womentor.	Chairman of the Board Kungsleden AB and Skån- ska Byggarvar Group AB. Board member Höganäs AB, Skanska AB, Munters AB, Össur Hf, Fermenta AB, Byggnadsfirman Wallen- stam AB, Bonifazius AB, Gandalf AB, Helsingborgs Dagblad AB, AB Handel och Industri, Nordic Tank- ers Holding AB, Plastal Industri AB, Hoist Interna- tional AB, etc. Acting CEO AB Industrivärden, CEO AB Handel och Industri, Dep- uty CEO, Industrivärden, Senior Partner, Navet Affärsutveckling AB. Head of Corporate Finance, Securum AB.	Chairman of the Board Köpet i Sandared AB. Board member Moberg & Svensson i Sandared AB and Ulfmag AB.	Chairman of the Board Init AB, Arkitektkopia AB, Silva AB, Printley AB and Bindo- matic AB. Board member MultiQ International AB and Koneo AB. Head of Mergers & Acquisitions and Deputy Head of Cor- porate Finance Handels- banken Capital Markets. Deputy CEO and Vice Pres- ident Essete AB.			
475,000	510,000	510,000	475,000	–	–	
Independent in relation to the Company, its manage- ment and the Company's principal shareholders.	Independent in relation to the Company and its man- agement, but not in rela- tion to the Company's principal shareholders.	Independent in relation to the Company and its man- agement, but not in rela- tion to the Company's principal shareholders.	Independent in relation to the Company, its manage- ment and the Company's principal shareholders.	–	–	
300 shares (incl. related parties)	1,000 shares (incl. related parties)	50,000 shares (incl. related parties)	3,750 shares (incl. related parties)	0 shares (incl. related parties)	250 shares (incl. related parties)	
Member of the Retail Investment Committee	Member of the Audit Committee	Member of the Audit Committee	Member of the Retail Investment Committee			
10/11	9/11	11/11	11/11	11/11	10/11	
–	4/4	4/4	–	–	–	
–	–	–	–	–	–	
11/11	–	–	11/11	–	–	
–	–	–	–	–	–	

Marcus Strandberg
Deputy member
Employee representative
The Commercial
Employees' Union

Born: 1966
Education:
Upper secondary school
Appointed: 2013
**Previous significant
positions:**
Employee representative
ICA AB.
**Total remuneration
2016:** SEK –
Independent: –
Shareholding:
0 (incl. related parties)
**Attendance at board
meetings:** 9/11
**Attendance at Audit
Committee meetings:** –
**Attendance at Reward
Group meetings:** –
**Attendance at Retail
Investment Committee
Meetings:** –

CEO and Management Team

11 CEO
 CEO Per Strömberg is responsible for the day-to-day administration of the Company in accordance with the guidelines and instructions issued by the Board. In dialogue with the Chairman of the Board, the CEO also compiles an agenda for Board meetings and is responsible for providing the meetings with information documents and material as a basis for decisions. In addition, the CEO must ensure that the members of the Board receive information on ICA Gruppen's performance in order to make well-founded decisions. The Board has approved Per Strömberg's significant assignments and financial commitments outside the Company, such as his positions as industrial advisor to Segulah Advisor AB, board member of Childhood Foundation and The Consumer Goods Forum and member of the Steering Group for GEN-PEP. The CEO has no significant shareholdings or proprietary involvement in companies with which the Company has significant business ties. An evaluation of the CEO was carried out by the Board in 2016 without the CEO and other members of management being present.

ICA Management Team

Alongside CEO Per Strömberg, the members of ICA Gruppen's Management Team (IMT) are the CFO, Chief HR Officer, Chief Strategy Officer, Chief Corporate Communication Officer, Chief Corporate Responsibility Officer and the CEOs of ICA Sweden (also Deputy CEO of ICA Gruppen), Apotek Hjärtat, Rimi Baltic, ICA Real Estate, ICA Bank and ICA Special. The IMT meets regularly to discuss matters relating to, for example, corporate governance, reporting and strategy. In addition, the IMT prepares information on matters where the rules of procedure state that a decision by the Board is required, and assists the CEO in executing decisions made by the Board.

In addition to their collective responsibility for the management of the Company, each member of the IMT bears individual responsibility for his or her respective area of the Company. To support the IMT's work the IMT has set up four committees: the Reward Group, the Sustainability Work Group, the Retail Investment Committee and the Group Risk Management Committee. Furthermore, separate meetings are held on a regular basis for an update on internal audit matters (IMT audit update) at which IMT members are present. At the beginning of each fiscal year the IMT assesses its work, focusing on the quality of decisions, agendas, the meeting structure, effectiveness and the IMT's overall performance.

Central departments

The Company has 11 central departments: Corporate Communication, Strategy & Business Development,

Corporate Responsibility, HR & ICA School, Legal, Group Risk Management, Accounting, Internal Control, Treasury & Tax, Group IT and Internal Audit.

Remuneration to senior executives Guidelines 2016

The Company's guidelines for remuneration to senior executives, adopted at the 2016 Annual General Meeting, state that the remuneration packages are to be in line with market terms for senior executives in similar industries and are aimed at recruiting, developing and retaining senior executives with relevant experience and expert leadership qualities. The remuneration principles are also to motivate senior executives to enhance the Group's market position and earnings, and are to be linked to long-term growth in shareholder value. In addition, variable remuneration is to be linked to quantifiable and measurable criteria set in advance. The levels of remuneration paid to senior executives in related industries and markets is continually monitored and assessed. The total remuneration is to consist of the following components: basic salary, pension benefits, bonus, other remuneration and benefits, and severance pay. The 2016 AGM also decided to authorise the Board to make decisions regarding a share investment programme for 2016 under which the senior executives are expected to invest a certain portion of their gross salary in shares in the Company.

• Basic pay

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

• Pensions

For the CEO and other senior executives a defined contribution pension plan is to be applied, with pension premiums amounting to a maximum of 35% of pensionable salary, paid as long as the individual is employed. Senior executives employed in a country other than Sweden have pension agreements in line with national norms and that follow the principles described above.

A few senior executives with contracts signed previously are entitled to retire at the age of 62 with a defined-benefit pension plan for the period until the normal retirement age of 65.

• Bonus

The CEO and other senior executives in the Company are covered by two variable remuneration schemes taking 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 combined bonus is maximised per person and year at the equivalent of 59% of annual salary (18% for the CEO). The bonus is not pensionable.

Payment of bonus is to be contingent upon the participants' employment not being terminated during the term of the programme. 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.

– Annual bonus programme

A cash-based bonus programme linked to the targets for each fiscal year and maximised at 27% of annual salary (54% for the CEO). The bonus programme is to be based on financial and operational targets linked to ICA Gruppen's strategic themes and must be objectively quantifiable. The financial targets for the bonus programme are determined by the Board of Directors ahead of each fiscal 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.

– Long-term bonus programme

A cash-based, three-year bonus programme linked to value creation within the Group and maximised at 32% of annual salary (64% for the CEO). The targets for the bonus programme must be objectively quantifiable and determined by the Board, and must be linked to both absolute and relative performance criteria. Fulfilment of the absolute performance criteria accounts for 60% of the maximum outcome and the relative performance criteria for the remaining 40%.

• Share investment programme

For the purpose of increasing the senior executives' identification with and interest in the Company and its value growth, the Board is to make a decision annually according to which the senior executives are expected to invest a certain portion of their gross salary in shares in the Company.

The CEO and senior executives were expected, during a period established by the Reward Group as of the day after the Annual General Meeting until the end of 2016, to acquire shares in the Company for an amount of between 5% and 10% of their fixed gross salary for the fiscal year. Shares already held are not to be included in the calculation. Acquired shares are to be held for the entire period the executives are employed by the Group.

Twelve months after the shares in the Company are acquired as described above, the executives will receive a net sum from the Company equivalent to 50% of their investment, provided that all of the following criteria are met:

- (i) the executive is still employed by the Group (period of notice of termination does not count as employment);

- (ii) the executive still holds all of the acquired shares; and
- (iii) the threshold of at least 50% of the outcome of the annual bonus programme for the investment year in question has been reached.

• Notice of termination and terms of severance pay

A mutual notice period of six (6) months is to apply to senior executives. Severance pay to senior executives is to be paid at up to 12 months of basic cash salary if the Company terminates employment. Severance pay is deductible. If the executive terminates employment and the Company decides to apply a non-competition clause which has been agreed upon in certain cases, the Company will provide compensation during the period the non-competition clause applies at a maximum amount of 60% of basic salary. Severance pay and compensation paid during the non-competition period will not be pensionable.

There are exceptions to the notice period, severance pay and deduction clause in a few agreements entered into before the 2016 Annual General Meeting.

• Other remuneration and benefits

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

• Special circumstances

The Board has the right to deviate from the guidelines proposed above if there is particular reason to do so. The Board has deviated from the guidelines on one occasion in 2016:

According to the employment agreement for the CEO of Apotek Hjärtat that was in effect at the time of the acquisition of Apotek Hjärtat in 2014 and that still is in effect the CEO of Apotek Hjärtat has pension benefits

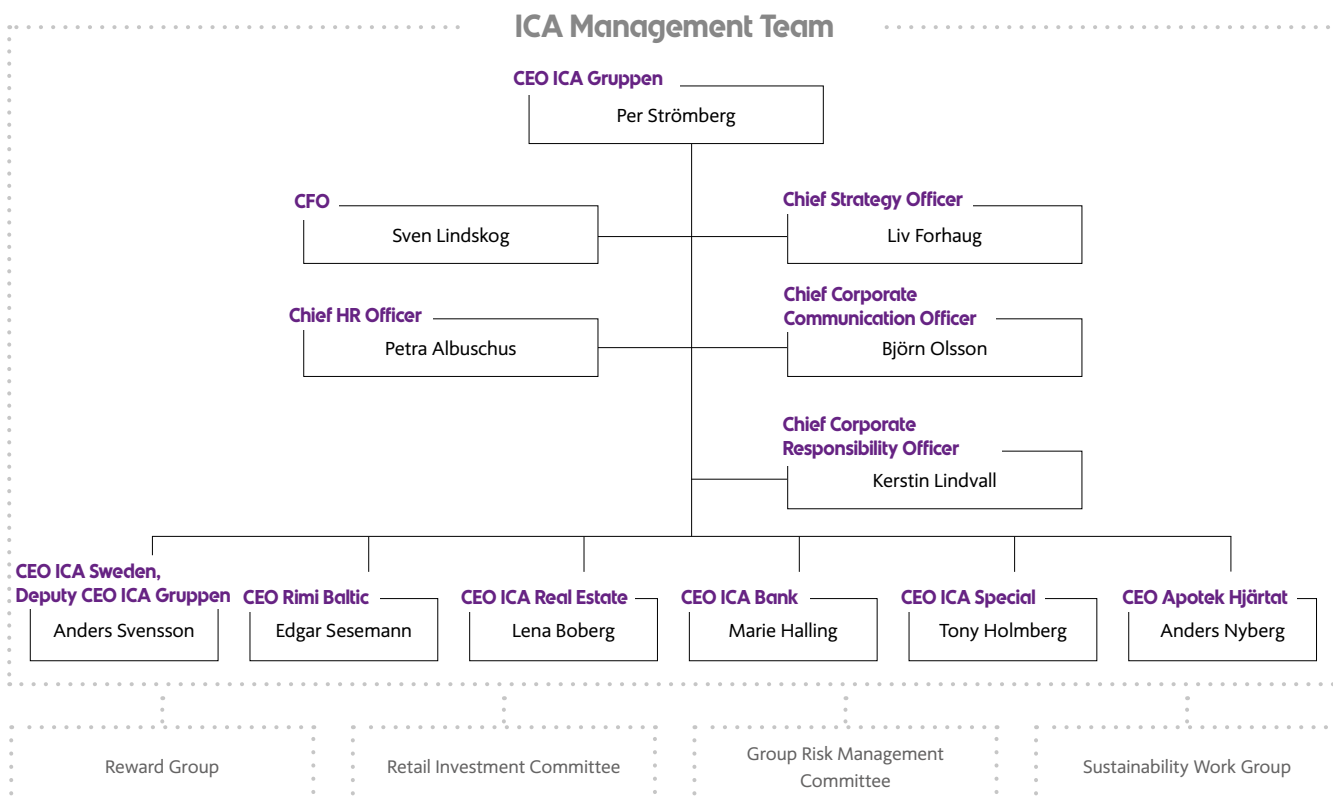
in accordance with ITP1. This means that his bonus, as oppose to bonus to other senior executives, is pensionable.

Proposal to the 2017 Annual General Meeting

The Board of Directors preliminary proposes to the 2017 Annual General Meeting that the guidelines described above, with minor adjustments and with the exception of the share investment programme, be re-adopted. The Board's final proposal for guidelines are presented in the notice of the Annual General Meeting.

Further information

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



ICA Gruppen's Management Team (IMT)



	Per Strömberg	Petra Albuschus	Lena Boberg	Liv Forhaug	Marie Halling	Tony Holmberg
	CEO ICA Gruppen. Employed at ICA and member of IMT since 2012.	Chief HR Officer (CHRO) ICA Gruppen. Employed at ICA since 2008 and member of IMT since 2015.	CEO ICA Real Estate. Employed at ICA since 2007 and member of IMT since 2010.	Chief Strategy Officer (CSO) ICA Gruppen. Employed at ICA and member of IMT since 2013.	CEO ICA Bank. Employed at ICA and member of IMT since 2014.	CEO ICA Special. Employed at ICA since 1991 and member of IMT since January 2016.
Born	1963	1968	1970	1970	1963	1971
Education	Master of Science in Business and Economics	Master of Science in Engineering	Master of Science in Business and Economics	Master of Science in Business and Economics	Master of Laws	Completed management and finance courses at INSEAD Business School, IHM Business School, internally at ICA etc.
Other assignments	Industrial advisor to Segulah Advisor AB, board member Childhood Foundation and The Consumer Goods Forum. Member of the Steering Group GENPEP.	Board member Electra Gruppen AB.	Board member Rikshem AB.	Board member Thule Group AB and Hufvudstaden AB.	-	-
Experience	CEO Lantmännen (2007–2012) and Sardu AB (2006–2007). Kraft Foods (1988–2006), inter alia as CEO Kraft Foods Sweden, CEO Kraft Foods Denmark, Director Business Development Kraft Foods International, London. Various managerial positions at Kraft Freia Marabou, Sweden.	SVP Logistics, ICA Sverige (2008–2015). Procter & Gamble (1993–1998, 2005–2008), Procter & Gamble UK (1998–2001), Procter & Gamble ETC Belgium (2001–2005), inter alia as Director of Logistics, Nordics.	CFO ICA Real Estate (2007–2011) and Skandrenting AB (1999–2007). Project Manager and Consultant Knowit AB (1999). Financial Manager Hagströmer & Qviberg Fondkommission AB 1996–1998, Financial Manager Nordien System AB 1995.	McKinsey & Company, Partner and head of the retail sector in Scandinavia (2006–2013), previously Project Manager and Consultant (1996–2005). Worked in Sweden, elsewhere in Europe and in the US.	Swedbank (2005–2014), inter alia as head of the Eastern region and member of Swedbank's Group Executive Committee, head of Retail Banking and Private Banking. FöreningsSparbanken (1996–2005), inter alia as Head of Corporate Banking FöreningsSparbanken Stockholm.	SVP Sales & Operations ICA Sweden (2010–2015), Rimi Baltic as Country Manager for Rimi Lithuania, etc. (2008–2010), Business Development Manager, Market department ICA AB (2007–2008). Format Director ICA Kvantum and other ICA assignments (1991–2007).
Shareholding	14,070 shares (incl. related parties)	1,690 shares (incl. related parties)	1,914 shares (incl. related parties)	4,800 shares (incl. related parties)	3,250 shares (incl. related parties)	6,000 shares (incl. related parties)



Sven Lindskog	Kerstin Lindvall	Anders Nyberg	Björn Olsson	Edgar Sesemann	Anders Svensson
CFO ICA Gruppen AB. Employed at ICA and member of IMT since 2014.	Chief Corporate Responsibility Officer (CCRO) ICA Gruppen. Employed at ICA since 1997 and member of IMT since 2016.	CEO Apotek Hjärtat. Employed at ICA and member of IMT since 2015 (CEO of Apotek Hjärtat since 2009).	Chief Corporate Communication Officer (CCCO) ICA Gruppen AB. Employed at ICA since 2004 and member of IMT since 2009.	CEO Rimi Baltic. Employed at ICA since 1999 and member of IMT since 2008.	CEO ICA Sweden and Deputy CEO (DCEO) ICA Gruppen. Employed at ICA and member of IMT since 2009.
1963	1971	1956	1971	1961	1964
Master of Science in Business and Economics	Agronomist	Studies in business and finance, Stockholm University DIHR, Institutet för högre kommunikations- och reklamutbildning	Master's degree in Political Science, Economics and Commercial Law	Diploma in Market Economics	Master of Science in Business and Economics
–	SVP Corporate Responsibility ICA Sverige AB. Board member KRAV and member of Monitoring Board of the Swedish Chemicals Agency.	Board member Swedish Pharmacy Association.	–	–	Vice Chairman Swedish Grocery Trade Federation, Deputy Chairman Svensk Handel AB and board member Confederation of Swedish Enterprise. Member of AMS Sourcing B.V. supervisory board.
CFO Höganäs Group (2007–2014). CFO Sardus Group (2006–2007). CFO Unilever Nordic (2005–2006). Other senior positions at Unilever Nordic (1998–2004). Unilever global head office the Netherlands (1996–1998). Unilever Hungary (1994–1996). Unilever Sweden (1989–1993).	ICA Sweden (1997–), SVP Corporate Responsibility (2010–), Head of Environment & Social Responsibility (2002–2009), Quality specialist (1999–2001) and Head of environment (1997–1999). Swedish Board of Agriculture, coordinator for EU funding (1996–1997).	Deputy CEO ICA AB (2006–2008) and Axfood (2001–2005). ICA (1992–2000); Deputy CEO ICA Sweden, SVP Strategy & Business Development, CEO ICA Öst. Åhléns (1988–1992), Regional Manager/Marketing Manager Livs. Chairman of the Board, Swedish Pharmacy Association (2012–2016).	Head of Media Relations/Acting Head of Communications Svensk Handel (Swedish Trade Federation) (2000–2003).	ICA, inter alia as CEO Rimi Estonia (2008), Sourcing Director ICA AB, ICA Sverige AB and ICA Handlarnas AB (1999–2008). Business Unit Director Grocery KF Storknadar (1992–1998). Category Director B&W Storknadar (1990–1992). Department Manager B&W Falkenberg and B&W Täby (1986–1990).	Arla (2002–2009), inter alia as SVP Arla Foods Consumer Nordic, Managing Director Arla Foods Sweden. Procter & Gamble Nordic and Procter & Gamble UK (1993–2002), inter alia as Director of Logistics, Nordic, and Sales Director, Sweden. Consultant Andersen Consulting (1988–1993).
2,100 shares (incl. related parties)	750 shares (incl. related parties)	8,035 shares (incl. related parties)	1,923 shares (incl. related parties)	3,100 shares (incl. related parties)	4,740 shares (incl. related parties)

Internal control over financial reporting

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

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



Internal Control department

ICA Gruppen has an Internal Control function tasked with coordinating and supervising the process of internal governance and control within the Group. The Internal Control department is also responsible for contributing to and supporting all internal control work within ICA Gruppen. The process of internal control over financial reporting is aimed at managing the risk of material errors in financial reporting with a reasonable degree of certainty and in compliance with laws and regulations. Internal Control defines the business critical processes and key controls that are part of the Group's regular evaluation of internal control processes. The evaluation is based on a process of periodic self-evaluation. The results are compiled in reports submitted by Internal Control to the ICA Management Team and the Audit Committee.

Model for internal control

ICA Gruppen employs a model that has three "lines of defence" describing how responsibility for internal governance and control is organised. The first line of defence is operational management who, in their respective areas, are responsible for maintaining good internal control and in doing so, identifying and managing the risk of errors in financial reporting. The second line of defence is the Group's risk and control functions, which are tasked with supporting the first line of defence and providing information to the management. The third line of defence is the independent Internal Audit function, which is tasked with examining the efficiency and reliability of the Group's internal governance and control.

ICA Gruppen's internal control work is based on the framework for internal governance and control produced by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). This framework has five basic components: 1. Control environment, 2. Risk assessment, 3. Control activities, 4. Information & communication 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. It is built on an organisation with clear decision paths, where authority and responsibilities have been distributed based on guidelines and where there is a corporate culture with shared values. The control environment is also affected by management's and individual employee's actions 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, the Risk Management Policy, Financial Policy, Sustainability Policy, Business Ethics Policy and Communication Policy. Management has also established guidelines for financial reporting, guidelines for HR and guidelines 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 page 52–56.

3. Control activities

The Board is of the opinion that there is a solid understanding among the employees of the need for good control over financial reporting. ICA Gruppen's internal control structure is based on established policies and guidelines. The point of departure for ICA Gruppen's internal control structure is the Group's business critical processes in which control activities have been implemented based on the assessed risk of errors.

The Company mainly uses three types of controls:

- Group-wide controls relating to the Company's adherence to the Group policies and guidelines.
- Process controls for the Group's business critical processes. Many different types of activities are included, such as approval, permits, controls, reconciliation, scrutiny of the business outcomes, securing assets and division of responsibilities. These control activities are aimed at managing the risk of errors in each of the processes. The controls that manage the material risk of errors are classified as key controls and are included in the Group's regular monitoring of internal control.
- IT controls cover the IT processes, IT environment and IT applications that are critical from a financial or commercial perspective.

4. Information & communication

Efficient and correct communication of information, both internally and externally, is important for ensuring complete and accurate financial reporting at the right time. Policies, routines, handbooks and other documents of significance for financial reporting are updated and communicated to the relevant employees on an ongoing basis. The Group's Accounting function has direct operational responsibility for ongoing financial accounting and works to achieve consistent application of the Group's guidelines, principles and instructions for financial reporting. Subsidiaries and operating units provide regular financial reports and reports on operating activities to the Management Team which in turn reports to the Board of Directors. The Communication Policy and associated guidelines ensure that external communication is correct and meets the requirements for companies listed on Nasdaq Stockholm. Financial information is provided regularly through annual reports, interim reports, press releases and notices on the Company's website, www.icagruppen.se.

5. Monitoring activities

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

Shares and shareholders

The share price went down by around 10% in 2016, while trading in the share increased somewhat. ICA Gruppen's Board of Directors proposes increased dividend to SEK 10.50 per share (10.00).

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 311.8 on 5 February 2016. The lowest price of SEK 243.8 was on 11 February 2016. At the end of the year the share price was 277.9, resulting in a share price decrease of 9.6% in 2016. This is equivalent to a market capitalisation of around SEK 55,899 million.

Since 8 December 2005, when the Company was floated on the stock exchange, the share has provided a total return of 474%. In the same period the SIX Return Index provided a return of 173%.

The total trading volume for ICA Gruppen shares on Nasdaq Stockholm in 2016 was nearly 106 million shares for a value of just over SEK 29 billion, equivalent to an average daily trading volume of 417,224 shares. On average, shares were traded for SEK 116 million per day in 2016. According to Fidessa, trading on Nasdaq Stockholm during the year accounted for 61% of all trading in ICA Gruppen shares. The remaining trading took place on Bats CXE 17%, Bats BXE 12% and Turquoise 10%.

Share structure

Up to 20 January 2016, ICA Gruppen's share structure consisted of ordinary shares and C shares. Both types carried the same voting entitlement. The ordinary shares were listed and constituted 59.2% of the total number of shares. The remaining 40.8% consisted of C shares which were unlisted and did not carry entitlement to cash dividends for the financial years 2005–2015. All of these shares were owned by ICA-handlarnas Förbund. On 20 January 2016 the C shares were converted into ordinary

shares and thus now carry entitlement to cash dividends. The total number of shares is 201,146,795.

Shareholders

The number of shareholders as of 31 December 2016 was 46,439, an increase of 10,425 shareholders compared with the previous year. The largest shareholder on the same date was ICA-handlarnas Förbund with 51.3% of the shares and votes in ICA Gruppen. The second largest shareholder was AB Industrivärden with 10.3% of the shares and capital. The remaining 38.4% are owned by institutional investors and private individuals in Sweden and other countries. At the end of the year, 7.8% (9.5) of the shares were foreign-owned.

Share capital

ICA Gruppen's share capital amounted 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 10.50 per ordinary share for 2016 or a total of SEK 2,112 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 61.8% of the Group's profit for the year.

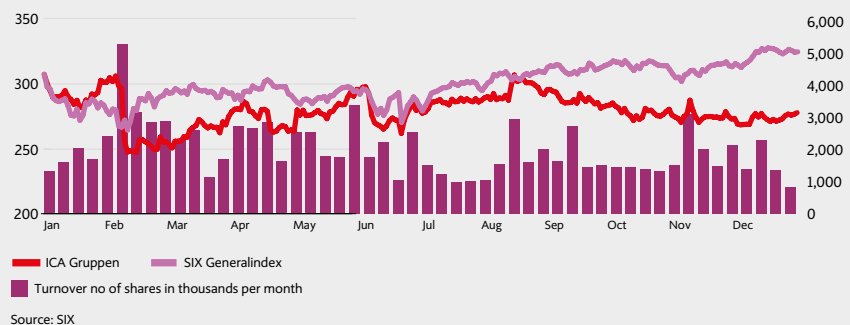
The Board's full dividend proposal is presented in the notice of the AGM.

Largest shareholders 31 December 2016

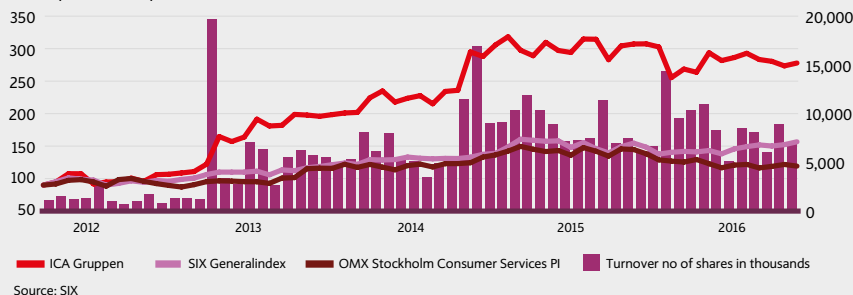
	Number of shares	Percentage of capital and votes
ICA-handlarnas Förbund	103,163,599	51.3
Industrivärden	20,625,000	10.3
SEB	2,834,589	1.4
L Jönsson	1,279,601	0.6
Pensionskassan SHB försäkringsfören.	900,000	0.4
Spiltan fonder	789,402	0.4
Folksam	775,736	0.4
C-G Sylvén	657,889	0.3
U Davidson	630,000	0.3
Skandia försäkring	563,269	0.3
Ten largest shareholders, total	132,219,085	65.7
Other Swedish shareholders	53,333,971	26.5
Foreign shareholders	15,593,739	7.8
Total	201,146,795	100

The table above only includes the shareholders named in Euroclear's register of shareholders. Source: Euroclear

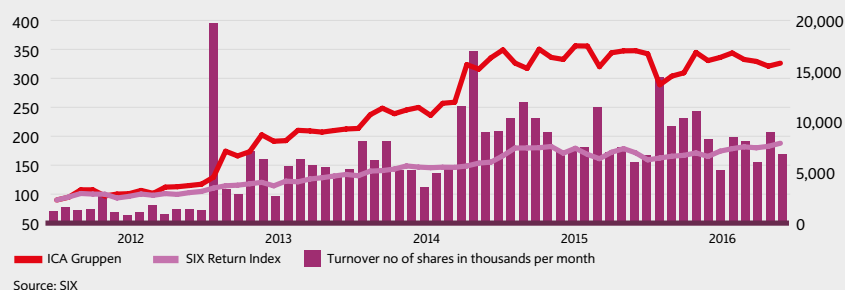
Share price development 2016



Share price development 2012–2016



Total return 2012–2016



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 2016, SEK m	55 899
Share price as of 31 December 2016, SEK	277.90
Change during the year, %	-9.6
Highest price for the year, SEK	311.80
Lowest price for the year, SEK	243.80

Share data

	2016	2015
Earnings per ordinary share, SEK	16.97	24.14
Earnings per C share, SEK	-	24.14
Cash flow per share, SEK	26.96	29.06
Equity per share, SEK	147.48	139.41
Dividend per ordinary share, SEK	10.50	10.00
Dividend payout ratio, %	62	41
Share price at year-end, SEK	277.90	307.40
Direct yield, %	3.8	3.2
P/E ratio	16.4	12.7
Share price/equity, %	188	220
No. of outstanding ordinary shares at end of year	201,146,795	119,078,903
No. of outstanding C shares at end of year	-	82,067,892
Total no. of outstanding shares at end of year	201,146,795	201,146,795
Average no. of shares	201,146,795	201,097,895

Analysts following ICA Gruppen

Company	Analyst	Phone no.	e-mail
ABG Sundal Collier	Andreas Lundberg	+46 8 566 286 51	andreas.lundberg@abgsc.se
Barclays	Nicolas Champ	+331 44 58 32 45	nicolas.champ@barclays.com
Carnegie	Niklas Ekman	+46 8 588 686 92	niklasekman@carnegie.se
Danske Bank	Gustav Sandström	+46 8 568 805 57	gustav.sandstrom@danskebank.se
Handelsbanken	Nicklas Skogman	+46 8 701 31 28	nisk03@handelsbanken.se
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Ownership structure

Holding, no. of shares	No. of shareholders	Capital and votes, %
1–500	37,520	2.23
501–1,000	3,524	1.43
1,001–5,000	3,771	4.26
5,001–10,000	632	2.32
10,001–15,000	287	1.80
15,001–20,000	140	1.25
20,001–	565	86.71
Total	46,439	100.00

Financial information

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Financial key ratios

ICA Gruppen uses financial performance measures in the preparation of annual financial statements. Some of these measures are not identified by IFRS, but are so-called alternative performance measures (APMs). The purpose is to provide additional information to help form a more thorough comparison of development year on year, and give a better measure 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 16. Measurement data and definitions are also available at www.icagruppen.se.

Definitions of key figures

Business volume (ICA Bank)

The sum of lending, deposits, fund investments and mortgages (including volumes negotiated through cooperation).

Capital employed

Equity plus interest-bearing liabilities.

Cash flow from operating activities per share

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

C/I ratio (ICA Bank)

Total costs as a percentage of total income.

Common equity Tier 1 ratio (ICA Bank)

The bank's capital base as a percentage of risk-weighted assets.

Direct yield (ICA Real Estate)

Net operating income as a percentage of the average book value of properties.

Divestments

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

Earnings per ordinary share

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

EBITDA

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

Equity/assets ratio

Equity, including non-controlling interests, as a percentage of the total assets.

Equity per share

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

Gross profit

Net sales less the cost of goods sold.

Investments

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

Like-for-like store sales

Stores that have generated sales in both the reporting period and the comparison period.

Loan loss level (ICA Bank)

Loan losses as a percentage of average lending.

Net debt

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

Net interest (ICA Bank)

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

Net margin

Profit for the year as a percentage of net sales.

Non-recurring items

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

Occupancy rate (ICA Real Estate)

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

Operating margin

Operating profit as a percentage of net sales.

Operating profit/loss

Profit/loss before net financial items and tax.

Return on capital employed

Operating profit plus financial income as a percentage of 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 as a percentage of average equity. ICA Bank's operations are excluded from both the income statement and the balance sheet when calculating return on equity.

For the glossary, see page 137.

Five-year financial summary

SEK m	Actual 2016	Actual 2015	Actual 2014	Pro forma ¹⁾ 2013	Pro forma ¹⁾ 2012	Actual 2013	Actual 2012
Income statement							
Net sales	103,655	101,221	87,174	82,993	80,552	65,155	2,726
Operating profit before depreciation (EBITDA)	6,238	6,191	5,819	4,912	4,824	3,905	278
Operating profit (EBIT) excluding non-recurring items	4,669	4,138	3,937	3,695	3,306	3,015	118
Operating income (EBIT)	4,518	4,594	4,097	3,482	3,623	10,787	212
Profit before tax	4,154	4,225	3,727	2,859	3,128	10,341	244
Profit for the year from continuing operations	3,397	3,721	3,105	2,432	1,316	9,994	262
Profit for the year	3,418	4,913	2,667	1,424	312	9,446	262
Balance sheet							
Non-current assets	55,941	55,831	51,256	52,352	51,742	52,352	8,207
Cash and cash equivalents and short-term investments	3,974	4,611	6,091	3,949	4,788	3,949	1,446
Other current assets	16,208	14,474	15,087	12,660	12,835	12,660	728
Total assets	76,123	74,916	72,434	68,961	69,365	68,961	10,381
Equity	29,688	28,075	27,911	26,541	22,899	26,541	9,021
Non-current liabilities	14,538	14,945	16,995	13,612	20,022	13,612	633
Current liabilities	31,897	31,896	27,528	28,808	26,444	28,808	727
Total equity and liabilities	76,123	74,916	72,434	68,961	69,365	68,961	10,381
Cash flow							
From operating activities	5,422	5,845	3,612			3,975	814
From investing activities	-1,694	-1,707	-563			-16,585	-266
From financing activities	-4,251	-5,867	-767			16,203	-505
Cash flow for the year	-523	-1,729	2,282			3,593	43
Cash flow for the year from operating activities for continuing operations	5,422	5,723	3,794			4,263	
Key figures							
Operating margin excl. non-recurring items, %	4.5	4.1	4.5	4.5	4.1	4.6	4.3
Operating margin, %	4.4	4.5	4.7	4.2	4.5	16.6	7.8
Net margin, %	3.3	4.9	3.1	1.7	0.4	14.5	9.6
Return on capital employed, %	10.5	9.8	10.1	8.5	8.4	8.3	2.9
Return on equity, %	11.9	16.6	9.3	6.0	1.1	7.2	2.9
Equity/assets ratio, %	39.0	37.5	38.5	38.5	33.0	38.5	86.9
Average capital employed, excluding ICA Bank	43,050	43,609	39,479			33,602	15,750
Net debt	-9,758	-11,697	-7,058	-9,190	1,199	-9,190	1,199
Net debt/EBITDA	1.6	1.9	1.2	1.9	n.a	2.4	n.a
Share data							
Earnings per share for the year, continuing operations, SEK	16.87	18.21	14.71			52.56	1.65
Profit/loss for the year per share, SEK	16.97	24.14	12.53			49.68	1.65
Equity per share, SEK	147.48	139.41	122.91			116.23	55.28
Cash flow from continuing operations per share, SEK	26.96	28.45	18.86			22.44	0.27
Cash flow from operating activities per share, SEK	26.96	29.06	17.97			20.92	4.79
Dividend paid per ordinary share, SEK	10.50	10.00	9.50			8.00	-
Dividend, SEK m	2,112	2,011	1,130			951	-
Dividend payout ratio, %	62	41	42			68	-
Share price as of 31 December, SEK	277.90	307.40	305.80			201.00	118.30
Direct yield, %	3.8	3.2	3.1			4.0	n.a
Number of outstanding shares							
Ordinary shares	201,146,795	119,078,903	118,937,248			118,937,248	78,597,414
C shares	-	82,067,892	82,067,892			82,067,892	82,067,892
Total number of shares	201,146,795	201,146,795	201,005,140			201,005,140	160,665,306
Total average no. of shares	201,146,795	201,097,895	201,005,140			190,006,752	169,828,539

1) Excluding non-recurring effect of acquisition of ICA AB.

Definitions on page 75.

Consolidated statement of comprehensive income

SEK m	Note	2016	2015
Net sales	2	103,655	101,221
Cost of goods sold	3	-89,687	-87,504
Gross profit		13,968	13,717
Other operating income	6	462	904
Selling expenses	3	-6,965	-6,966
Administration expenses	3, 5	-2,763	-2,809
Other operating expenses	2	-219	-267
Shares in profits from associated companies and joint ventures	13	35	15
Operating profit	2, 4, 5, 7	4,518	4,594
Financial revenue		26	42
Financial expense		-390	-411
Net financial items	8	-364	-369
Profit before tax		4,154	4,225
Tax	9	-757	-504
Profit from continuing operations		3,397	3,721
Profit/loss from discontinued operations	17	21	1,192
PROFIT FOR THE YEAR		3,418	4,913
Other comprehensive income, items that may not be reclassified to profit or loss			
Revaluation of defined-benefit pension plans, net after tax	9	-37	227
Other comprehensive income, items that may be reclassified to profit or loss			
Change in translation reserve, net after tax		173	-166
Change in hedging reserve, net after tax		77	-89
Share of joint ventures' other comprehensive income		6	12
Total items that may be reclassified to profit or loss	9, 18	256	-243
COMPREHENSIVE INCOME FOR THE YEAR		3,637	4,897
Profit for the year attributable to:			
Owners of the parent		3,413	4,855
Non-controlling interests		5	58
Comprehensive income for the year attributable to:			
Owners of the parent		3,634	4,838
Non-controlling interests		3	59
Earnings per share, SEK	10		
Ordinary share and C share		16.97	24.14
Ordinary share and C share, continuing operations		16.87	18.21
Ordinary share and C share, discontinued operations		0.10	5.93

Consolidated statement of financial position

Assets			
SEK m	Note	31 December 2016	31 December 2015
Non-current assets			
<i>Intangible non-current assets</i>			
	11		
Goodwill		16,301	16,301
Trademarks		13,353	13,630
IT systems		871	611
Other		32	367
		30,557	30,909
<i>Property, plant and equipment</i>			
	12		
Buildings and land		11,099	11,707
Investment properties		970	2,156
Leasehold improvements		404	339
Equipment		2,089	2,100
Construction in progress		647	344
		15,209	16,646
<i>Financial non-current assets</i>			
Interests in joint ventures and associated companies	13	740	758
ICA Bank's investments	14	3,280	1,800
ICA Bank's lending	14	5,600	5,162
Other financial non-current assets		64	65
Other receivables		35	35
		9,719	7,820
<i>Deferred tax assets</i>			
	9	456	456
Total non-current assets		55,941	55,831
Current assets			
<i>Inventories</i>	15	4,455	4,452
<i>Current receivables</i>			
Trade receivables		3,856	3,803
Tax assets		5	-
ICA Bank's investments	14	-	300
ICA Bank's lending	14	2,600	2,618
Receivables from related parties	16	89	88
Other current assets		129	47
Prepaid expenses and accrued income		2,755	2,828
		9,434	9,684
<i>Cash and cash equivalents</i>			
	22	3,974	4,611
Total current assets		17,863	18,747
Assets held for sale	17	2,319	338
TOTAL ASSETS		76,123	74,916

Equity and liabilities			
SEK m	Note	31 December 2016	31 December 2015
Equity	18		
Share capital		503	503
Other capital contributed		7,694	7,694
Reserves		144	-114
Retained earnings		21,325	19,958
Equity attributable to owners of the parent		29,666	28,041
Non-controlling interests		22	34
Total equity		29,688	28,075
Non-current liabilities			
Provisions for pensions	19	2,299	2,128
Deferred tax liabilities	9	4,673	4,919
Bonds	20	4,991	4,991
Other interest-bearing liabilities	20	2,415	2,730
Other provisions		21	31
Other liabilities		139	146
Total non-current liabilities		14,538	14,945
Current liabilities			
Bonds	20	-	1,994
Other interest-bearing liabilities	20	3,057	2,718
Trade payables		12,151	11,759
Deposits, ICA Bank	14	12,897	11,966
Liabilities to related parties	16	0	8
Tax liabilities		70	46
Other liabilities		729	696
Provisions		137	196
Accrued expenses and deferred income		2,616	2,494
Total current liabilities		31,657	31,877
Liabilities held for sale	17	240	19
TOTAL EQUITY AND LIABILITIES		76,123	74,916

Consolidated statement of changes in equity

SEK m	Equity attributable to owners of the parent					Non-controlling interests	Total equity
	Share capital	Other capital contributed	Reserves	Retained earnings	Total		
Opening equity, 1 January 2015	503	7,694	130	16,379	24,706	3,205	27,911
Profit for the year				4,855	4,855	58	4,913
Other comprehensive income			-244	227	-17	1	-16
Comprehensive income for the year			-244	5,082	4,838	59	4,897
Change in non-controlling interests						-14	-14
Acquisition of shares in Hemtex AB				-116	-116	-103	-219
Dividend				-1,130	-1,130	-113	-1,243
Redemption of preference shares				-300	-300	-3,000	-3,300
Sale of treasury shares				43	43		43
Closing equity, 31 December 2015	503	7,694	-114	19,958	28,041	34	28,075
Opening equity, 1 January 2016	503	7,694	-114	19,958	28,041	34	28,075
Profit for the year				3,413	3,413	5	3,418
Other comprehensive income			258	-37	221	-2	219
Comprehensive income for the year			258	3,376	3,634	3	3,637
Change in non-controlling interests				2	2	-15	-13
Dividend				-2,011	-2,011		-2,011
Closing equity, 31 December 2016	503	7,694	144	21,325	29,666	22	29,688

Consolidated statement of cash flows

SEK m	Note 17, 22	2016	2015
Operating activities			
Operating profit/loss		4,518	5,750
Dividend from joint ventures		56	2
Adjustments for non-cash items		1,546	-74
Income tax paid		-728	-829
Cash flow from operating activities before change in working capital		5,392	4,849
Change in working capital			
Inventories (increase - /decrease +)		-67	-157
Current receivables (increase - /decrease +)		-25	-1,050
Current liabilities (increase + /decrease -)		793	1,041
ICA Bank's net deposits, lending and investments		-671	1,162
Cash flow from operating activities		5,422	5,845
Investing activities			
Purchase of property, plant and equipment and intangible assets		-2,502	-2,376
Sale of property, plant and equipment and intangible assets		489	1,607
Acquisition of Apotek Hjärtat		-	-3,499
Loans issued		-42	0
Repayment of loans issued	13	672	4
Other financial non-current assets (increase -/decrease +)		2	-1
Interest received		21	40
Investments in joint ventures	13	-663	-138
Divestment of subsidiaries		329	2,656
Cash flow from investing activities		-1,694	-1,707
Financing activities			
Borrowings		5	146
Repayment of borrowings		-1,940	-926
Acquisition of shares in Hemtex AB		-7	-219
Interest paid		-298	-368
Dividend paid to shareholders of ICA Gruppen AB		-2,011	-1,130
Dividend paid to preference shareholders		-	-113
Redemption of preference shares		-	-3,300
Sale of treasury shares		-	43
Cash flow from financing activities		-4,251	-5,867
Cash flow for the year		-523	-1,729
Cash and cash equivalents at beginning of year		4,611	6,258
Exchange differences in cash and cash equivalents		-114	82
Cash and cash equivalents at year-end		3,974	4,611

Notes

Note 1 Accounting principles and general information

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

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

The Company 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 7 February 2017. A decision will be made at the Annual General Meeting on 7 April 2017 on the adoption of the consolidated statement of comprehensive income, consolidated statement of financial position and the Parent Company's income statement and balance sheet.

The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Commission and the interpretations of the IFRS Interpretations Committee. 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 2016

For 2016 only minor amendments have been published by IASB and IFRIC. These amendments will only have a minor impact on ICA Gruppen's financial statements.

New accounting principles in 2017

For 2017 only minor amendments have been published by IASB and IFRIC. These amendments have not had any impact on ICA Gruppen's financial statements.

New standards from IASB adopted by the EU that are relevant to ICA Gruppen
IFRS 9 *Financial Instruments* published in July 2014. The standard will replace IAS 39, *Financial Instruments: Recognition and Measurement*. This will go into effect for the financial year beginning on 1 January 2018. IFRS 9 was adopted by the EU in November 2016. It contains rules on the classification and measurement of financial assets and liabilities, impairment of financial instruments and hedge accounting. ICA Gruppen has performed an analysis of what effects introducing the standard is expected to have on the financial statements. The determination is that the potentially most significant effect will relate to the valuation of ICA Bank's credit losses.

IFRS 15 *Revenues from Contracts with Customers* was published in May 2014 and an amendment to IFRS 15 was published by IASB in April 2016. The amendment to IFRS 15 clarifies, among other things, the definition of principal and agent. IFRS 15 will be applied starting with the financial year beginning on 1 January 2018. IFRS 15 was adopted by the EU in October 2016 and the amendment to IFRS 15 is expected to be adopted by the EU in the second quarter of 2017. During the year ICA Gruppen analysed which effects the introduction of IFRS 15 could have on the financial statements. ICA Gruppen's main source of revenue is from the sale of goods. IFRS 15 will in most cases not involve any change compared to reporting of revenue under the existing IAS 18 Revenue. In terms of the rules on agents and principal in IFRS 15, and IASB's proposed amendment to IFRS 15 in the same area, an analysis has been performed to determine if ICA Gruppen's role in any agreement is as principal or agent. The preliminary conclusion is that ICA Gruppen has a role as principal instead of agent, as was determined under IAS 18 Revenue. The effect of the preliminary determination according to IFRS 15 as adopted by the EU, and the amendment to IFRS 15 which is proposed but not yet approved by the EU, is that the net sales will increase, while the operating income will remain unchanged and the operating margin will be marginally lower.

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

IFRS 16 *Leases* was published in January 2016. The standard will take effect in 2019. The EU is expected to approve IFRS 16 in the second half of 2017. IFRS 16 mainly contains new rules for lessee accounting. Lessee accounting corresponds to the rules that apply under IAS 17 Leases, except in cases where an asset is leased to be subsequently subleased. In subleasing the classification as operating or finance lease is to be determined based on the leased asset and not on the underlying asset as is the case under IAS 17. IFRS 16 requires lessees to recognise assets and liabilities for all leases in the balance sheet unless the lease term is 12 months or less or the underlying asset has a low value. The asset is depreciated over the term of the lease. The lease payments are to be split between interest and repayment of the debt. ICA Gruppen has a large number of leases. The main leases in terms of value relate to properties that ICA Gruppen leases both for own use and to rent out to non-consolidated ICA retailers. ICA Gruppen is in the process of analysing the effects of the introduction of IFRS 16. This process includes interpreting the rules in IFRS 16, and gathering data and making an assessment of which agreements constitute leases, assigning a value to lease agreements and evaluating the need for new system support. It is too early to quantify the effects of the introduction of IFRS 16, but its introduction will have a substantial 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 unless indicated otherwise.

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

Consolidated financial statements

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

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

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

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

Holdings in joint arrangements

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

Investments in associated companies

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

Foreign currency

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

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

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

Revenue

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

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

Revenues from consulting services and franchise fees, royalties and dividends from ICA retailers are recognised as the service is delivered or the rights are provided.

Rental income is recognised as the asset is provided.

Profit or loss on property sales is recognised when the main risks and benefits associated with the property are transferred to the buyer, which is usually on the day of taking possession. In cases where ICA Gruppen sells a property which is then leased back for use within the Group, or subleased to a non-consolidated ICA retailer, a collective assessment is made of the entire arrangement to determine if the main risks and benefits have been transferred to the buyer.

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

Leases

The Group's leases are classified as either operating or finance leases. ICA Gruppen leases buildings and equipment for its own use within the Group, but store premises are also leased in order to be rented out to non-consolidated ICA retailers. Neither the term of the lease in relation to the underlying asset's economic life, the present value of the lease payments in relation to the underlying asset's fair value, nor other factors indicate that the economic risks or benefits have essentially accrued to ICA Gruppen. The economic substance of these arrangements thus means that these leases are classified as operating leases – both when ICA Gruppen is the lessee and the lessor of the assets.

ICA Gruppen as lessee

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

ICA Gruppen as lessor

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

Income tax

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

Cont. Note 1 Accounting principles and general information

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

Goodwill

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

Other intangible assets

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

Property, plant and equipment

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

Investment properties

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

Assets and liabilities held for sale and discontinued operations

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

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

Depreciation and amortisation

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

Impairment

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

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

Inventories

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

Financial instruments

Financial instruments are initially recognised at cost. The subsequent recognition depends on which category the financial instrument belongs to. The categories are: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables, available-for-sale financial assets, financial liabilities measured at fair value through profit or loss and other financial liabilities.

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

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

Liabilities to credit institutions and other loan liabilities

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

Derivatives

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

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

ICA Bank's receivables and liabilities

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

Interest

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

Provisions and contingent liabilities

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

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

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

Pensions and other undertakings for post-employment benefits

The Group has both defined contribution and defined benefit pension plans. Calculation of the present value of the defined benefit pension plans is based on a number of assumptions. The fair value of the plan assets is deducted from the present value of the pension obligations. The discount rate is the interest rate for first-class corporate bonds with a maturity corresponding to that of the obligation. Housing bonds are considered by ICA Gruppen to be corporate bonds in accordance with IAS 19, Employee Benefits. In cases where it is not possible to establish the interest based on readable data corresponding to the term of the obligation, an extrapolation is made of the interest curve based on observations of interest rates for shorter terms. Revaluations are recognised in other comprehensive income when they arise.

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

Sale and leaseback transactions with subleases

When ICA sells a property and at the same time leases back and subleases the property to a non-consolidated ICA retailer, an assessment is first made of whether or not the property is sold. If the significant risks and benefits associated with the property have been transferred to the buyer, the property is reported as sold. The assessment considers the leaseback and sublease of the property and whether these arrangements affect the transfer of risks and benefits to the buyer. If the outcome of the assessment is that the property is considered sold, a determination is made of the leases and whether they are operating or finance leases. The leaseback or sublease agreements are assessed together as they are drawn up at the same time. Determining whether or not a property is sold according to IAS 18 Revenue, and then classifying the lease according to IAS 17 Leases in cases where the property is considered sold, involves a complex and comprehensive assessment of the implications of various factors, circumstances and lease and contractual terms. It has been determined for the properties that have been sold that ICA Gruppen has limited risk and involvement in these properties, and accordingly they have been reported as sold. Leaseback and sublease agreements are classified as operating leases based on the fact that the most material financial risks and benefits belong to the property owner and ICA Gruppen's tenant, the ICA retailer.

Valuation of goodwill and trademarks

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

Defined benefit pension plans

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

Revenue

Contracts exist that require expert assessment of whether ICA Gruppen is acting as principal or agent according to IAS 18 Revenue. This assessment covers many different factors, an overall appraisal being made of all the facts and circumstances in order to determine what ICA Gruppen's role is in the agreement. If ICA Gruppen is the principal then revenue and expenses are reported gross, while only commission received or the equivalent is recognised as revenue if ICA Gruppen is an agent.

Note 2 Segment reporting

Segments are defined based on how ICA Gruppen's management monitors and oversees operations. ICA Gruppen is engaged in wholesale and retail operations in Sweden and retail operations in the Baltic countries, and in pharmacy operations in Sweden. ICA Sweden constitutes one segment and the Baltic countries together form another segment. Apotek Hjärtat, which operates pharmacies in Sweden, was acquired in January 2015. In 2015 the pharmacy operations previously included in the segment ICA Sweden were integrated with the acquired operations in Apotek Hjärtat. Pharmacy operations are reported in the Apotek Hjärtat segment. Comparative figures for 2015 were restated following this change. Properties located in Sweden and Norway are accounted for separately from other operations and are included in the ICA Real Estate segment. Properties located in the Baltic countries are accounted

for together with the retail operations in the Baltic countries and are included in the Rimi Baltic segment. Banking operations, including insurance operations, are reported in the segment ICA Bank. Other segments consist of the retail company Hemtex, and inkClub until it was divested by the Company in June 2016. Other consists of items that are not included in identified segments, mainly Group-wide functions.

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

SEK m	ICA Sweden		Rimi Baltic		Apotek Hjärtat		ICA Real Estate		ICA Bank	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
External net sales	73,883	72,258	13,571	12,632	12,530	12,289	1,490	1,403	820	804
Internal net sales	167	366	-	-	1	1	882	979	43	55
Depreciation and amortisation	438	418	306	290	136	155	467	524	31	29
Profit from joint ventures and associated companies	-	-	-	-	-	-	35	14	-	-
Operating income excluding non-recurring items	3,504	3,366	526	415	436	209	493	456	51	110

Other segment information

Assets	38,503	37,944	5,725	5,677	8,252	8,164	14,498	13,990	15,233	14,297
Liabilities	17,612	17,248	3,340	3,834	4,311	4,191	9,744	9,220	13,521	12,321
Investments in property, plant and equipment and intangible assets	640	780	372	384	168	95	1,212	924	36	50
Investments in associated companies and joint ventures	-	-	-	-	-	-	-	138	-	-
Other non-cash flow items	149	0	11	-93	-22	10	-53	-130	8	-267

SEK m	Other segments		Total reported segments		Other		Eliminations		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
External net sales	1,315	1,800	103,609	101,186	46	35	-	-	103,655	101,221
Internal net sales	1	0	1,094	1,401	817	897	-1,911	-2,298	-	-
Depreciation and amortisation	28	41	1,406	1,457	95	83	-	-	1,501	1,540
Profit from joint ventures and associated companies	0	1	35	15	-	0	-	-	35	15
Operating income excluding non-recurring items	24	-32	5,034	4,524	-365	-386	-	-	4,669	4,138
Non-recurring items	-	-	-	-	-	-	-	-	-151	456
Net financial items	-	-	-	-	-	-	-	-	-364	-369
Profit after financial items	-	-	-	-	-	-	-	-	4,154	4,225

Other segment information

Assets	765	1,427	82,976	81,499	45,213	56,161	-52,066	-62,744	76,123	74,916
Liabilities	373	881	48,901	47,695	19,513	25,280	-21,979	-26,134	46,435	46,841
Investments in property, plant and equipment and intangible assets	13	33	2,441	2,266	61	110	-	-	2,502	2,376
Investments in associated companies and joint ventures	-	-	-	138	-	0	-	-	-	138
Other non-cash flow items	30	11	123	-469	-7	-2	-	-	116	-471

Non-recurring items

SEK m	2016	2015
Operating income excluding non-recurring items	4,669	4,138
<i>Capital gain upon sale of noncurrent assets</i>		
Other segments, Forma	–	–7
Other segments, inkClub	–30	2
Other segments, Cervera	–	–8
ICA Real Estate	72	165
Rimi Baltic	6	102
ICA Bank	–8	267
Apotek Hjärtat	22	–10
Other	6	3
Total capital gains	68	514
<i>Impairment</i>		
ICA Sweden, IT solution product acquisition	–148	–
ICA Real Estate	–54	–49
Rimi Baltic	–17	–9
Total non-recurring items	–151	456
Operating income	4,518	4,594
<i>Acquisition and integration costs for Apotek Hjärtat</i>		
Acquisition and integration costs for Apotek Hjärtat	–	–209
Total non-recurring items	–151	247

Non-recurring items (previous year including acquisition and integration costs for Apotek Hjärtat) are reported in the following lines:

Other operating income	68	514
Other operating expenses	–219	–267
Total non-recurring items	–151	247

External net sales by revenue source

SEK m	2016	2015
Wholesale sales	56,550	54,347
Retail sales	39,097	39,309
Rental income	2,784	2,614
Net interest income, commissions and insurance premium, ICA Bank	820	804
Other services for ICA retailers	4,404	4,147
Net sales	103,655	101,221

Geographical information

SEK m	Net sales		Property, plant and equipment and intangible non-current assets	
	2016	2015	2016	2015
Country				
Sweden	89,759	88,024	42,305	42,696
Norway	202	288	0	1,558
Baltic Countries	13,592	12,653	3,459	3,300
Other countries	102	256	2	1
Total	103,655	101,221	45,766	47,555

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

Note 3 Expenses by type of expense

SEK m	2016	2015
Cost of materials	77,973	76,142
Personnel expenses	9,603	9,479
Administrative expenses	1,755	2,039
Cost of premises	4,892	4,672
Depreciation/amortisation and impairment losses	1,720	1,598
Other expenses	3,691	3,616
Total expenses	99,634	97,546

The allocation of expenses by type of expense has changed and the comparison year has been adjusted according to the change.

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.

	2016			2015		
	Women	Men	Total	Women	Men	Total
Sweden	6,993	5,115	12,108	7,393	5,357	12,750
Norway	6	6	12	9	10	19
Baltic Countries	8,175	1,524	9,699	8,042	1,520	9,562
Finland	73	0	73	71	2	73
Hong Kong	43	51	94	45	50	95
Total, continuing operations	15,290	6,696	21,986	15,560	6,939	22,499
ICA Norway	–	–	–	473	377	850
Total	15,290	6,696	21,986	16,033	7,316	23,349

Salaries, other remuneration and social security contributions

SEK m	2016	2015
Group		
Salaries and other remuneration	6,199	6,169
Social security contributions	2,091	1,916
Pension costs	435	508
Total	8,725	8,593

SEK m	2016	2015
Group		
Board of Directors and CEO		
– Salaries and other remuneration	135	144
– of which variable component	15	22
– Pension costs	23	25
Other employees	6,476	6,508
Total	6,634	6,677

Of the Group's Board members and CEOs, 393 are men (430) and 489 are women (432). The data refers to all board assignments within ICA Gruppen; an individual may sit on more than one board. The amounts exclude social security contributions.

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

Remuneration to the Board of Directors

The Chairman of the Board and Board members receive fees as resolved by the Annual General Meeting. Remuneration to Board members is reported in thousands of kronor (SEK 000s). See also the Corporate Governance Report.

Fees to members of the Board of ICA Gruppen AB:	2016			2015		
	Board fees	Committee work	Total fees	Board fees	Committee work	Total fees
Claes Göran Sylvén	1,025	150	1,175	950	150	1,100
Fredrik Hägglund	425	75	500	350	50	400
Göran Blomberg	425	85	510	350	85	435
Peter Berlin	425	50	475	350	50	400
Magnus Moberg	425	85	510	350	85	435
Bengt Kjell	425	85	510	350	85	435
Cecilia Daun Wennborg	425	208	633	350	170	520
Jan Olofsson	425	50	475	350	50	400
Andrea Gisle Joosen	425	75	500	350	50	400
Jeanette Jäger	425	50	475	350	50	400
Total	4,850	913	5,763	4,100	825	4,925

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

The CEO of ICA Gruppen AB and other senior executives are covered by two variable compensation systems taking the form of a cash bonus, one of which runs for one year and the other for three years. The combined annual bonus per person is maximised at an amount equivalent to 59% (59) of annual salary and 118% (118) for the CEO of ICA Gruppen AB. The bonus is not pensionable for the CEO of ICA Gruppen AB or other senior executives. Variable remuneration to the CEO of ICA Banken AB is handled according to the Swedish Financial Supervisory Authority's regulation FFFS 2011:1.

Annual bonus programme

Cash-based bonus programme linked to the budget for each financial year and maximised at 27% (27) of annual salary and 54% (54) for the CEO of ICA Gruppen AB. The targets for the bonus programme are set by the Board of Directors ahead of each financial year and individual bonus agreements are to be signed with each participant. The content of the agreements depends on the participant's position at the time of signing. The targets must be able to be objectively measured and must be related to the budget. Payment of bonus is contingent upon the participants' employment not being terminated during the bonus year. If an executive retires during the vesting period, the bonus is paid out pro rata. The Board of Directors has the right to adjust the bonus system; for example, in the case of extraordinary increases or decreases in the Group's earnings.

Long-term bonus programme

The cash-based, three-year bonus programme is linked to value creation within the Group and is maximised at 32% (32) of annual salary and 64% (64) for the CEO of ICA Gruppen AB. In the case of programmes begun prior to 2015 the maximum potential bonus is 25% and 50% respectively. The targets for the bonus programme must be able to be objectively measured and determined by the Board and are linked to both absolute and relative performance criteria. For the long-term bonus programmes, fulfilment of the absolute performance criteria accounted for 60% of the maximum outcome and the relative performance criteria accounted for the remaining 40%. Payment of bonus is contingent upon the participants' employment not being terminated during the term of the programme. If the executive retires during the vesting period, the bonus is paid out on condition that at least 2/3 of the programme has been earned, and 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.

ICA Gruppen Management Team

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

2015, SEK 000s	Salaries	Variable remuneration	Benefits	Pension costs ¹⁾	Total
CEO ICA Gruppen AB	8,525	10,518	235	3,179	22,457
Other senior executives	37,191	31,568	1,951	14,840	85,550
Total	45,716	42,086	2,186	18,019	108,007

1) The stated pension costs for other senior executives include SEK 423 (2,076) of variable remuneration where salary has been exchanged for pension premiums.

2) Variable remuneration for 2015 for other senior executives includes SEK 15 million as a result of two members of the ICA Gruppen Management Team (IMT) leaving the Company during the year.

Comments on the table

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

The number of senior executives in 2016, excluding the CEO of ICA Gruppen AB, was 11 (13), 5 (5) of whom are women. The Chief Corporate Responsibility Officer (CCRO) served in the ICA Gruppen Management Team during the period 1 October–31 December 2016.

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

Employment terms for the CEO of ICA Gruppen AB

The CEO of ICA Gruppen AB had an agreed basic annual salary for 2016 of SEK 8.7 million and has a six-month mutual term of notice with severance pay equivalent to one year's salary if employment is terminated by the Company. The retirement age for the CEO is 65. The Company covers its pension obligations through annual payments of pension premiums to insurance companies corresponding to 35% of basic salary.

Notice periods and severance pay for other senior executives

A mutual notice period of six months applies to senior executives. If termination of employment is initiated by the Company, the other senior executives are entitled to severance pay of up to 12 months' fixed cash salary. Severance pay is deductible. There is an exception to the terms for the notice period, severance pay and deduction clause for one of the senior executives whose agreement was entered into before the 2016 Annual General Meeting.

If a senior executive resigns, the Company will provide compensation during the period the non-competition clause applies at an amount maximised at 60% of the fixed salary if the Company decides to invoke the contractual non-competition clause in a specific case. Severance pay and compensation during the non-competition period is not pensionable income.

Pension benefits for other senior executives

Other senior executives have a combined defined contribution and defined benefit pension plan. As a result, pension premiums may be up to 35% of pensionable salary, which is paid for the duration of employment. One senior executive with a prior contract is entitled to retire at the age of 62 with a defined benefit pension plan for the period until the normal retirement age of 65. The CEO of Apotek Hjärtat has pension benefits in accordance with ITP 1.

Share investment programmes

The general meeting approved three share investment programmes for the CEO of ICA Gruppen AB and senior executives within ICA Gruppen (for the years 2014, 2015 and 2016 respectively).

According to the general meeting's decision in 2016, during the acquisition period set by the Board of 21 April 2016 – 31 December 2016, the CEO of ICA Gruppen AB and senior executives were expected to acquire shares in the Company for a sum amounting to between 5% and 10% of their gross basic salary for the financial year. Shares already held do not count towards this. Acquired shares are to be held for the entire period the executives are employed by the Group.

Twelve months after acquiring shares in the Company in accordance with the previous paragraph the executives will receive a net amount from the Company equal to 50% of their investment, provided that all the following conditions are met:

- (i) the executive remains employed in the Group;
- (ii) the executive still holds all the shares acquired; and
- (iii) a threshold of at least 50% of the target for the annual bonus programme has been reached in respect of the current investment year.

Remuneration to senior executives for acquisitions of shares based on the share investment programme for the IMT in 2016 involves a maximum cost including social security contributions of SEK 5.7 million in total, of which SEK 1.2 million is for the CEO of ICA Gruppen AB and SEK 4.5 million is for other senior executives.

Note 5 Audit expenses

SEK m	2016	2015
Ernst & Young:		
Audit assignments	21	21
Other auditing activities	1	1
Other services	12	27
Total	34	49

Note 6 Other operating income

SEK m	2016	2015
Share of profits and share dividends from ICA retailers	394	390
Capital gains/losses as specified in Note 2	68	514
Total	462	904

Note 7 Leases

Operating leases

ICA Gruppen as lessee

The Group leases buildings and equipment for use within the Group, but also store premises that are then subleased to unconsolidated ICA retailers. Leases are originally contracted over an average lease period of about 10 years. The option exists to extend the leases beyond the current term. Rents are generally fixed and change in line with index clauses based on changes in the consumer price index.

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

SEK m	2016	2015
Lease expense for the year	3,424	3,690
Of which minimum lease fees	3,323	3,393
Of which variable fees	101	297
The year's lease revenue from subleased assets	-1,486	-1,375
Future contractual minimum lease fees:		
Maturity date within 1 year	3,120	3,089
Maturity date between 1–5 years	8,442	8,357
Maturity date later than 5 years	5,126	5,529
Total	16,688	16,975
Future minimum lease fees incoming for agreements with subleased assets	5,729	5,813

ICA Gruppen as lessor

The Group rents out premises. ICA Gruppen rents out premises owned by the Group, but subleasing of premises leased by the Group is also common. Leases are originally contracted over an average lease period of about 10 years. The option exists to extend the leases beyond the current term. The rents are fixed but there are also some sales-based variable ones. Fixed rents change in line with index clauses based on changes in the consumer price index.

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

SEK m	2016	2015
Future contractual minimum lease fees:		
Maturity date within 1 year	2,037	2,011
Maturity date between 1–5 years	5,025	4,876
Maturity date later than 5 years	1,695	1,582
Total	8,757	8,469
Variable fees included in profits	718	646

Note 8 Net financial items

SEK m	2016	2015
Financial income		
Interest income	21	40
Other financial income	-	2
Exchange differences	5	-
Financial income	26	42
Financial expense		
Interest expense	-381	-399
Change in fair value of financial instruments	-9	-7
Exchange differences	-	-5
Financial expense	-390	-411

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

Note 9 Taxes

Current tax	2016	2015
Current tax on profit for the year	-764	-754
Deferred tax on temporary differences	7	250
Reported tax expense	-757	-504

Reconciliation of effective tax expense

	2016	2015
Profit before tax	4 154	4 225
Tax as per the current tax rate, 22% in Sweden (22%)	-914	-930
Capital gains/losses	29	136
Share of profit and share dividends	87	86
Non-deductible expenses/non-taxable income	-18	-35
Tax on deferred tax asset	-	174
Profit share according to the equity method	8	3
Effect of other tax rates for foreign subsidiaries	46	52
Effect of changed tax rate ¹⁾	7	15
Other	-2	-5
Reported tax expense	-757	-504
Effective tax rate, Group	18%	12%
Weighted average nominal tax rate, Group	21%	21%

1) The tax rate in Norway was reduced in 2016 from 27% to 25%. In 2017 the tax rate will be further reduced to 24%.

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

Taxes by country 2015	Nominal tax rate	Profit before tax	Tax	Profit after tax	Tax paid
Sweden	22%	3,916	-520	3,396	-722
Norway	27%	12	13	25	-31
Estonia	0%	147	0	147	0
Latvia	15%	106	-55	51	-70
Lithuania	15%	39	59	98	-5
Other countries		5	-1	4	-1
Total		4,225	-504	3,721	-829

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

In Estonia the tax rate on income is 0%, while companies are taxed at 20% (20) on any dividend distributed.

SEK m	31 Dec. 2016	31 Dec. 2015
Reported deferred tax assets and tax liabilities		
Non-current assets	-3,637	-3,951
Inventories	15	15
Provisions	320	282
Tax loss carryforwards	400	406
Untaxed reserves	-1,313	-1,243
Financial derivatives	-2	28
Total deferred tax assets (+) / deferred tax liabilities (-), net	-4,217	-4,463
As reported in balance sheet:		
Deferred tax assets	456	456
Deferred tax liabilities	-4,673	-4,919

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

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

Change in deferred tax in temporary differences and tax loss carryforwards

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

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

SEK m	Balance, 1 Jan. 2015	Recognised				Balance 31 Dec. 2015
		Recog- nised in income statement	in other compre- hensive income	Divest- ment of assets	Business combina- tions	
Non-current assets	-4,079	204	0	50	-126	-3,951
Inventories	14	1				15
Provisions	341	5	-64			282
Tax loss carryfor- wards	208	198				406
Untaxed reserves	-1,091	-152				-1,243
Financial deriva- tives	22	-6	12			28
Total	-4,585	250	-52	50	-126	-4,463

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

Tax in other comprehensive income

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

SEK m	2015		
	Before tax	Tax	After tax
Revaluation of defined benefit pension plans	291	-64	227
Translation differences in foreign operations	-166	0	-166
Cash flow hedges:			
- change in value for the year	53	-10	43
Items reclassified to profit or loss	-154	22	-132
Share of joint ventures' other comprehensive income	12		12
Other comprehensive income	36	-52	-16

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	2016	2015
Profit for the year attributable to owners of the parent	3,413	4,855
Weighted average number of shares, thousands	201,147	201,098

See also Note 18.

Note 11 Intangible non-current assets

SEK m	Goodwill		Trademarks		IT systems		Other		Total intangible non-current assets	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Accumulated cost	16,689	17,038	13,353	13,632	1,955	986	139	506	32,136	32,162
Accumulated depreciation			-	-1	-1,084	-375	-107	-139	-1,191	-515
Accumulated impairment losses	-388	-737	-	-1	-	0	0	0	-388	-738
Book value	16,301	16,301	13,353	13,630	871	611	32	367	30,557	30,909
Opening balance	16,301	11,545	13,630	13,112	611	545	367	258	30,909	25,460
Investments	-	-	-	-	375	198	12	166	387	364
Business combinations	-	4,756	-	550	-	55	-	15	-	5,376
Divestments and disposals	-	-	-313	-	-42	-9	-14	-5	-369	-14
Reclassifications	-	-	-	-	306	2	-306	-2	0	0
Amortisation for the year ¹⁾	-	-	-	0	-232	-184	-28	-65	-260	-249
Impairment losses for the year	-	-	-	-	-148	-	-	-	-148	-
Translation differences for the year	-	-	36	-32	1	4	1	0	38	-28
Book value	16,301	16,301	13,353	13,630	871	611	32	367	30,557	30,909

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

SEK m	2016	2015
Selling expenses	-28	-65
Administration expenses	-232	-184
Total	-260	-249

Cont. Note 11 Intangible non-current assets

SEK m	31 Dec. 2016	31 Dec. 2015
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 deals with supply chains, customer relationships and ICA's central costs, and partly through agreements which regulate royalties and profit sharing as well as leases. The business model which regulates the relationship between the individual ICA retailer and ICA Gruppen is based on the experiences, skills and relationships which have been developed over 100 years. All of the agreements and relationships of 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 materially independent payments, which means the segment ICA Sweden. 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 segment Apotek Hjärtat. No part of recognised goodwill is income tax deductible.

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

SEK m	31 Dec. 2016	31 Dec. 2015
ICA Sweden	11,500	11,500
Apotek Hjärtat	550	550
Rimi Baltic	803	767
Other segments:		
inkClub	–	313
Hemtex	500	500
Total trademarks	13,353	13,630

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

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

Other intangible assets consist of tenancy rights, other intangible surplus values in connection with the acquisition of store operations and assets under construction. Amortisation is booked 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. The calculations are based on the management's forecasts for the next three to five years. Cash flows beyond this period are extrapolated.

Trademark and goodwill for ICA Sweden are tested by estimating the value in use for the cash-generating unit ICA Sweden. Trademark and goodwill for Apotek Hjärtat are tested by estimating the value in use for the cash-generating unit Apotek Hjärtat. Rimi Baltic's trademark are tested by estimating the value in use for the

cash-generating unit Rimi Baltic. In previous years Rimi Baltic's trademark was tested using the royalty relief method. Trademark in Hemtex is tested by estimating the value in use for the cash-generating unit that constitutes Hemtex.

Impairment testing of other intangible assets

For intangible assets other than goodwill and trademarks a recoverable amount is determined when there is an indication of impairment of the asset. During the year an IT-solution for product supply in segment ICA Sweden has been impaired by SEK 148 million. After evaluating a previously chosen solution for product supply, a new solution with better functionality and a more favourable investment calculation has been chosen, resulting in an impairment. The impairment loss is recognised as other operating expenses in the income statement.

Key variables	Method of estimating value										
EBITDA	Earnings before net financial items, tax and depreciation/amortisation, EBITDA, is estimated based on business plans and forecasts for a period of three to 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 EBITDA margin is estimated at 5.5% (5.5) for ICA Sweden, 5.3% (5.5) for Apotek Hjärtat, 6.9% (n/a) for Rimi Baltic, 8.0% (8.6) for Hemtex and – (11.0) for inkClub. This does not in any of the cases indicate an increased EBITDA margin compared with the three to five-year forecast period.										
Growth	Growth is assessed based on business plans and forecasts over a period of three to 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 growth is estimated at 1.5% (1.5) for ICA Sweden, 1.5% (1.5) for Apotek Hjärtat, 1.5% (2.0) for Rimi Baltic, 1.5% (1.5) for Hemtex and – (2.0) for inkClub. This does not in any of the cases indicate an increased growth rate compared with the three to 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	The need for working capital is assumed to be at the same level as that reached at the end of the forecast period.										
Discount rate	The discount rate is set taking into account current interest rate levels and specific risk factors for each unit. The discount rate corresponds to the unit's average cost of capital and is stated before tax. <table border="1"> <tbody> <tr> <td>ICA Sweden</td> <td>7.3% (7.2)</td> </tr> <tr> <td>Apotek Hjärtat</td> <td>7.4% (7.3)</td> </tr> <tr> <td>Rimi Baltic</td> <td>8.4% (8.2)</td> </tr> <tr> <td>Hemtex</td> <td>11.4% (10.5)</td> </tr> <tr> <td>inkClub</td> <td>– % (16.1)</td> </tr> </tbody> </table>	ICA Sweden	7.3% (7.2)	Apotek Hjärtat	7.4% (7.3)	Rimi Baltic	8.4% (8.2)	Hemtex	11.4% (10.5)	inkClub	– % (16.1)
ICA Sweden	7.3% (7.2)										
Apotek Hjärtat	7.4% (7.3)										
Rimi Baltic	8.4% (8.2)										
Hemtex	11.4% (10.5)										
inkClub	– % (16.1)										

Sensitivity analysis

For ICA Sweden a one percentage point increase in the discount rate or a decrease in the EBITDA margin of one percentage point does not indicate an impairment loss (no impairment loss).

For Apotek Hjärtat a one percentage point increase in the discount rate or a decrease in the EBITDA margin of one percentage point does not indicate an impairment loss (no impairment loss).

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

For Hemtex a one percentage point increase in the discount rate or a decrease in the EBITDA margin of one percentage point does not indicate an impairment loss (no impairment loss).

Note 12 Property, plant and equipment

SEK m	Buildings and land		Investment properties		Leasehold improvements		Equipment		Construction in progress		Total property, plant and equipment	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Accumulated cost	12,976	13,105	1,041	2,349	753	585	4,220	3,799	647	348	19,637	20,186
Accumulated depreciation	-1,811	-1,384	-63	-135	-345	-246	-2,083	-1,665	-	-	-4,302	-3,430
Accumulated impairment losses	-66	-14	-8	-58	-4	0	-48	-34	-	-4	-126	-110
Book value	11,099	11,707	970	2,156	404	339	2,089	2,100	647	344	15,209	16,646
Opening balance	11,707	13,343	2,156	1,458	339	288	2,100	1,677	344	834	16,646	17,600
Investments	264	644	320	84	23	121	694	967	791	107	2,090	1,923
Business combinations	-	-	-	-	-	-	-	202	-	-	-	202
Divestments, transferred to assets held for sale and disposals	-682	-911	-1,548	-453	-5	-9	-127	-215	-22	-1	-2,382	-1,588
Reclassifications	248	-809	55	1,409	163	-	3	-	-469	-600	0	0
Depreciation for the year	-500	-534	-32	-77	-116	-112	-593	-568	-	-	-1,241	-1,291
Impairment losses for the year	-25	-7	-36	-40	-2	-	-14	-7	-	-4	-77	-58
Impairment losses reversed during the year	-	-	8	-	-	-	-	-	-	-	8	-
Translation differences for the year	87	-19	47	-225	2	51	26	44	3	8	165	-141
Book value	11,099	11,707	970	2,156	404	339	2,089	2,100	647	344	15,209	16,646

Depreciation periods (years):

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

Investment properties

A measurement has been made of the fair value of all investment properties. Many properties have been valued by an external party and in other cases an internal valuation has been made. The measurement is based on the existing rents and market conditions and the real yield requirements in the various markets. It shows that the fair value exceeds the book value by 252 (449). According to IFRS 13 these properties are measured at level 3.

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

SEK m	2016	2015
Rental income	259	204
Direct costs	101	135

Construction in progress

Construction in progress amounts to 647 (344). Expenses paid during the year include a capitalised interest expense of 2 (8) calculated based on an interest rate of 2.00% (1.00).

Note 13 Interests in joint ventures and associated companies

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

Ancore Fastigheter AB is a joint arrangement between pension company Alecta and ICA Gruppen. The parties each own 50% of the company. All significant decisions concerning Ancore's operations must be made in agreement between the two owners. Ancore Fastigheter AB owns and manages 30 properties in Sweden containing ICA stores, where the stores are operated 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 which started in December 2015 when Secore acquired 13 store properties from ICA Gruppen. The purpose of the company is to acquire and own ICA stores in strategic locations. The stores are run by non-consolidated ICA retailers. The parties each own 50% of the company. All significant decisions concerning Secore's operations must be made in agreement between the two owners. Based on all the relevant facts in the joint arrangement, Secore Fastigheter AB is a joint venture. It is consolidated according to the equity method.

Joint ventures and associated companies

SEK m	2016	2015
Carrying amount, joint ventures and associated companies		
Carrying amount, opening balance	758	757
New investments	–	138
Divestments	–3	–12
Dividends	–56	–2
Share of profits	35	15
Intra-Group profit, transfer of properties	–	–150
Items in other comprehensive income	6	12
Carrying amount, closing balance	740	758

In 2016, loans from the owners to Ancore Fastigheter AB totalling SEK 1,326 million were converted into equity, of which ICA Gruppen's portion amounts to SEK 663 million, which is half of the total amount.

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

SEK m	Share % ¹⁾		Book value		Share of profits	
	31 Dec. 2016	31 Dec. 2015	31 Dec. 2016	31 Dec. 2015	31 Dec. 2016	31 Dec. 2015
Ancore Fastigheter AB, 556817-8858, Stockholm	50	50	645	667	27	14
Secore Fastigheter AB, 559018-9451, Stockholm	50	50	92	85	7	0
Fastighetsaktiebolaget Postgården AB, 559016-8885, Stockholm	50	50	3	3	0	0
Other associated companies	–	–	0	3	1	1
Total			740	758	35	15

1) Ownership percentages are consistent with share of capital.

Summary for Ancore Fastigheter AB and Secore Fastigheter AB

SEK m	Ancore Fastigheter AB		Secore Fastigheter AB	
	2016	2015	2016	2015
Reconciliation of reported share of profits				
Profit for the year	57	28	2	0
Share of profits 50%	28	14	1	0
Elimination of intra-Group profits and depreciation of surplus value	–1	0	6	0
Reported share of results	27	14	7	0

Income statement and balance sheet in summary

SEK m	Ancore Fastigheter AB		Secore Fastigheter AB	
	2016	2015	2016	2015
Reconciliation of book value				
Share of equity 50%	613	–29	30	29
Long-term permanent loans	–	663	205	205
Surplus value, properties	99	102	–	–
Intra-Group profit, properties	–67	–69	–143	–149
Book value	645	667	92	85
SEK m	2016	2015	2016	2015
Rental income	394	391	78	6
Depreciation and amortisation	–102	–101	–23	–2
Expenses	–63	–63	–20	–1
Operating profit/loss	229	227	35	3
Financial income	0	0	0	0
Financial expense	–140	–178	–26	–2
Profit before tax	89	49	9	1
Tax	–32	–21	–7	–1
Profit for the year	57	28	2	0
Other comprehensive income	11	25	0	–
Comprehensive income for the year	68	53	2	0

Non-current assets	4,730	4,772	1,092	1,113
Current assets	10	8	4	8
Cash and cash equivalents	104	77	60	42
Total assets	4,844	4,857	1,156	1,163

Equity	1,226	–59	60	58
Deferred tax liabilities	91	75	44	40
Non-current liabilities to owners	–	1,326	–	410
Non-current liabilities to credit institutions	3,223	3,200	614	614
Current liabilities	304	315	438	41
Total equity and liabilities	4,844	4,857	1,156	1,163

Fastighetsaktiebolaget Postgården AB is a joint arrangement with Veidekke for the construction of housing above the commercial district that ICA Real Estate is going to build in Årsta. The construction start date is expected to be in 2018. The company did not conduct any operations in 2016.

Note 14 ICA Bank

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

Deposits and lending both carry variable interest rates, with the exception of a small portion of lending where rates are fixed for three months. The surplus liquidity that arises in ICA Bank where deposits exceed lending is invested in low-risk instruments. 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.

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

SEK m	31 Dec. 2016	31 Dec. 2015
No longer than 3 months	1,632	1,695
Longer than 3 months but not more than 1 year	968	923
Longer than 1 year but not more than 5 years	3,800	3,560
Longer than 5 years	1,800	1,602
Total lending	8,200	7,780

Bad debts

SEK m	31 Dec. 2016	31 Dec. 2015
Bad debts	40	36
Less: Reserve for anticipated credit losses	-14	-11
Bad debts net	26	25

ICA Bank's principle is to classify a receivable as a bad debt when payment of interest or principal is more than 60 days overdue. Bad debts, net, amount to 0.32% (0.32) of lending. The provision ratio is the reserve for anticipated credit losses in relation to total bad debts. The provision ratio for bad debts amounts to 36.12% (31.71). Net credit losses amount to 50 (last year revenue of 156), which is equivalent to 0.63% (-1.89) of average lending to the public.

Loans overdue, not classified as bad debt

SEK m	31 Dec. 2016	31 Dec. 2015
Overdue between 0 and 30 days	4	5
Overdue between 31 and 60 days	42	36
Total	46	41

The majority of loans are unsecured.

Note 15 Inventories

SEK m	31 Dec. 2016	31 Dec. 2015
Inventories of goods for resale	4,566	4,577
Deduction for obsolescence in inventories	-111	-125
Inventories	4,455	4,452

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 in respect of the properties owned by Ancore Fastigheter AB, the joint venture with Alecta, and Secore Fastigheter AB, the joint venture with Första AP-fonden.

In 2016 no properties were sold to any of ICA Gruppen's jointly-owned property companies. (In December 2015 ICA Gruppen sold 13 store properties to Secore Fastigheter AB). See also Note 13 Interests in joint ventures and associated companies.

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

	Sales to related parties	Purchases from related parties	Receivables from related parties	Liabilities to related parties
2015, SEK m				
Joint ventures	41	374	88	8

ICA Gruppen has had daily transactions with the Board members who are ICA retailers. The transactions are a natural part of their role as ICA retailers and take place on the same terms as for other ICA retailers.

For remuneration to senior executives, see Note 4.

Note 17 Assets and liabilities held for sale and discontinued operations

The segment ICA Norway was reported as discontinued operations from 30 September 2014 until 13 April 2015 when the divestment of all the shares in ICA Norway was completed. The result for 2016 relates to the final accounting of the last small commitments that ICA Gruppen had in the divestment.

ICA Norway's results, reported as discontinued operations, are as follows:

SEK m	2016	2015
Net sales	-	4,235
Other income	-	1
Expenses	-	-4,228
Operating profit/loss	-	8
Net financial items	-	-1
Tax	-	0
Profit/loss from the divestment of ICA Norway	21	1,185
Profit/loss from discontinued operations	21	1,192

Of assets and liabilities held for sale, other comprehensive income contains only the following items relating to ICA Norway:

SEK m	2016	2015
Other comprehensive income, items that may not be reclassified to profit or loss		
Revaluation of defined benefit pension plans, net after tax	-	-
Other comprehensive income, items that may be reclassified to profit or loss		
Change in translation reserve, net after tax	-	-10
Change in hedging reserve, net after tax	-	-123
Total items that may be reclassified to profit or loss	-	-133

On 2 December ICA Gruppen announced that a contract had been signed on the sale of the Norwegian real estate operations consisting of 58 properties as well as the existing organisation. The sale will provide a cash flow of around SEK 1.9 billion and a capital gain of just over SEK 400 million. The transaction was completed on 1 February 2017.

Assets held for sale in 2016 consist of 76 properties, of which 58 are the Norwegian properties that will ultimately be divested in February 2017 and 18 are properties located in Sweden. Liabilities held for sale consist mainly of operating liabilities that will be divested in connection with the sale of the Norwegian property operations.

In 2015 assets held for sale consisted of a total of 13 properties in Sweden, Norway and the Baltic countries, and liabilities held for sale consisted of a provision.

In connection with the classification as assets held for sale, write-downs were made in the amount of 32 for two properties in Norway. In 2015 a write-down of 43 was made in respect of properties in Norway.

Cash flows allocated to continuing operations and discontinued operations, 2015

	ICA Gruppen	Discontinued operations	ICA Gruppen excluding discontinued operations
Operating activities			
Operating profit/loss	5,750	1,167	4,583
Dividend from joint ventures	2	0	2
Adjustments for non-cash items	-74	-1,159	1,085
Income tax paid	-829	0	-829
Cash flow from operating activities before changes in working capital	4,849	8	4,841
Change in working capital	996	114	882
Cash flow from operating activities	5,845	122	5,723
Investing activities			
Purchase of property, plant and equipment	-2,376	-19	-2,357
Sale of property, plant and equipment	1,607	-	1,607
Acquisition of Apotek Hjärtat	-3,499	-	-3,499
Divestment of subsidiaries	2,656	2,467	189
Other	-95	0	-95
Cash flow from investing activities	-1,707	2,448	-4,155
Financing activities			
Interest paid	-368	-1	-367
Other financing activities	-5,499	0	-5,499
Cash flow from financing activities	-5,867	-1	-5,866
Cash flow for the year	-1,729	2,569	-4,298

Note 18 Equity

Share data (number)	31 Dec. 2016	31 Dec. 2015
Outstanding ordinary shares	201,146,795	119,078,903
Outstanding C shares	–	82,067,892
Total outstanding shares	201,146,795	201,146,795
Total registered ordinary shares	201,146,795	119,078,903
Total registered C shares	–	82,067,892
Total number of registered shares	201,146,795	201,146,795

Number of shares and share capital	Number of shares	Share capital ¹⁾
1 January 2015	201,146,795	502,867
Change, 2015	–	–
31 December 2015	201,146,795	502,867
Change, 2016	–	–
31 December 2016	201,146,795	502,867

1) The quota value amounts to SEK 2.50 per share for all share classes.

The Parent Company's shares were previously divided between ordinary shares and C shares. In January 2016 all C shares were converted into ordinary shares. Ordinary shares and C shares carried the same voting rights but a different dividend entitlement. While ordinary shares had an unlimited cash dividend entitlement, C shares did not carry entitlement to cash profit distribution.

Specification of the equity item reserves

SEK m	31 Dec. 2016	31 Dec. 2015
Translation reserve:		
Translation reserve, opening balance	60	226
Reclassified to profit or loss	0	–10
Translation differences for the year	173	–156
Translation reserve, closing balance	233	60

Hedging reserve:		
Hedging reserve, opening balance	–191	–114
Reclassified to profit or loss	25	–122
Change in value during the year	58	45
Hedging reserve, closing balance	–108	–191

Total reserves:	31 Dec. 2016	31 Dec. 2015
Reserves, opening balance	–132	112
Change in reserves during the year:		
Translation reserve	173	–166
Hedging reserve	83	–77
Reserves, closing balance	124	–132
Non-controlling interests in hedging reserve	20	18
Reserves attributable to the parent, closing balance	144	–114

Translation reserve

The translation reserve consists of all exchange differences that arise through the translation of financial statements from foreign operations that have prepared their statements in a currency other than the one in which the Group's financial statements are presented.

Hedging reserve

The hedging reserve consists of the effective share of the cumulative net change in the fair value of a cash flow hedging instrument attributable to hedging transactions that have not yet occurred.

Other capital contributed

Other capital contributed essentially consists of the contributions, over and above share capital, that are provided by the owners.

Non-controlling interests

Refers to Långeberga Logistik AB and subsidiaries of ICA Eiendom Norge AS. It previously primarily referred to preference shares issued by the subsidiary ICA Fastigheter AB. The preference shares were redeemed on 20 July 2015.

During the year – (–75) of the profit for the year was attributed to the preference shareholders. A dividend of – (–113) was paid and non-controlling interests in ICA Fastigheter AB at year-end amount to – (0).

Asset management

ICA Gruppen's managed assets constitute 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 ICA Gruppen has adopted the following long-term financial targets for the Group:

- Grow faster than the market (Grow faster than the market)
- An operating margin of 4.5% (An operating margin of 4.5%)
- Return on capital employed of 10% (Return on capital employed of 10%)
- Net debt/EBITDA <2.0 (Net debt/EBITDA <2.0)
- Dividend of at least 50% of net profit for the year (Dividend of at least 50% of net profit for the year)

For information on performance in relation to these targets, refer to the Administration Report.

Paid and proposed dividends	SEK m
Dividends paid during the year	
Dividend per ordinary share:	
Dividend for 2015: SEK 10.00/share	2,011
Dividend proposal for the 2017 Annual General Meeting	
Dividend per ordinary share:	
Dividend for 2016: SEK 10.50/share	2,112

The Board of Directors of ICA Gruppen AB has decided to propose to the Annual General Meeting on 7 April 2017 an ordinary dividend amounting to SEK 2,112,041,348 (2,011,467,950).

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 Finansinspektionen, FI (Sweden's financial supervisory authority). These requirements were fully met during the year. According to banking laws, the bank's cash and cash equivalents are not available to the Group.

Note 19 Pensions

Employees in Sweden receive pension benefits in accordance with collective agreements. Salaried employees therefore receive either defined contribution (ITP1) or defined benefit (ITP2) pension according to the ITP plan. Employees with defined benefit pension receive pension based on their final salary. The defined benefit pensions are reported as a provision in the balance sheet. The defined contribution pension premiums are paid on an ongoing basis to Alecta/Collectum. A small portion of the defined benefit pension is paid to Alecta in the form of risk insurance. To guarantee the provision in the balance sheet, a credit insurance policy has been taken out with PRI Pensionsgaranti. PRI Pensionsgaranti performs continuous credit checks on ICA Gruppen to ensure the Group's ability to meet its pension promises. If PRI Pensionsgaranti should deem ICA Gruppen's credit rating to be too low, PRI has the authority to require either additional guarantees for the Group's undertakings, or that all or parts of the pension undertakings are redeemed with Alecta through the purchase of credit insurance. A cost may arise for ICA Gruppen depending on which undertaking and requirements Alecta has with respect to redemption at that point. Unionised employees receive defined contribution pension plans according to the SAF/LO Collective Pension Insurance.

In the Baltic countries collective pension insurance is only used in exceptional cases and in these cases they are defined contribution plans.

There are no significant healthcare benefits in the Group's plans.

For Swedish companies, if a difference arises between the pension debt established according to Swedish rules and the pension debt established according to IFRS, a provision or receivable is recognised for a special employer's contribution tax based on this difference. The amount is included in the pension provision.

Cost of defined benefit pension plans

SEK m	2016	2015
Cost of vested benefits during the period	104	116
Interest expense	67	57
Pension cost for defined benefit pension plans in profit for the year	171	173
Pension cost for defined contribution pension plans	331	392
Pension cost in profit for the year	502	565
Cost reported under discontinued operations	-	18
Revaluations recognised in other comprehensive income, gains (-) losses (+)	48	-291
Pension cost in comprehensive income for the year	550	292

The following disclosures relate only to the defined benefit plans.

Change in obligations

SEK m	2016	2015
Opening balance	2,128	2,351
Cost of vested benefits during the period	104	116
Interest expense	67	57
Revaluations, gains (-) losses (+)	48	-291
Pension disbursements	-48	-49
Divestment of subsidiaries	-	-56
Closing balance	2,299	2,128

Important actuarial assumptions

	31 Dec. 2016	31 Dec. 2015
Discount rate	3.00%	3.25%
Inflation	1.5%	1.5%
Rate of salary increase	3.5%	3.5%
Mortality rate	DUS 14	DUS 14

Revaluations relate only to financial undertakings. There is no revaluation based on demographic assumptions. Revaluations based on a lower discount rate compared to the previous year amount to 133 (-291). Revaluations based on the fact that there were no expected upward adjustments of paid-up policies due to the low inflation rate amounted to -85 (0).

The duration of the pension liability is 21 years (22).

Sensitivity analysis

An increase in the discount rate of one half of a percentage point would reduce the obligation by SEK 259 million (264). A reduction in the discount rate of one half of a percentage point would increase the obligation by SEK 294 million (268).

Expected disbursements

Over the next five years the expected disbursements from the defined benefit plan amount to a total of SEK 206 million, broken down as SEK 46 million in 2017 and SEK 40 million for each of the next four years. The disbursements over the subsequent five years will amount to a total of SEK 244 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.

Finance policy and financial targets

The finance 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 describes risk management targets and guidelines. It describes the division of responsibilities as well as reporting and internal control routines for financial risk management. The policy is revised annually or as needed by ICA Gruppen's Audit Committee and is approved by ICA Gruppen's Board of Directors.

The long-term financial targets for the business state that ICA Gruppen shall provide a dividend of at least 50% of net profit for the year and that net debt/ EBITDA shall be less than 2x.

Interest rate risk

Interest rate risk is the risk that changes in market interest rates will affect ICA Gruppen's earnings and cash flow or the fair value of financial assets and liabilities.

The finance policy states that interest rate risk is to be limited by having an average fixed interest rate period for all interest-bearing debt of between 12 and 36 months. At year-end the fixed interest rate period was 20 months (25). 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.

Cash-flow hedging according to IAS 39 is used for the interest rate derivatives that match existing loans. As of the balance sheet date, 31 December 2016, a negative market value of SEK 108 million (-126) was recognised from hedging. SEK 139 million (-158) were interest rate swaps and SEK 31 million (32) were base rate floor options.

Refinancing and liquidity risk

Refinancing risk is the risk of ICA Gruppen being unable to finance or refinance its capital requirement on reasonable terms. The Group aims to diversify financing to various sources and to have a balanced maturity profile for loans and credit facilities.

In April ICA Gruppen extended its SEK 5 billion syndicated bank loan. The loan has a maturity of five years with an option to extend for 1+1 year in 2016 and 2017, which was exercised in 2016. ICA Gruppen has no financial covenants in its loan agreements. Two bilateral bank loans for a total of SEK 3 billion were also extended by one year in 2016. Bonds for a value of SEK 2 billion were repaid on their maturity date in December.

Liquidity risk is the risk that ICA Gruppen will not meet its short-term payment obligations. ICA Gruppen's finance policy states that the liquidity reserve must be sufficient to handle the fluctuations that may be expected over a 12-month period, including maturing loans. In addition to a reserve for expected negative fluctuations in cash flow, there must always be a liquidity reserve equal to 3–5% of the Group's net sales. Positive expected cash flows are not included in the liquidity reserve. To ensure this, the Group has bank overdraft facilities and confirmed credit facilities. According to banking laws, ICA Bank's surplus liquidity is not available to the Group.

Cont. Note 20 Financial risks, financial risk management and financial instruments

ICA Gruppen's interest-bearing liabilities and investments, plus credit facilities

Specification	Carrying amount 31 Dec. 2016	Carrying amount 31 Dec. 2015	Interest rate on 31 Dec. 2016 incl. derivatives	Type of interest excl. derivatives
Non-current liabilities				
<i>Bonds¹⁾</i>				
Bond MTN Sweden 2013–2018	1,500	1,500	3.6575%	floating
Bond MTN Sweden 2013–2018	2,000	2,000	3.5700%	fixed
Bond MTN Sweden 2014–2019	1,300	1,300	2.5320%	floating
Bond MTN Sweden 2014–2019	200	200	2.5000%	fixed
Total	5,000	5,000		
Pre-paid loan fees	-9	-9		
Total bonds as per the balance sheet	4,991	4,991		
<i>Other interest-bearing liabilities</i>				
Bilateral loan MTN Svensk Exportkredit 2014–2021 ¹⁾	500	500	1.4200%	floating
Bilateral loan Svensk Exportkredit 2013–2020 ¹⁾	1,000	1,000	3.8900%	fixed
Property financing Helsingborg 2013–2020	913	913	3.4825%	floating
Shareholder loans Långeberga	-	289	-	-
Other loans in subsidiaries	12	43	n/a	n/a
Total	2,425	2,745		
Pre-paid loan fees ¹⁾	-10	-15		
Total other interest-bearing liabilities as per balance sheet	2,415	2,730		
Total long-term bonds and non-current interest-bearing liabilities	7,406	7,721		
Current liabilities				
<i>Bonds</i>				
Bond MTN Sweden 2014–2016 ¹⁾	-	2,000	-	-
Pre-paid loan fees	-	-6		
Total bonds as per the balance sheet	-	1,994		
<i>Other interest-bearing liabilities</i>				
Bank loans ¹⁾	1,999	1,874	n/a	n/a
Store deposits ¹⁾	774	820	n/a	floating
Shareholder loan Långeberga	289	29	4.0000%	fixed
Total	3,061	2,723		
Pre-paid loan fees	-4	-5		
Total other interest-bearing liabilities as per balance sheet	3,057	2,718		
Total short-term bonds and current interest-bearing liabilities	3,057	4,712		
Total bonds and interest-bearing liabilities	10,463	12,433		
Cash excluding ICA Bank	-705	-736		
Total net debt	9,758	11,697		

1) Refers to ICA Gruppen AB.

Unutilised confirmed facilities ¹⁾	31 Dec. 2016	31 Dec. 2015
Bilateral bank loans	3,000	2,000
Syndicated bank loan	5,000	5,000
Total unutilised facilities	8,000	7,000

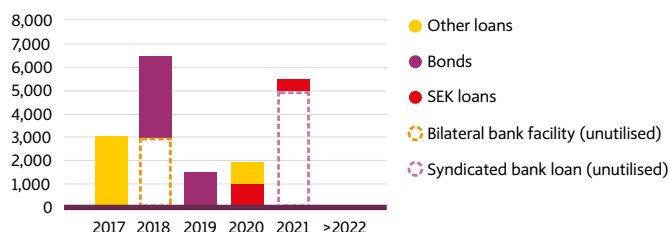
1) Refers to ICA Gruppen AB.

Maturity structure of long-term bonds and non-current interest-bearing liabilities

2018	3,493
2019	1,500
2020	1,913
2021	500
Total	7,406

Current liabilities are mainly trade payables of 12,151 (11,759) and deposits with ICA Bank of 12,897 (11,966), as well as short-term bank loans and deposits from ICA stores totalling SEK 2,772 (2,694) which mature in January 2017. 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 360. Taking into consideration the fixed interest periods in the current loan portfolio, a one percentage point increase in the interest rate would result in an increase in interest expense for 2017 of SEK 23 (18).

Maturity profile non-current interest bearing liabilities and long-term confirmed credit facilities (excluding payments of interest)



Credit risk

Credit risk is the risk that a counterparty in a transaction will not fulfil its contractual obligations and that any security provided will not cover the Company's claim. The banks and financial institutions the Group works with must have a credit rating corresponding to at least an "A" from Standard & Poor's or "A2" from Moody's Investor Service. For commercial counterparties with which the Group has a high exposure, individual credit assessments are made. The credit risk arising from ICA Bank's lending to the public is managed by performing credit checks for all loan applications before they are granted.

ICA Gruppen has netting agreements – so-called ISDA master agreements – with counterparties for derivatives. This means that receivables and liabilities from or to an individual counterparty can be offset in the event of, for example, insolvency.

Flows between ICA Gruppen and individual ICA retailers are offset on a daily basis through the Group's own netting system, ICA Kontot.

Overdue receivables that have not been written down, excluding ICA Bank

SEK m	31 Dec. 2016	31 Dec. 2015
Up to 30 days overdue	73	46
More than 30 days overdue	4	40
Total	77	86

The overdue receivables mainly consist of exceeded limits on the overdraft facilities of independent ICA retailers. An individual assessment is made of each receivable based on the likelihood that it will be paid. If a determination is made that the receivable will not be paid in full or in part, it is written down to the amount that is expected to be paid. The reserve for doubtful trade receivables at year-end was 14 (26). Collateral for the loans is mainly provided through a floating charge. The credit quality of receivables that have not been written down is considered good.

For an analysis of ICA Bank's overdue receivables, see Note 14 ICA Bank.

Foreign currency risk

Transaction exposure is the risk that changes in exchange rates will affect the income statement and cash flow. For ICA Gruppen this foreign currency exposure is mainly related to the importing of goods paid for in foreign currencies (commercial currency risk). It also includes lending and deposits within the Group to subsidiaries in Norway and the Baltic countries (financial currency risk). According to the finance policy, the effect on earnings of a 5% change in exchange rates is maximised at SEK 10 million. As of 31 December 2016 the amount was SEK 2 million (8).

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 depending on the company, in so far as the units may change the prices customers pay with different periodicity based on the exchange rate. According to the finance policy, 80–100% of the forecast cash flows are hedged during the period the customer price is fixed, and 80–100% of the actual cash flows. At present the hedge horizon is between three and 12 months with around a six-month average.

ICA Gruppen's financial currency exposure in the form of lending and deposits within the Group to subsidiaries in Norway and the Baltic countries is hedged by obtaining a corresponding liability or asset in the foreign currency, mainly through currency swaps.

Cont. Note 20 Financial risks, financial risk management and financial instruments

Commercial currency derivatives (SEK m)

Currency ¹⁾	1-3 months	3-6 months	6-12 months	12-24 months	31 Dec.	31 Dec.
					2016	2016
					Nominal amount	Fair value
EUR/SEK	1,526	113	128	15	1,782	-27
EUR/USD	-16				-16	0
CNY/SEK	18	5	36		59	0
CNY/HKD	8	7	11		26	-1
HKD/SEK	20	14	23		57	1
USD/SEK	385	141	381		907	28
Per 31 Dec. 2016	1,941	279	580	15	2,816	1
Per 31 Dec. 2015	1,725	213	419	20	2,376	-34

Financial currency derivatives (SEK m)

Currency ¹⁾	1-3 months	Nominal amount	Fair value
EUR/SEK	-302	-302	11
NOK/SEK	428	428	-15
Per 31 Dec. 2016	126	126	-4
Per 31 Dec. 2015	-747	-747	-17

1) Example: EUR/SEK means purchase in EUR hedged against SEK.

Financial currency derivatives are all entered into by ICA Gruppen AB.

Hedge accounting

ICA Gruppen uses cash flow hedges according to IAS 39 for the portion of the currency exposure that is based on forecasts, except for the Baltic states and some of the fruit and vegetables sourcing. Of the positive total fair value amounting to SEK 7 million (-16), earnings of SEK 2 million (-18) were hedged as of the balance sheet date. In addition to this, a currency forward contract for the proceeds from the sale of properties in Norway was put in place during the autumn. The transaction is expected to be completed in February 2017. The amount hedged for this represents a profit of SEK 53 million 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 -56 million (-53). At the same time, equity would be negatively affected in the amount of SEK -87 million (-67).

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 energy price contracts.

Hedging policy

ICA Gruppen hedges energy price risk relating to fuel. In accordance with ICA Gruppen's finance policy, this price risk is hedged for a period of up to 36 months. This is done using financial future contracts.

In 2016 ICA Gruppen purchased 30,000 (4,800) MT (metric tons) of diesel, which also covers the HVO price risk.

Fuel hedging

	Maturity analysis			Nominal amount, SEK m 31 Dec. 2016	Fair value, SEK m 31 Dec. 2016
	2017	2018	2019		
Total metric tons	22,800	15,000	0	166	12
Total litres (1,000s)	28,558	18,880	0		
Forecast litres (1,000s)	30,938	31,407	31,578		
Hedge ratio per 31 Dec. 2016	92.31%	60.11%	0.00%		
Per 31 Dec. 2015	100.22%	40.19%	26.44%	121	-49

Reporting of changes in value

No hedge accounting is applied. All changes in value are recognised in the income statement as they occur.

Sensitivity analysis

If ICA Gruppen does not hedge against fuel price exposure, the total effect on annual earnings in the case of a 5% negative price change would amount to SEK 5 million (3).

Financial assets and liabilities

SEK m	31 Dec. 2016	31 Dec. 2016
Financial assets		
<i>Financial assets measured at fair value through profit or loss</i>		
Investments	3,292	2,906
Other financial assets	155	73
of which: derivatives in hedge accounting	120	35
Total	3,447	2,979
<i>Loan receivables and trade receivables</i>		
ICA Bank's lending	8,200	7,780
Receivables	6,966	7,657
Cash and cash equivalents	3,974	3,810
Total	19,140	19,247
Total financial assets	22,587	22,226
Financial liabilities		
<i>Financial liabilities measured at fair value through profit or loss</i>		
Other financial liabilities	253	333
of which: derivatives in hedge accounting	225	240
Total	253	333
<i>Financial liabilities measured at amortised cost</i>		
Bonds	4,991	6,985
Other interest-bearing liabilities	5,472	5,448
Deposits, ICA Bank	12,897	11,966
Other financial liabilities	15,452	14,770
Total	38,812	39,169
Total financial liabilities	39,065	39,502

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 227 (216).

Market valuation of financial instruments is based on the available data that is most reliable for making a valuation. Based on the input data used for the valuation, fair value is classified at three levels: level 1 refers to the most objective prices for input data, while level 3 is based on a company's own data and assessments.

In the fair value hierarchy, 2,510 (2,223) of Investments are classified at level 1 and 937 (756) in level 2. Other financial assets and financial liabilities measured at fair value are all classified in level 2. Instruments for which a fair value is provided for information are classified in level 2. Assets and liabilities at level 2 have been calculated according to the generally accepted price models, which are based on discounted cash flows. The input data used comprises the most reliable market prices available.

Net profit/loss attributable to financial instruments

The table below indicates how the net profit/loss and interest income/interest expense pertaining to financial instruments have affected ICA Gruppen's earnings for the different categories of financial instruments.

SEK m	2016	2015
Financial assets and liabilities measured at fair value through profit or loss:		
investments and derivatives	-9	-7
Loan receivables and trade receivables:		
Trade receivables/trade payables ¹⁾	-41	-43
Interest from financial liabilities and assets measured at amortised cost:		
Interest income from financial assets	431	465
Interest expense from financial liabilities	-406	-427
Profit/loss	-25	-12

1) Disclosures on reserves for doubtful trade receivables for ICA Bank can be found in Note 14.

ICA Bank's interest income and interest expense are included in consolidated operating profit/loss. In interest income and interest expense in the table above they are provided as information on financial items.

Note 21 Pledged assets and contingent liabilities

SEK m	31 Dec. 2016	31 Dec. 2015
Pledged assets		
Property mortgages	933	960
Floating charge	4	4
Restricted cash, ICA Bank	364	334
Registered assets in ICA Försäkring AB	65	0
Total	1,366	1,298
Contingent liabilities		
Guarantees and contingent liabilities	78	100
Total	78	100

Guarantees and contingent liabilities are split between a large number of counterparties, chiefly Swedish Customs and PRI Pensionsgaranti.

Note 22 Statement of cash flows and cash and cash equivalents

SEK m	2016	2015
Adjustments for non-cash items		
Depreciation and amortisation	1,501	1,540
Impairment	219	58
Share of profits from joint ventures and associated companies	-35	-15
Capital gains/losses	-68	-1,662
Provisions	-71	5
Total non-cash items	1,546	-74

SEK m	2016	2015
ICA Bank: cash flow net deposits, lending and investments		
Deposits in ICA Bank (increase + /decrease -)	930	936
Short-term lending (increase - /decrease +)	18	307
Long-term lending (increase - /decrease +)	-438	256
Investments (increase - /decrease +)	-1,181	-337
Total	-671	1,162

SEK m	31 Dec. 2016	31 Dec. 2015
Composition of cash and cash equivalents		
Cash and bank balances ¹⁾	3,974	3,810
Short-term investments ¹⁾	-	801
Total cash and cash equivalents	3,974	4,611

1) Of which ICA Bank		
Cash and bank balances	3,269	3,075
Short-term investments	-	800
Total cash and cash equivalents ICA Bank	3,269	3,875

Total cash and cash equivalents excluding ICA Bank	705	736
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According to banking laws, ICA Bank's cash and cash equivalents are not available to the Group.

Cont. Note 22 Statement of cash flows and cash and cash equivalents

SEK m	Group 2016	ICA Bank 2016	Group excl. ICA Bank
Cash flow from operating activities before change in working capital	5,392	31	5,361
Change in working capital			
Inventories	-67	0	-67
Current receivables	-25	107	-132
Current liabilities	793	271	522
ICA Bank's net deposits, lending and investments	-671	-671	0
Cash flow from operating activities	5,422	-262	5,684
Cash flow from investing activities	-1,694	-45	-1,649
Cash flow from financing activities	-4,251	-299	-3,952
Cash flow for the period	-523	-606	83
Cash and cash equivalents at beginning of period	4,611	3,875	736
Exchange differences in cash and cash equivalents	-114	0	-114
Cash and cash equivalents at end of period	3,974	3,269	705

SEK m	Group 2015	ICA Bank 2015	Group excl. ICA Bank
Cash flow from operating activities before change in working capital	4,849	61	4,788
Change in working capital			
Inventories	-157	0	-157
Current receivables	-1,050	-45	-1,005
Current liabilities	1,041	121	920
ICA Bank's net deposits, lending and investments	1,162	1,162	0
Cash flow from operating activities	5,845	1,299	4,546
Cash flow from investing activities	-1,707	31	-1,738
Cash flow from financing activities	-5,867	165	-6,032
Cash flow for the period	-1,729	1,495	-3,224
Cash and cash equivalents at beginning of period	6,258	2,380	3,878
Exchange differences in cash and cash equivalents	82	0	82
Cash and cash equivalents at end of period	4,611	3,875	736

Note 23 Business combinations

Acquisition in 2017 of UAB Palink, which operates the grocery retail chain IKI in Lithuania

On 23 December ICA Gruppen announced that an agreement had been signed to acquire all of the shares in UAB Palink, which operates the grocery retail chain IKI in Lithuania, for EUR 213 million on a cash and debt-free basis. In connection with this acquisition, ICA Gruppen – through Rimi Baltic – will advance from being the fourth largest player to the second largest player in the growing Lithuanian grocery retail market. IKI is the second largest player in the Lithuanian grocery retail market with a market share of around 15% in 2015 and a nationwide network of around 230 stores. IKI's sales amounted to EUR 630 million, EBITDA to EUR 53 million and EBIT to EUR 18 million for the 12-month period up to the end of September 2016. This merger is expected to generate annual cost synergies of around EUR 15 million when they are fully realised in 2020. The synergies will arise mainly through larger sourcing volumes, more efficient logistics and marketing. The acquisition is expected to lead to one-off costs of around EUR 40 million and require investments of around EUR 25 million in the period 2017–2019. The acquisition will be financed by a combination of the Group's own funds and existing credit facilities. Completion is contingent upon approval from the competition authorities, which can be expected no later than in the fourth quarter of 2017.

Acquisition in 2015 of Apotek Hjärtat AB

ICA Gruppen acquired all of the shares in Apotek Hjärtat AB in January 2015. At the date of acquisition, Apotek Hjärtat had around 2,000 employees and just over 300 pharmacies. The purchase price was SEK 3,787 million and the acquired cash and cash equivalents amounted to SEK 288 million, which resulted in a change in the Group's cash and cash equivalents of SEK 3,499 million. The acquisition resulted in, among other things, intangible assets in the form of trademarks being recognised in the amount of SEK 550 million and goodwill of SEK 4,756 million. The acquisition of Apotek Hjärtat affected net sales in 2015 by SEK 9,776 million and operating profit excluding non-recurring items by SEK 142 million. If the acquisition had taken place on 1 January 2015, ICA Gruppen's net sales for 2015 would have amounted to SEK 101,574 million and profit before non-recurring items to SEK 4,140 million.

Note 24 Events after the balance sheet date

On 2 December 2016 ICA Gruppen announced that an agreement had been signed for the sale of the Norwegian real estate operations consisting of 58 properties. On 1 February 2017 the sale was completed and the buyer took possession of the properties. The cash flow effect amounted to SEK 1.9 billion and the capital gain was slightly more than SEK 400 million.

Income statement, Parent Company

SEK m	Note	2016	2015
Net sales ¹⁾	2	794	864
Cost of goods sold		-755	-819
Gross profit		39	45
Administration expenses	2, 3, 4, 5	-394	-424
Operating profit/loss		-355	-379
Profit from financial items	6		
Profit from interests in Group companies		2,852	3,708
Interest income and similar profit/loss items		367	10
Interest expense and similar profit/loss items		-289	-275
Total profit/loss from financial items		2,930	3,443
Income after financial items		2,575	3,064
Year-end appropriations			
Group contributions received		224	594
Total year-end appropriations		224	594
Profit before tax		2,799	3,658
Tax on profit for the year	7	4	10
PROFIT FOR THE YEAR		2,803	3,668

Other comprehensive income, Parent Company

SEK m	2016	2015
Profit for the year	2,803	3,668
Other comprehensive income	-	-
COMPREHENSIVE INCOME FOR THE YEAR	2,803	3,668

1) In previous years the Parent Company's income from Group companies was reported as reduced costs. Now this income and costs are reported gross. The previous year's figures have been adjusted accordingly.

Balance sheet, Parent Company

Assets	Note	31 Dec. 2016	31 Dec. 2015
SEK m			
Non-current assets			
<i>Intangible non-current assets</i>			
IT systems	8	86	103
<i>Property, plant and equipment</i>			
Equipment	9	94	102
<i>Financial non-current assets</i>	15		
Interests in Group companies	10	30,053	30,105
Deferred tax assets	7	228	224
Non-current receivables		43	5
Total non-current assets		30,504	30,539
Current assets			
<i>Current receivables</i>	15		
Trade receivables		2	3
Receivables from Group companies		10,641	3,264
Other receivables		172	25
Prepaid expenses and accrued income	11	67	79
		10,882	3,371
<i>Cash and bank balances</i>		162	-
Total current assets		11,044	3,371
TOTAL ASSETS		41,548	33,910

SEK m	Note	31 Dec. 2016	31 Dec. 2015
Equity	12		
<i>Restricted equity</i>			
Share capital		503	503
Statutory reserve		2,772	2,773
Reserve for development expenses		18	-
<i>Non-restricted equity</i>			
Share premium reserve		4,916	4,916
Retained earnings		12,636	10,997
Profit for the year		2,803	3,668
Total equity		23,648	22,857
Provisions			
Provisions for pensions	13	353	335
Other provisions		7	16
Total provisions		360	351
Non-current liabilities	14, 15		
Bonds		4,991	4,991
Liabilities to credit institutions		1,491	1,487
Other non-current liabilities		139	-
Total non-current liabilities		6,621	6,478
Current liabilities	15		
Bonds		-	1,994
Liabilities to credit institutions		2,772	1,865
Trade payables		119	133
Liabilities to Group companies		7,672	9
Other liabilities		167	1
Accrued expenses and deferred income	11	189	222
Total current liabilities		10,919	4,224
TOTAL EQUITY, PROVISIONS AND LIABILITIES		41,548	33,910

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 2015	503	2,772	–	4,916	8,004	4,081	20,276
Profit/loss for previous year		1			4,080	–4,081	0
Dividends					–1,130		–1,130
Sale of treasury shares					43		43
Comprehensive income for the year						3,668	3,668
Closing equity, 31 December 2015	503	2,773	–	4,916	10,997	3,668	22,857
Opening equity, 1 January 2016	503	2,773	–	4,916	10,997	3,668	22,857
Profit/loss for previous year		–1			3,668	–3,668	–1
Dividend					–2,011		–2,011
Comprehensive income for the year			18		–18	2,803	2,803
Closing equity, 31 December 2016	503	2,772	18	4,916	12,636	2,803	23,648

Statement of cash flows, Parent Company

SEK m	Note	2016	2015
Operating activities			
Operating profit/loss		-355	-379
Dividends received		2,953	3,767
Adjustments for non-cash items	16	89	109
Income tax paid		0	0
Cash flow from operating activities before change in working capital		2,687	3,497
Change in working capital			
Current receivables (increase - /decrease +)		56	-59
Current liabilities (increase + /decrease -)		-57	56
Cash flow from operating activities		2,686	3,494
Investing activities			
Purchase of property, plant and equipment and intangible assets		-60	-98
Investments in subsidiaries		-49	-390
Loans provided to Group companies		-	-3,000
Interest received		2	0
Interest received from Group companies		321	0
Cash flow from investing activities		214	-3,488
Financing activities			
Loans		827	1,865
Amortisation of loans		-2,000	-177
Change in intra-Group loans		710	-352
Dividends paid		-2,011	-1,130
Interest paid		-264	-212
Interest paid to Group companies		0	-43
Sale of treasury shares		-	43
Cash flow from financing activities		-2,738	-6
Cash flow for the year		162	0
Cash and cash equivalents at beginning of year		0	0
Cash and cash equivalents at year end		162	0

Notes

Note 1 Accounting principles and supplementary information

On 1 February 2016 ICA Gruppen AB acquired assets of SEK 29.4 billion and liabilities of SEK 13.0 billion from ICA Finans AB as part of integrating ICA Gruppen's entire Treasury function into the Group's Parent Company. The acquired assets and liabilities mainly consisted of assets of and liabilities to companies in ICA Gruppen.

Accounting principles

Applied accounting principles

The Parent Company has prepared its annual report in accordance with the Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board's recommendation RFR 2 Reporting for Legal Entities. According to RFR 2, in preparing the annual report 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. All in all, this results in the following differences between the Group's and the Parent Company's accounting principles.

Subsidiaries

Interests in subsidiaries are recognised according to the cost method.

Classification and measurement of financial instruments

The Parent Company applies IAS 39 except in the case of financial guarantees, where the exception according to RFR 2 applies.

Taxes

Untaxed reserves are recognised including deferred tax liabilities. In the consolidated accounts, on the other hand, untaxed reserves are divided between deferred tax liabilities and equity.

Leases

All leases are recognised according to the rules for operating leases.

Defined benefit pension plans

The Parent Company uses a different basis to calculate defined benefit pension plans than in IAS 19. The calculations by the Parent Company comply with the Act on Safeguarding Pension Benefits and the Swedish Financial Supervisory Authority's regulations, as this is required for tax deductibility. The main differences compared with IAS 19 are the way in which the discount rate is determined and the fact 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

The Annual Accounts Act has been amended and, accordingly, from 2016, expenditures that have been capitalized as an intangible non-current asset relating to development work performed within ICA Gruppen AB are to be 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 794 (864), of which 95% (96) consisted of sales to Group companies. Purchases from Group companies amounted to 20 (37).

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.

	2016	2015
Women	140	142
Men	167	197
Total	307	339

Salaries, other remuneration and social security contributions

SEK m	2016	2015
Salaries and remuneration		
<i>Board of Directors and CEO</i>		
Salaries and other remuneration	24	24
– of which variable component	9	11
Other senior executives	19	35
Other employees	195	204
Total	238	263
Social security contributions		
Social security contributions	90	84
Pension costs	41	58
– of which pension costs for the Board of Directors and CEO	3	3
Total	131	142

Total salaries, other remuneration, social security contributions and pension costs	369	405
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Gender distribution on the Board and among senior executives

	31 Dec. 2016	31 Dec. 2015
<i>Board of Directors</i>		
Men	9	9
Women	3	3
Total	12	12

CEO and other senior executives

Men	3	4
Women	2	3
Total	5	7

ICA Gruppen Management Team

2016, SEK 000s	Variable remuneration			Pension costs ¹⁾	Total
	Salaries	Benefits			
CEO	8,887	9,133	251	3,119	21,390
Other senior executives	12,242	6,480	366	3,804	22,892
Total	21,129	15,613	617	6,923	44,282

2015, SEK 000s	Variable remuneration ²⁾			Pension costs ¹⁾	Total
	Salaries	Benefits			
CEO	8,525	10,518	235	3,179	22,457
Other senior executives	14,589	20,850	503	6,758	42,700
Total	23,114	31,368	738	9,937	65,157

1) The stated pension costs for other senior executives include SEK 0 (1,335) of variable remuneration where salary has been exchanged for pension premiums.

2) Variable remuneration in 2015 for other senior executives includes SEK 15 million as a result of two members of the ICA Gruppen Management Team leaving the Company during the year.

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 salary, pension benefits, severance pay, bonuses and other benefits. Other senior executives refers to the people who, together with the CEO, make up the ICA Gruppen Management Team (IMT).

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, senior executives are entitled to severance pay of up to 12 months' basic salary in cash. Severance pay is deductible.

If a senior executive resigns, the Company will provide compensation during the period the non-competition clause applies in an amount maximised at 60% of the fixed salary if the Company decides to invoke the contractual non-competition clause in a specific case. Severance pay and compensation during the non-competition period is not pensionable income.

Pension benefits for other senior executives

Other senior executives have a combined defined contribution and defined benefit pension plan. As a result, pension premiums are a maximum of 30% of pensionable salary, which is paid for the duration of employment.

Share investment programmes

See Group notes, Note 4.

Note 4 Audit expenses

SEK m	2016	2015
Ernst & Young:		
Audit assignments	5	4
Other auditing activities	0	1
Other services	1	1
Total	6	6

Note 5 Operating leases

SEK m	2016	2015
Lease expense for the year	20	27
Future contractual lease fees:		
Maturity date year 1	1	18
Maturity date year 2	1	10
Maturity date year 3	0	3
Total	2	31

Note 6 Profit from financial items

SEK m	2016	2015
Profit from interests in Group companies		
Dividends:		
ICA AB	2,200	2,400
ICA Fastigheter Holding AB	250	800
ICA Banken AB	300	-
Expedia Intressenter AB	103	-
Forma Holding AB	100	29
Höga Blåica AB	0	538
Impairment	-101	-59
Total	2,852	3,708

Other interest income and similar items

Interest income, Group companies	334	10
Exchange differences	3	-
Other interest income and similar items	2	-
Change in fair value of financial instruments	28	-
Total	367	10

Other interest expense and similar items

Interest expense, Group companies	-14	-48
Other interest expense and similar items	-275	-227
Total	-289	-275

Total profit/loss from financial items	2,930	3,443
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Note 7 Taxes

SEK m	2016	2015
Current tax		
Current tax on profit for the year	0	0
Deferred tax on temporary differences	4	10
Reported tax	4	10
Reconciliation of effective tax expense		
Profit before tax	2,799	3,658
Tax according to tax rate of 22.0% (22.0%)	-616	-805
Dividends	650	829
Write-down of shares	-22	-13
Non-deductible expenses/non-taxable income	-8	-1
Reported tax	4	10
Effective tax rate	-0.1%	-0.3%
As reported in balance sheet:		
Deferred tax assets	228	224

The Parent Company's tax loss carryforwards as of 31 December 2016 amounted to 921 (921). Deferred tax assets of 203 (203) are recognised in the balance sheet for these tax loss carryforwards. The tax loss carryforwards are blocked against Group contributions up until 2018 as a result of the changes in ownership that took place in 2013 when ICA Gruppen AB acquired ICA AB from Ahold.

Change in deferred tax in temporary differences and tax loss carryforwards

SEK m	Balance, 1 Jan. 2016	Recognised through profit or loss	Balance, 31 Dec. 2016
Tax loss carryforwards	203	-	203
Other	21	4	25
Total	224	4	228

SEK m	Balance, 1 Jan. 2015	Recognised through profit or loss	Balance, 31 Dec. 2015
Tax loss carryforwards	203	-	203
Other	11	10	21
Total	214	10	224

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

Note 8 Intangible non-current assets

SEK m	2016	2015
IT systems		
Accumulated cost	164	151
Accumulated amortisation	-78	-48
Book value	86	103
Opening balance	103	77
Investments	20	45
Divestments and disposals	-7	-
Amortisation for the year	-30	-19
Book value	86	103

Amortisation of intangible non-current assets is included in the line "Administration expenses" in the income statement.

Note 9 Property, plant and equipment

SEK m	2016	2015
Equipment		
Accumulated cost	393	407
Accumulated depreciation	-299	-305
Book value	94	102
Opening balance	102	119
Investments	55	45
Depreciation for the year	-63	-62
Book value	94	102

Depreciation of property, plant and equipment is included in the line "Administration expenses" in the income statement.

Note 10 Interests in Group companies

SEK m	2016	2015
Interests in subsidiaries		
Cost, opening balance	31,385	30,995
Acquisitions ¹⁾	7	219
Shareholder contributions ²⁾	42	171
Accumulated cost, closing balance	31,434	31,385
Impairment losses		
Impairment losses, opening balance	-1,280	-1,221
Impairment losses for the year ³⁾	-101	-59
Accumulated impairment losses, closing balance	-1,381	-1,280
Residual value according to plan, closing balance	30,053	30,105

1) Refers to acquisition of shares in Hemtex AB in 2015 and 2016.

2) In 2016 shareholder contributions were provided to BläckClub Intressenter AB at 42. In 2015 shareholder contributions were provided to ICA Banken AB at 165 and to BläckClub Intressenter AB at 6.

3) In 2016 interests in BläckClub Intressenter AB were written down by -42, interests in Expediera Intressenter AB by -29, interests in Forma Holding AB by -29 and interests in Höga Blåica AB by -1. In 2015 interests in Hemtex AB were written down by -49 and interests in BläckClub Intressenter AB by -10.

Specification of important indirect holdings as of 31 December 2016

	Corporate reg. no.	Registered office	Capital and votes, %
Subsidiaries of Hemtex AB			
Hemtex Oy	16 502 515	Finland	100
Subsidiaries of ICA AB			
Rimi Baltic AB	556042-7410	Stockholm	100
Rimi Eesti Food AS	10 263 574	Estland	100
Rimi Latvia SIA	40 003 053 029	Lettland	100
Rimi Lietuva UAB	123 715 317	Litauen	100
Apotek Hjärtat AB	556791-1010	Stockholm	100
Apotek Hjärtat Retail AB	556773-8249	Stockholm	100
ApoPharm Distribution AB	556874-7827	Stockholm	100
Minutkliniken AB	559036-7305	Stockholm	70
ICA Global Sourcing Ltd	1 150 322	Hong Kong	100
ICA Sverige AB	556021-0261	Stockholm	100
Subsidiaries of ICA Banken AB			
ICA Försäkring AB	556966-2975	Stockholm	100
Subsidiaries of ICA Real Estate Holding AB			
ICA Eiendom Norge AS	968 930 451	Norge	100
ICA Fastigheter AB	556033-8518	Västerås	100
ICA Långeberga Holding AB	556931-5517	Stockholm	100
Långeberga Logistik AB ¹⁾	556928-2840	Stockholm	50

1) Långeberga Logistik AB is a company owned 50% by Alecta pensionsförsäkring and 50% by ICA Gruppen. Långeberga Logistik AB owns ICA Gruppen's warehouse properties in Helsingborg. Based on the fact that ICA Gruppen uses the property for its own operations and that through the rent payments for the property, ICA Gruppen is responsible for the cash flows that Långeberga Logistik AB needs in order to meet its commitments, ICA Gruppen has control over the company. Långeberga Logistik AB is thus a subsidiary within ICA Gruppen.

Interests in subsidiaries

Specification of ICA Gruppen AB's direct holdings of shares in subsidiaries.

	Corporate reg. no.	Registered office	No. of shares	Capital and votes, %	Quota value	Book value 31 Dec. 2016	Book value 31 Dec. 2015
Expediera Intressenter AB	556720-9563	Solna	1,000	100	SEK 100	1	30
Forma Holding AB	556586-2363	Stockholm	30,000	100	SEK 1,000	1	30
Hemtex AB	556132-7056	Borås	95,835,506	100	SEK 1.10	719	712
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	1,484	1,484
ICA Fastigheter Holding AB	556604-5471	Stockholm	1,000	100	SEK 100	4,812	4,812
BläckClub Intressenter AB	556720-3467	Solna	1,000	100	SEK 100	1	1
Höga Blåica AB	556703-2924	Solna	1,000	100	SEK 100	0	1
Total						30,053	30,105

Note 11 Accruals

SEK m	31 Dec. 2016	31 Dec. 2015
Prepaid expenses and accrued income		
Other prepaid expenses	67	79
Total	67	79

SEK m	31 Dec. 2016	31 Dec. 2015
Accrued expenses and deferred income		
Accrued salaries, holiday pay and social security expenses	76	94
Accrued interest expense	45	44
Other accrued expenses	68	84
Total	189	222

Note 12 Equity and appropriation of earnings

As of 31 December 2016, the share capital consisted of 201,146,795 ordinary shares (119,078,903) and 0 C shares (82,067,892), each with a quota value of SEK 2.50 per share. All shares carry the same number of votes. The total holding of treasury shares is 0 ordinary shares (0). See also Group notes, Note 18 Equity.

Proposed appropriation of earnings

The Board of Directors and the Chief Executive Officer propose that the earnings be distributed as follows:

SEK m	
To the shareholders, a dividend of	2,112,041,348
To the share premium reserve	4,915,938,770
Carried forward	13,327,181,128
Total	20,355,161,246

Note 13 Provisions for pensions

All employees receive pension benefits according to collective agreements. Salaried employees therefore receive either defined contribution (ITP 1) or defined benefit (ITP 2) pension according to the ITP plan. Employees with defined benefit pension receive pension based on their final salary. The defined benefit pensions are reported as a provision in the balance sheet. The defined contribution pension premiums are paid on an ongoing basis to Alecta/Collectum. To guarantee the provision in the balance sheet, a credit insurance policy has been taken out with PRI Pensionsgaranti. The full amount is covered by the Pension Obligations Vesting Act.

SEK m	31 Dec. 2016	31 Dec. 2015
Reconciliation of carrying amount for self-managed pensions		
Opening balance, principal on pension obligations	335	316
Cost charged against profit	11	13
Interest expense	14	12
Pension disbursements	-7	-6
Closing balance, principal on pension obligations	353	335

Note 14 Non-current liabilities

SEK m	31 Dec. 2016	31 Dec. 2015
Bonds ¹⁾	4,991	4,991
Liabilities to credit institutions	1,491	1,487
Total	6,482	6,478
Of which maturing later than five years after the balance sheet date:		
Bonds	-	200
Liabilities to credit institutions	-	1,487
Total	-	1,687

1) Bonds amount to 5,000 (5,000) and prepaid credit charges to 9 (9).

For more information, see Group note, Note 20.

Note 15 Financial risk management and financial instruments

ICA Gruppen's financial risks are handled at the Group level. For more information, see Group notes, Note 20.

The Parent Company ICA Gruppen AB has no significant net positions in commercial currency or fuel derivatives.

For information on the Parent Company's financial currency derivatives, see Group notes, Note 20.

Financial assets and liabilities by category

	31 Dec. 2016	31 Dec. 2015
Financial assets		
<i>Financial assets measured at fair value through profit or loss</i>		
Other financial assets	197	–
<i>of which: derivatives in hedge accounting</i>	161	–
<i>Loan receivables and trade receivables</i>		
Trade receivables	2	3
Current receivables from Group companies	10,641	3,264
Cash and cash equivalents and other receivables	242	104
Total financial assets	11,082	3,371
Financial liabilities		
<i>Financial liabilities measured at fair value through profit or loss</i>		
Other financial liabilities	306	–
<i>of which: derivatives in hedge accounting</i>	278	–
<i>Financial liabilities measured at amortised cost</i>		
Bonds	4,991	6,985
Liabilities to credit institutions	4,263	3,352
Trade payables	119	133
Liabilities to Group companies	7,672	9
Other current liabilities	189	223
Total financial liabilities	17,540	10,702

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 227 (216).

Note 16 Statement of cash flows

Adjustments for non-cash items

SEK m	2016	2015
Depreciation and amortisation	94	81
Provisions for pensions	4	8
Other provisions	–9	20
Total	89	109

Note 17 Pledged assets and contingent liabilities

SEK m	31 Dec. 2016	31 Dec. 2015
<i>Contingent liabilities</i>		
Guarantees for subsidiaries	7	7
Total	7	7

Statement by the Board of Directors concerning dividends

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 10.50 per ordinary share (10.00). The total dividend amounts to SEK 2,112 million (2,011), which is 75.3% (54.8) of the Parent Company's profit. The proposed dividend will reduce the Parent Company's equity/assets ratio from 56.9% to 51.8%, and the Group's equity/assets ratio from 39.0% to 36.2%. The equity/assets ratio is adequate for both the long and short term. The dividend amount corresponds to 61.8% of the Group's profit for the year. The Company's equity would have been SEK 85 million, or approximately 0.4%, higher had assets and liabilities not been measured at fair value in accordance with chapter 4 section 14 a of the Annual Accounts Act.

The dividend proposal is in line with the goal of paying a good and stable dividend over time. ICA Gruppen's dividend target over time is to pay a dividend to shareholders of at least 50% of profit for the year. In the Board's opinion, the proposed dividend is justifiable taking into account the requirements that the nature and scope of the business, as well as the risks associated with it, place on the Group's equity and financial position.

In view of the aforementioned and taking it into account, the Board believes that the proposed dividend is justifiable in terms of the requirements set out in chapter 17 section 3 second and third paragraphs of the Swedish Companies Act, which state that the dividend must be justifiable considering the requirements that the nature and extent of the business and its risks impose on on the level of equity and on the Company's and the Group's consolidation requirements, liquidity and position in general.

Proposed appropriation of earnings

The following funds are at the disposal of the general meeting (SEK):

Share premium reserve	4,915,938,770
Retained earnings	12,636,089,094
Profit for the year	2,803,133,382
Total	20,355,161,246

The undersigned hereby provide an assurance that the consolidated financial statements and annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and according to sound accounting practices, and provide a true and fair representation of the Group's

The Board of Directors and the Chief Executive Officer propose that the earnings be distributed as follows:

To the shareholders, a dividend of	2,112,041,348
To the share premium reserve	4,915,938,770
Carried forward	13,327,181,128
Total	20,355,161,246

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.

Stockholm, 7 February 2017

Claes-Göran Sylvén
Chairman

Peter Berlin

Göran Blomberg

Fredrik Hägglund

Andrea Gisle Joosen

Jeanette Jäger

Bengt Kjell

Magnus Moberg

Jan Olofsson

Cecilia Daun Wennborg

Jonathon Clarke

Magnus Rehn

Per Strömberg
Chief Executive Officer

Our audit report was submitted on 10 February 2017
Ernst & Young AB

Erik Åström
Authorized Public Accountant

Auditor's report

To the general meeting of the shareholders of ICA Gruppen AB (publ), corporate identity number 556048-2837

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts ICA Gruppen AB (publ) for the year 2016. The annual accounts and consolidated accounts of the company are included on pages 2–3, 8–23, 42–116 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2016 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 2016 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act.

A corporate governance statement has been prepared. The statutory administration report and the corporate governance statement are consistent with the other parts of the annual accounts and consolidated accounts, and the corporate governance statement is in accordance with the Annual Accounts Act.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the statement of comprehensive income and statement of financial position for the group.

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.

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.

Revenue recognition

Revenues from services and dividends based on agreements with ICA merchants are recognized as the service is delivered or the right is

provided. Accounting principles regarding revenue is presented in Note 1 and the allocation of nature of income in Note 2. When preparing the financial statement, the company estimates and assesses the revenues relating to the current period. These estimates and assessments affect the recognized amounts in the financial statement, why we assess that this area is a key audit matter.

We have reviewed the company's agreements with ICA merchants and performed analytical review of recognized amounts. We have also reviewed method of calculations and control testing of input of supporting documents and evaluated allocation to a particular period at year-end. We have assessed whether rendered information is appropriate.

Goodwill and trademarks

Goodwill and trademarks amount to SEK 16 301 million and SEK 13 353 million as per December 31, 2016 in the consolidated financial statement. The company tests at least yearly, and when indication of impairment, that the carrying amount does not exceed the recoverable amount for these assets. The recoverable amounts and is determined by calculating the present value of future cash flows.

The calculation is based on the expected outcome of a number of factors based on the company's business plans and forecasts. The Company's impairment testing for 2016 did not result in any impairment. Accounting policies and significant assumptions and estimates of goodwill and trademarks stated in Note 1 and information on the impairment test is provided in Note 11. As a result of the assumptions and estimates made in the calculation of value, we determined that goodwill and trademarks is a particularly important area of the audit.

We have reviewed the company's process for performing impairment tests. We have also reviewed how cash-generating units have been identified and comparing it to how the company internally follows up on goodwill. Further, we have evaluated the company's valuation methods and calculation models. The reasonableness of the assumptions and sensitivity analysis of changes in the assumptions have been reviewed with the support from our valuation specialists and comparisons to historical results, and the precision of previous forecasts. Furthermore, we have evaluated the reasonability assessment in discount rate and long-term growth for each unit by comparison to other companies within the same industry sector. We have no significant findings from our year-end audit.

IT-system and related controls

The company's operations depend on complex IT systems and if these do not function properly there is a risk that errors occur affecting the financial reporting. IT systems and related controls have therefore assessed this area as a key audit matter.

We have, with support of our IT-audit specialists, evaluated and tested the effectiveness of the IT-related controls relevant to financial reporting. We have evaluated the processes for program development, program changes, access management and identified compensating controls where appropriate. We have also examined the organization, accountability and governance in the IT sector and the company's monitoring and management of incidents.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1, 4–7, 24–41, 120–137. 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 intends 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.
- 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 possible 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 or when, in extremely rare circumstances, we determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 2016 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 skepticism 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.

Stockholm 10 February 2017

Ernst & Young AB

Erik Åström
Authorized Public Accountant

About the Sustainability Report

The Sustainability Report is a way to communicate the work ICA Gruppen is doing on sustainability with the communities around it and how this work is progressing.

Basis of the report

ICA Gruppen's Sustainability Report follows the Global Reporting Initiative's (GRI) guidelines (G4). It covers all significant principles in the UN Global Compact and describes sustainability issues of interest to ICA Gruppen's stakeholders. ICA Gruppen's Sustainability Report for 2016 has been reviewed by a third party and is in accordance with the Core level according to GRI.

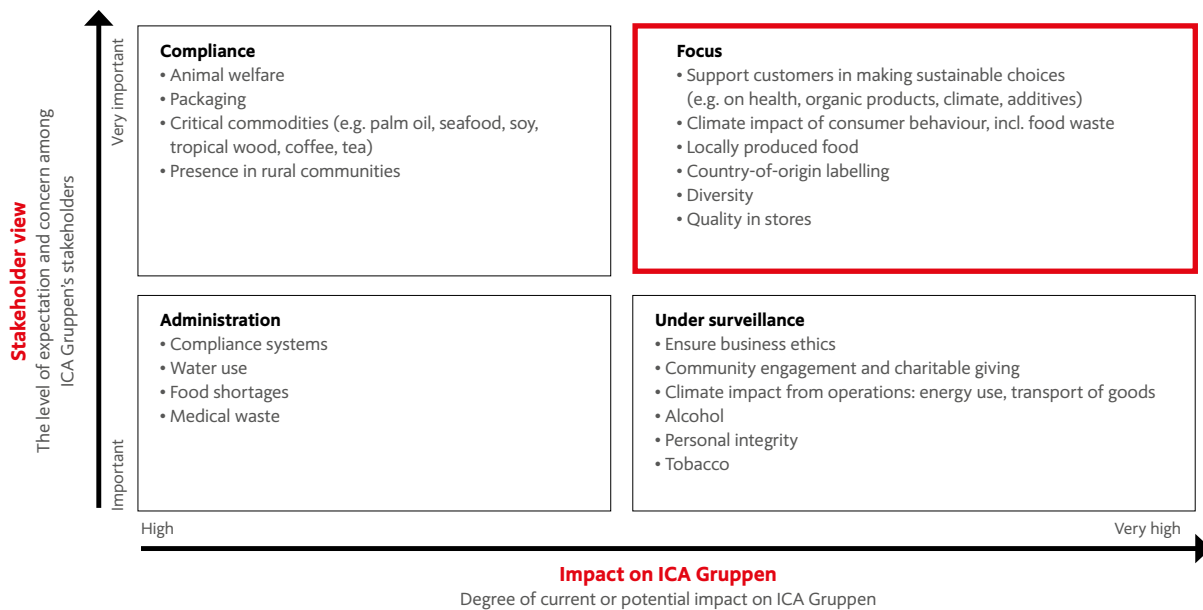
ICA Gruppen's Sustainability Report describes the Group's work on economic development, the environment, ethical trading, quality, health, and community engagement. Since 1995 an annual environmental and corporate responsibility report has been published. Since 2004 it has been reported in accordance with the GRI reporting standard. As of 2008 the Sustainability Report has been reviewed by a third party, following a decision by the ICA Gruppen Management Team. The report follows ICA Gruppen's financial year, and as such covers the period 1 January 2016 to 31 December 2016. The previous report was published in March 2016.

Materiality analysis

Information and key performance indicators in this report have been selected based on the sustainability aspects deemed to be relevant to ICA Gruppen's operations. Opinions expressed by ICA Gruppen's stakeholders are taken into consideration when defining the significant issues in sustainability work, in order to make continuous improvements. Using the GRI's Guidance on Defining Report Content, a materiality analysis has been carried out, based in part on the demands and expectations of stakeholders. The evaluation is based on four fields in which each issue is evaluated 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, from 2016 by the Board's Sustainability Committee.

In the analysis for 2016, carried out in late 2015, the most material issues were defined as follows: Support customers in making sustainable choices (e.g. on health, organic products, climate, additives), Climate impact of consumer behaviour incl. food waste, Locally produced food, Country-of-origin labelling, Diversity, and Quality in stores.

In addition to these, the Group has a continuous focus on socially and environmentally responsible sourcing and on product safety and quality.



Boundaries

The report covers all companies within ICA Gruppen. The report mainly comprises operations that have a significant, direct impact from a sustainability perspective, i.e. ICA Gruppen's own operations. In Sweden ICA collaborates with more than 1,300 independent ICA retailers through agreements. Information on these is presented when relevant to the overview of ICA Gruppen's sustainability work, for example in respect of:

- Emissions
- Electricity consumption
- Refrigerants
- Waste collected in connection with deliveries of goods to stores
- Sales data from stores
- The number of stores that are certified according to the Swedish standard for food handling in stores, are Swan eco-labelled or have introduced ICA Retailers for the Environment

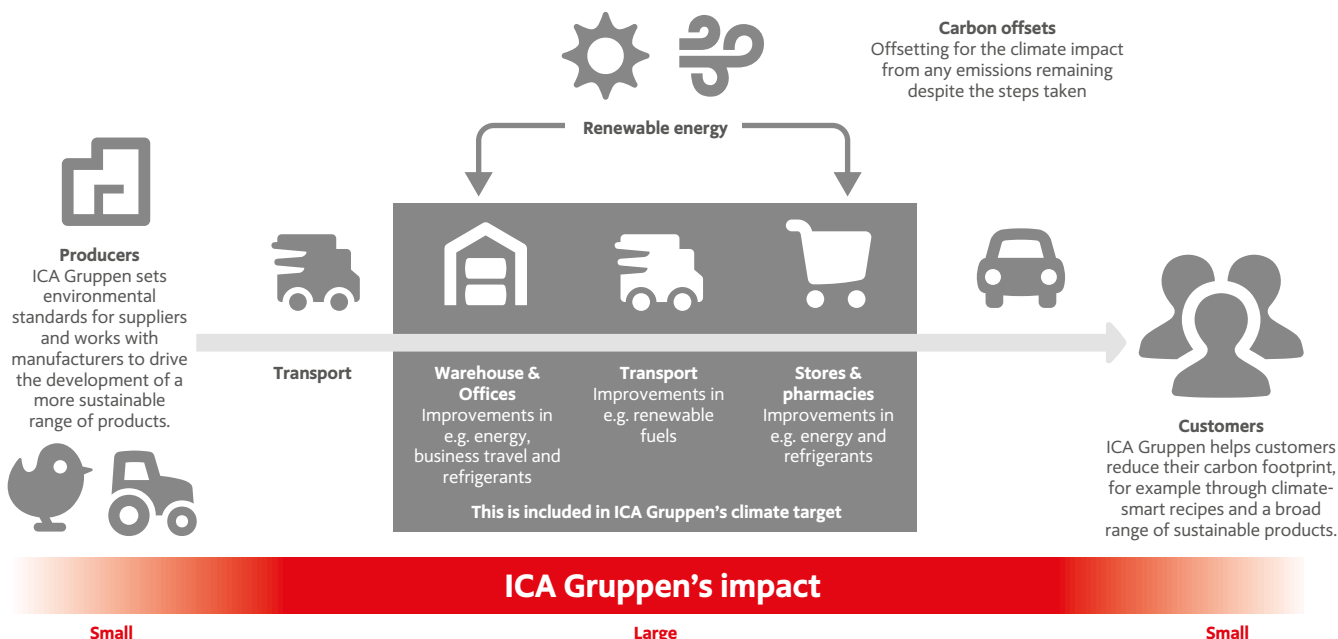
Operations outside ICA Gruppen's direct control, such as suppliers and customers, are not included in the report. Information on suppliers of ICA Gruppen's corporate brands is included in the report where appropriate.

Contact

Kerstin Lindvall, Chief Corporate Responsibility Officer, ICA Gruppen
+46 8 561 500 00, kerstin.lindvall@ica.se

ICA Gruppen's operations to be climate-neutral by 2020

The target has been set using a method for science-based climate targets developed by WWF, the UN Global Compact, CDP and the World Resources Institute.



Sustainability work based on tools and standards

ICA Gruppen works on sustainability in a structured way, using tools and models to follow up and ensure that the products sold and processed by the Group meet both internal and external requirements.

One element of this is certification of large parts of the sourcing, logistics and store processes to relevant standards for quality and the environment.

Certifications and standards for environment and quality

	ISO 14001	ISO 9001	BRC S&D
Logistics operations, Sweden*	1998	–	2012
Real estate operations, Sweden*	1999	–	–
Sourcing operations, Sweden*	2012	2012	–
Sourcing operations, Asia*	2013	2013	–
Sourcing operations, Baltics*	2015	2015	–
Warehouse Riga (Rimi Baltic)*	–	–	2014

*Year for first certificate.

	Swan eco-label	ICA retailers for the environment	Swedish standard for food handling
Swedish ICA stores, number	142	95	428

Environmental certification and standards

The environmental standard ISO 14001 is used to certify operations, and in the stores the Swan eco-label is used along with the Group's own environmental support tool ICA Retailers for the Environment. ICA Real Estate decided in 2016 to change the target of all new wholly owned facilities to be built according to the Silver rating by the Sweden Green Building Council, to instead be certified according to the Gold level. In 2016, ICA Real Estate had eight ongoing projects, three of which was completed during the year: ICA Nära Lindbacken, ICA Nära Riksten and ICA Supermarket Gustavslund (certified Gold).

Suppliers to ICA Gruppen must work actively on their own internal environmental work, including an environmental policy, environmental targets and plans to reduce environmental impact from production and other activities. Suppliers must regularly monitor the environmental impact of their business. ICA Gruppen ensures its requirements are met through agreements, follow-up and by recommending established systems of environmental certification.

During the year, ICA Social Audit – ICA Gruppen's own tool for social auditing of suppliers – was supplemented with additional parts relating to the supplier's environmental work. The aim is to be able to follow up the suppliers' environmental performance even more effectively. The new parts focus on, among other things, waste disposal, chemicals and water treatment. At the same time, environmental training was implemented for those working on supplier follow-up within ICA Global Sourcing.

Quality certification and standards

The quality standards ISO 9001 and BRC S&D are used to certify operations, while stores use the Swedish standard for food handling in stores. ICA Sweden's quality coaches carry out an annual internal audit of practically all ICA stores. The internal audit is an extensive review of all food handling by the store and takes around six hours per store. The goal is that 95% of ICA stores will be internally audited each year. In 2016, ICA Sweden achieved 96%. Rimi Baltic uses its own standard for

food handling, which is based on the Swedish standard and covers all of the store formats in Estonia, Latvia and Lithuania.

ICA Gruppen requires its corporate brand food suppliers to be third-party certified to a product safety standard approved by the Global Food Safety Initiative (GFSI). These standards cover food safety management systems, Hazard Analysis and Critical Control Points (HACCP), and good manufacturing practices. Local suppliers of ICA Gruppen's corporate brands can also be certified to local standards (in addition to GFSI-approved standards). This allows small suppliers to safely supply products directly to stores. This system promotes local production and facilitates the stores' 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 the Medical Products Agency's (MPA) legislation. All pharmacies have a pharmacist with responsibility for medicines who is responsible for ensuring compliance with the requirements and who also reports to the MPA if there are serious deficiencies in the operations. In addition, every year an inspection is carried out by the pharmaceutical manager at the pharmacy. Apotek Hjärtat has quality assurance specialists who conduct regular internal inspections to ensure that its pharmacies maintain a high level of quality and follow the self-monitoring programme. In 2016, 142 inspections were conducted. Suppliers of medicines are approved by the MPA, and all pharmacies have an obligation to provide approved prescription drugs.

Quality assurance of products

ICA Gruppen is working on several fronts to prevent future food fraud, including through a long-term investment at ICA Sweden to expand country-of-origin labelling to more corporate brand products. ICA Gruppen is also engaged in a continuous dialogue with the food industry and relevant authorities, and monitors the work of the Global Food Safety Initiative (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 of ICA Gruppen's corporate brand products undergo sensory and/or quality tests on their way to becoming finished products. The sensory tests evaluate appearance, aroma, taste and consistency. Ingredients, nutritional information and other properties are detailed in internal product specifications. For certain groups of products ICA Gruppen also tests the products' functionality. All products are examined and approved to ensure that they comply with ICA Gruppen's policies and internal guidelines. Packaging information is also inspected and approved.

Ethical trade

ICA Gruppen has produced its own tool for social auditing of suppliers: 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.

If ICA Gruppen's own auditors or third-party auditors detect violations at a production facility used by the Group, a concrete action plan is established and followed up in a re-audit. The first time a supplier violates the contractual requirements, it generally gets a second chance to correct the problem. If it does so to the Group's satisfaction, ICA Gruppen will keep working with them. If a serious offence is repeated, the agreement with the supplier will be terminated. In 2016, ICA Gruppen decided to terminate agreements with 9 (8) 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.

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 interest groups is an important part of ICA Gruppen's sustainability work and enables the Group to compare and improve the way it works and thus promote positive development.

ICA Gruppen's Chief Corporate Responsibility Officer is the Group's representative in the UN Global Compact, including its Nordic network. ICA Gruppen's Chief Corporate Responsibility Officer is also the Group's representative in Globalt Ansvar, working on issues related to corporate social responsibility. This project falls under the unit for international trade policy at the Swedish Ministry for Foreign Affairs.

ICA Gruppen's Chief Corporate Responsibility Officer is a member of the Monitoring Board of the Swedish Chemicals Agency and is also a member of the board of KRAV, which develops organic standards and promotes the KRAV label. In Sweden,

Combating child labour

ICA Gruppen's basic rule when it comes to child labour is that people younger than 15 may not work for any of the Group's suppliers. If national laws have stricter limits, these apply. In China, for example, the minimum legal working age is 16. ICA Gruppen also requires its suppliers to give special consideration to young workers (younger than 18) in matters such as the right to limited working hours.

If ICA Gruppen detects or suspects that a worker has not reached the minimum legal working age, the contract with the supplier obliges the supplier to take measures to protect the best interests of that person. Together with the supplier, ICA Gruppen tries to find the best possible solution in light of the child's age, education and social situation.

ICA participates in a network organised by the Norwegian-Swedish Chamber of Commerce to strengthen relationships between Scandinavia and the Balkans. ICA Sweden is a member of the trade organisation Svensk Dagligvaruhandel, (the Swedish Grocery Trade Federation), which works to protect the interests of consumers.

In Lithuania, Rimi is a permanent member of the initiative Baltoji Banga (Transparent Wave), which promotes transparency in Lithuanian business. In Latvia, Rimi is one of the founders of the Latvian Food Retailers' Association, which was established in 2010.

ICA Bank has joined forces with ECPAT, other financial institutions and the police to combat online child pornography. ECPAT is a global network of organisations working to eliminate child prostitution, child pornography and human trafficking.

ICA Sweden is an active partner in Arena for Growth, a public-private partnership to promote local and regional growth through collaboration and growth-promoting processes.

Other memberships and initiatives in which ICA Gruppen participates

- Accord on Fire and Building Safety in Bangladesh (Bangladesh Accord)
- Better Cotton Initiative (BCI)
- Business Social Compliance Initiative (BSCI)
- Global Food Safety Initiative (GFSI)
- Global Social Compliance Program (GSCP)
- In-Depth Cooperation Programme
- KRAV
- Proteko Quality Network
- REAP (Retailers' Environmental Action Programme)
- Round Table on Responsible Soy (RTRS)
- Roundtable on Sustainable Palm Oil (RSPO)
- Supply Chain Initiative
- Sustainable Food Chain (Hållbar livsmedelskedja)
- Swedish Leadership for Sustainable Development
- Swedish Textile Importers
- Sweden Textile Water Initiative (STWI)
- Swedish Trade Federation (Svensk Handel)
- Swedish Soy Dialogue
- Swerea IVF's Chemical Group
- T4RI, Textiles for Recycling Initiative, Swedish Trade Federation
- The SIWI Group on water and food
- The Swedish Network for Business and Human Rights

Dialogue partners

In addition to trade organisations in each market, ICA Gruppen's most important dialogue partners in the area of sustainability include:

- Aquaculture Stewardship Council (ASC)
- Fairtrade
- Federation of Swedish Farmers (LRF)
- Forest Stewardship Council (FSC)
- Marine Stewardship Council (MSC)
- Public Health Agency of Sweden
- Swedish Board of Agriculture
- Swedish Asthma and Allergy Association
- Swedish Coeliac Society
- Swedish Consumers' Association
- Swedish Environmental Protection Agency
- Swedish National Food Agency
- Svenskt Sigill
- Swedish Society for Nature Conservation
- Textile Exchange
- WWF

Sustainability data

Environment

Use of resources

In 2016 major emphasis was placed on initiatives to increase energy efficiency in stores, for example by placing lids and doors on refrigerators and freezers and by overhauling lighting and ventilation. The use of energy is in spite of this relatively unchanged compared to 2015, mainly due to a number of large store-openings

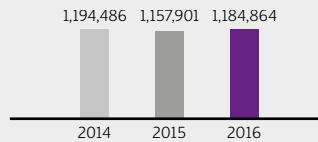
in Sweden. Total use of energy in ICA Gruppens stores and warehouses increased by 1% in 2016.

During 2015 consumption of refrigerants in the Baltic operations increased sharply due to equipment failures. The equipment has been renovated and new routines to prevent future failures has been put into

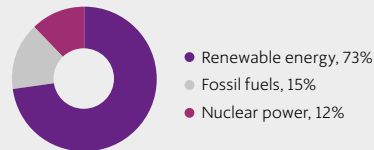
action. This has led to a decrease in consumption of refrigerants in 2016 compared to 2015. Logistics operations in Sweden is working focused to increase the share of renewable fuels and during 2016 the share of renewable fuels was 48%, an increase by 85% compared to 2015.

Energy and refrigerants

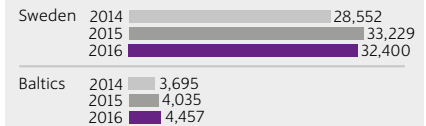
Total energy consumption in warehouses and stores, MWh



Distribution of energy sources, % (electricity consumption in warehouses and stores)

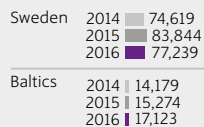


Fuel consumption from goods transports between warehouses and stores*, thousand litres

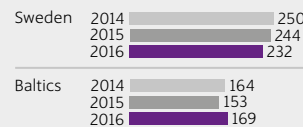


* Data for fuel consumption refers to diesel except for Sweden, which includes renewable fuels at 5,931,000 litres (2014), 9,656,000 litres (2015) and 17,849,000 litres (2016).

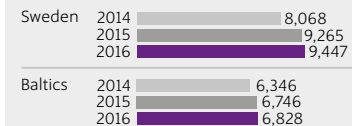
Energy consumption in warehouses, MWh



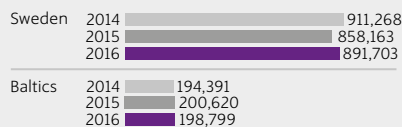
Average energy consumption in warehouses, kWh/m²



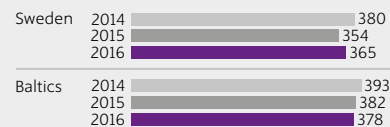
Business travel by car, thousand km



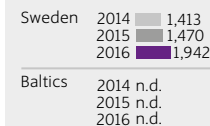
Energy consumption in stores, MWh



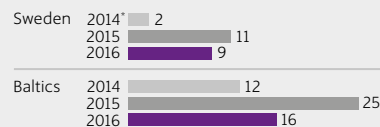
Average energy consumption in stores, kWh/m²



Business travel by rail, thousand km

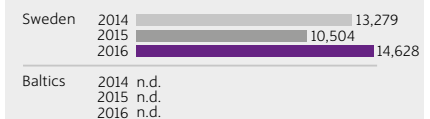


Refrigerant use, tonnes



* Comprises warehouses.

Business travel by air, thousand km



Emissions

Since 2006, ICA Gruppen's direct greenhouse gas emissions have decreased by 33% (22). The decline has been largely thanks to long-term efforts within the areas of energy, refrigerants, transport and business travel. One of the main contributors to the decrease in 2016 is the sharply increasing share of renewable fuels in the Swedish operations. During the year the

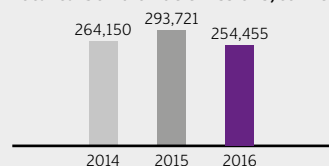
share of renewable fuels increased by 85% which meant that the total share amounted to 48%. The share of ICA-stores switching to refrigerants with a lower climate impact also increased, contributing to the reduction in emissions.

ICA Gruppen's target to be climate neutral by 2020 puts high demands on equipment maintenance, op-

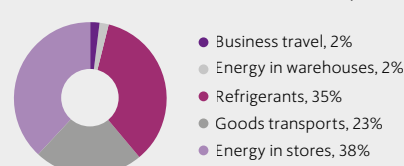
eration, contracts and knowledge to improve resource efficiency and drastically reduce the climate impact of ICA Gruppen's own operations. Among other things, Rimi Baltic has extensive plans to replace the refrigerants in the stores to refrigerants with less climate impact. Remaining emissions that can not be eliminated in the operations in 2020 will be carbon offset.

Greenhouse gas emissions

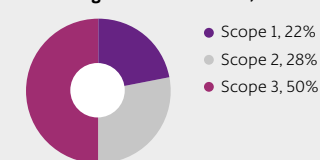
Total carbon dioxide emissions, tonnes



Distribution of carbon dioxide emissions, %



Distribution of carbon dioxide emissions according to GHG Protocol*, %



Total carbon dioxide emissions according to GHG Protocol**, tonnes

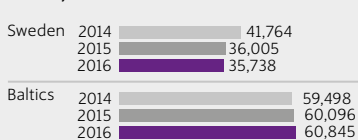
	2016	2015	2014
Scope 1	57,266	79,352	48,555
Scope 2	70,134	69,286	68,792
Scope 3	127,055	145,083	146,803

* See page 130.

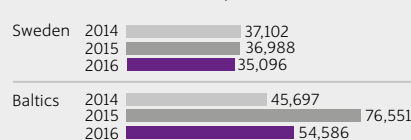
** Not divided into fossil/non-fossil emissions.

Energy and refrigerants

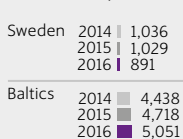
Carbon dioxide emissions from energy in stores, tonnes



Carbon dioxide emissions from refrigerant use in warehouses and stores, tonnes



Carbon dioxide emissions from energy in warehouses, tonnes

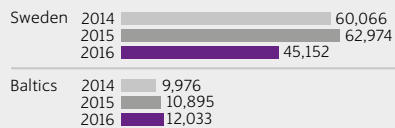


Emissions

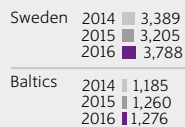
Transport

ICA Gruppen continues to streamline its infrastructure and distribution network in order to reduce the total distance travelled by vehicles. With careful scheduling and optimised loads, ICA Gruppen can make its deliveries using fewer, more efficiently loaded lorries, which do less driving in total. ICA Sweden, Apotek Hjärtat and Hemtex currently does not own any lorries, while Rimi Baltic has its own lorries and also leases lorries. Modern engine technology and renewable fuels reduce emissions, which ICA Sweden, Apotek Hjärtat and Hemtex requires its haulage companies to verify. In Sweden, both alternative fuels and diesel are used. Rimi Baltic uses only diesel.

Carbon dioxide emissions from goods transports between warehouses and stores, tonnes



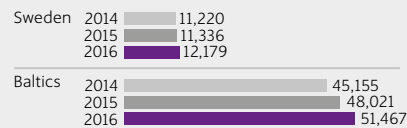
Carbon dioxide emissions from business travel by air, train and car, tonnes



Waste

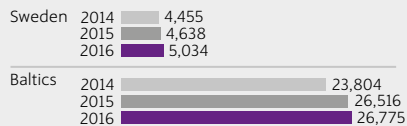
ICA Gruppen works to minimise waste and maintain high recycling rates in its warehouses and stores. As part of this, ICA Gruppen works in partnership with several charitable organisations, including the Salvation Army in Sweden and the Food Bank in the Baltic countries. The organisations are given food from the warehouses that cannot be sold in stores, either because they are short dated or because of damaged packaging, even though the food is fully edible. The Swedish ICA-stores, Apotek Hjärtat and Hemtex is not included in wastedata.

Total waste volume*, tonnes

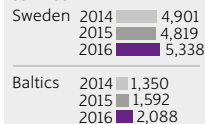


*Data for Sweden refers to waste from logistics. Data for the Baltics refers to waste from logistics and stores.

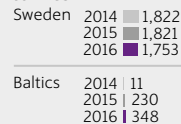
Recycled/reused, tonnes



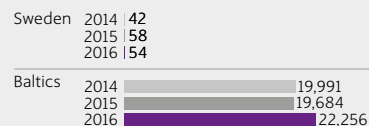
Compostable, tonnes



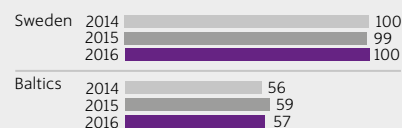
Incinerated waste, tonnes



Landfill, tonnes



Level of recycling*, %



*Includes recycled/reused, compostable and incinerated waste.

Environmental work in stores

In Sweden, 142 (157) ICA stores had been awarded a Swan eco-label at year-end 2016, which is 11% of the stores. The Swan eco-label applies tough criteria to matters such as waste management and energy efficiency. The internal eco-tool ICA Retailers for the Environment aims to help stores improve their environmental work and further reduce their environmental impact. By the end of the year, 95 (91) ICA stores had introduced the tool.

Swan eco-labelled ICA stores, number

	2016	2015	2014
ICA Sweden	142	157	162

ICA stores that have been approved according to ICA Retailers for the Environment, number

	2016	2015	2014
ICA Sweden	95	91	55

Quality

In 2016 work continued with audits, traceability checks, reviews of product contents and labelling, product testing and structured quality assurance. If it is suspected that a product ICA Gruppen has sold may pose a health risk, the Group contacts the responsible supervisory authority, takes the product off the shelves and distributes a press release announcing a recall. A recall means that the product is immediately

stopped at check-out and is no longer available for sale. A recall is always followed up with the supplier through a visit and/or documented feedback on the measures the supplier has taken to prevent any reoccurrence. No recalls in 2016 resulted in a fine or a warning for ICA Gruppen.

Product recalls, number	2016	2015	2014
Total	44	58	26
Corporate brands	9	10	13

Quality certified stores and stores that have implemented the Swedish standard for food handling in stores, ICA Sweden, number

	2016	2015	2014
Accepted by inspection body	428	351	333
Adopted the standard	994	949	964

Health

It has long been an aim of ICA Gruppen to encourage healthier lifestyles and help customers in need of special products. ICA Sweden measures weekly whether the Swedish public feels that ICA makes it easy for them to make healthy choices. The target for 2016 was that at least 42% of the respondents would associate the claim with ICA, which was not reached.

ICA makes it easy for me to make healthy choices, %	2016	2015	2014
ICA Sweden	40	41	37

Community engagement

ICA Sweden has been the principal partner of the World Childhood Foundation since 2003, raising funds for Childhood's projects. For the fourteenth consecutive year ICA Sweden was the main sponsor for the Pink Ribbon campaign, which raises funds for Swedish cancer research. The aim is to increase awareness of the link between good health, good habits and daily exercise in preventing breast cancer. Swedish ICA customers donated SEK 7.5 million (7.4) to the work of the Red Cross by donating the deposits from their beverage cans and bottles. ICA Sweden meas-

ures weekly whether the Swedish public feels that ICA is committed to sustainable development. The target for 2016 was that at least 28% of the respondents would associate the claim with ICA, which was nearly reached. ICA Sweden also measures weekly whether the Swedish public feels that ICA is good at Swedish produce. The target for 2016 was that at least 47% of the respondents would associate the claim with ICA, which was exceeded.

Charitable donations, ICA Sweden, SEK m	2016	2015	2014
Donations from ICA Sweden	2.5	3.2	3.3
Donations from customers, suppliers and employees through ICA Sweden	60.6	58.7	38.9

ICA is committed to sustainable development, %	2016	2015	2014
ICA Sweden	27	27	24

ICA is good at Swedish produce, %	2016	2015	2014
ICA Sweden	50	49	46

Employees

ICA Gruppen is a major employer with approximately 28,000 employees, mainly in Sweden and the Baltic countries. Converted to full-time staff, this corresponds to 21,986 (22,499) full-time equivalents (FTEs). Of the Group's employees, 67% work in stores and pharmacies, 12% in warehouses and 21% in other operations. Stores and pharmacies have a higher share of part-time employees and a higher share of women

employed compared to other operations. The data is based on the number of employees at year-end, except for Number of FTEs and Gender distribution, all employees. Store employees in the retailer-owned ICA stores in Sweden are not included because they are employed by the individual ICA retailers. The comparison years of 2014 and 2015 have been updated with data for Hemtex and ICA Global Sourcing.

Sickness-related absence is monitored continuously. The sickness-related absence varies depending on the activities within each segment. Through various analyzes, the absence is followed up continuously and active measures are taken through the processes of early rehabilitation, prevention, supporting and organisational efforts that ICA Gruppen has developed to reduce sickness-related absence.

Number of FTEs

Number of FTEs	2016	2015	2014
Sweden*	12,108	12,750	9,902
Norway**	12	19	3,572
Finland	73	73	124
Baltic countries	9,699	9,562	8,995
Hong Kong	94	95	91
ICA Gruppen total	21,986	22,499	22,684

* Acquisition of Apotek Hjärtat in 2015 explains the increase in FTE's in Sweden.

** Divestment of ICA Norway in 2015 explains the decrease in FTE's in Norway.

Employee turnover

Employee turnover, %	2016	2015	2014
ICA Gruppen AB*	7	34	8
ICA Bank	15	9	5
ICA Real Estate	10	7	18
ICA Sweden**	12	7	6
ICA Norway	i.u.	i.u.	25
Rimi Baltic	45	51	50
Apotek Hjärtat	15	16	i.u.
Hemtex	18	15	15
ICA Global Sourcing	18	10	24
ICA Gruppen total***	27	33	30

* ICA Gruppen AB's figure for 2015 is mainly due to outsourcing of IT services.

** From 2016 the figure for the store subsidiaries is also included.

*** Hemtex and ICA Global Sourcing are included from 2016. Historical data has been updated in the total figure.

Sickness-related absence

Sickness-related absence, %	2016	2015	2014
ICA Gruppen AB	3.1	3.7	2.5
ICA Bank	4	4.1	3.3
ICA Real Estate	3	2.7	2.2
ICA Sweden	5.9	5.7	5.1
ICA Norway	i.u.	i.u.	6.7
Rimi Baltic	5.8	5.5	4.4
Apotek Hjärtat	5.5	5.4	i.u.
Hemtex	5.7	4.5	4.9
ICA Global Sourcing	1.4	1.3	2.3
ICA Gruppen total*	5.7	5.4	5

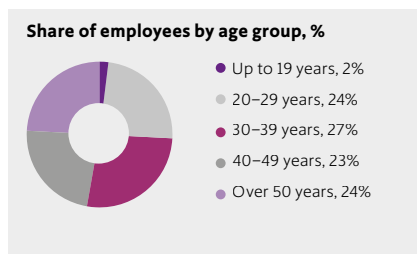
*Hemtex and ICA Global Sourcing are included from 2016. Historical data has been updated in the total figure.

Covered by collective agreements

Covered by collective agreements, %

	2016
Sweden	100
Finland	100
Baltic countries	76
Hong Kong	0
ICA Gruppen total	89

Type of employment

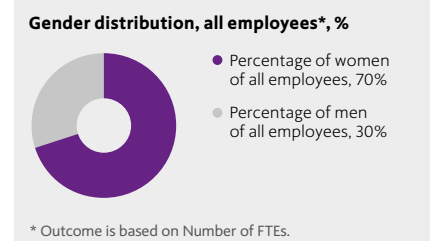
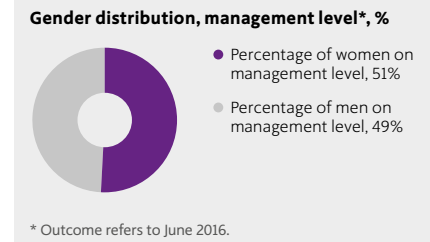
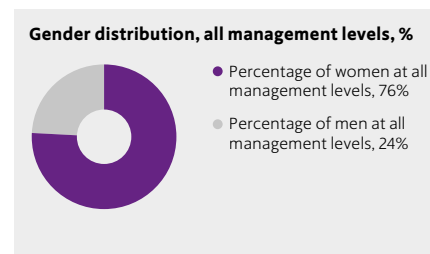


Employment by type, region and gender, number*

	2016			2015			2014		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Sweden									
Permanent	5,323	7,522	12,845	5,405	8,169	13,574	4,986	5,705	10,691
Temporary	733	2,013	2,746	863	1,478	2,341	566	1,260	1,826
Consultants	i.u.	i.u.	625	i.u.	i.u.	1,017	i.u.	i.u.	879
Finland									
Permanent	1	90	91	1	100	101	3	117	120
Temporary	0	37	37	1	28	29	0	32	32
Consultants	0	0	0	0	0	0	0	0	0
Baltic countries									
Permanent	1,793	10,323	12,116	1,937	10,309	12,246	1,657	9,477	11,134
Temporary	43	198	241	26	194	220	134	465	599
Consultants	0	0	0	i.u.	i.u.	14	i.u.	i.u.	i.u.
Asia									
Permanent	50	42	92	52	44	96	47	45	92
Temporary	0	0	0	0	1	1	0	0	0
Consultants	i.u.	i.u.	1	i.u.	i.u.	1	i.u.	i.u.	0
ICA Gruppen total									
Permanent	7,167	17,977	25,144	7,395	18,622	26,017	6,693	15,344	22,037
Temporary	776	2,248	3,024	890	1,701	2,591	700	1,757	2,457
Consultants	i.u.	i.u.	626	i.u.	i.u.	1,032	i.u.	i.u.	879

* Hemtex and ICA Global Sourcing are included from 2016. Historical data has been updated. ICA Norway is excluded from data for 2014.

Gender distribution



Measurement and calculation methods

The Sustainability Report covers all companies within ICA Gruppen. There are certain exceptions, however, which are detailed below. A group-wide IT system is used to collect data on sustainability issues. The system supports continuous reporting with the aim of ensuring the long-term quality of the indicators included in ICA Gruppen's continuous monitoring and reporting of sustainability work. Each company reports data according to the Group's definitions and routines for sustainability reporting. The measurement and calculation methods are described in detail below.

Charitable contributions

Comprises voluntary donations from ICA Sweden, as well as donations from customers, employees and suppliers collected through ICA in Sweden. The recipients are charitable and voluntary organisations.

Energy

Covers stores and warehouses, as well as offices belonging to logistics departments.

To calculate electricity consumption in Swedish stores a sampling of stores in each format is used. Their actual consumption is then extrapolated in order to report the total energy consumption at the end of the reporting period.

To calculate energy consumption per square metre in warehouses and stores, the area of the stores and warehouses in operation at the end of the measurement period is used.

Goods transports

Covers transport of goods between ICA Gruppen's stores and warehouses. Inward transport of goods to warehouses is not included.

For ICA Sweden all the haulage companies report actual transport data, for both diesel and alternative fuels.

Diesel consumption for transport vehicles leased by Rimi Baltic is calculated based on distances driven and average fuel consumption. Diesel for Rimi Baltic's own transport of goods is obtained directly from the diesel supplier.

Refrigerants

Covers refrigerant refills in all warehouses and stores. Data for ICA Sweden's warehouses is based on official refrigerant reports and is reported for the current year. Data on refrigerants in ICA Sweden's stores refers to the previous year's consumption. Data on Rimi Baltic's consumption of refrigerants, in warehouses and stores, refers to the current year's consumption.

Business travel

Covers business travel by air booked through ICA's central travel agency for ICA in Sweden and Apotek Hjärtat, as well as reported flights for Hemtex.

Covers business travel by rail for ICA in Sweden booked through ICA's central travel agency or directly through travel providers using ICA's customer number.

Covers business travel by car for ICA in Sweden, Hemtex and Rimi Baltic.

Climate impact

At the end of 2015 ICA Gruppen's Management Team set a new climate target. The target was set in accordance with the method for Science Based Targets and the GHG Protocol Corporate Accounting and Reporting Standard. The year 2006 remains the fixed base year for emission factors. For any new energy and fuels introduced after 2006, emission factors are set in accordance with the IPCC's recommendation. In this report, ICA Gruppen's decrease in direct greenhouse gas emissions is reported per square metre of total area in stores and warehouses. The aim is to improve transparency and accuracy, since the outcome will track changes in the Group's operations (major mergers and divestments will not in themselves affect the outcome for emissions). The outcome for the climate target also shows the forecast emissions of CO₂e/m² for the years up to 2020. The forecast is based on an estimated increase in total area of 2% per year for these years, as well as the forecast reductions in greenhouse gases that planned measures will contribute. The forecast does not include the effect of any future acquisitions.

Emissions according to the GHG Protocol include the following in each scope:

Scope 1: Emissions from refrigerants in warehouses and in stores owned by ICA Gruppen itself

Scope 2: Emissions from energy in warehouses and in stores, pharmacies and offices owned by ICA Gruppen itself

Scope 3: Emissions from business travel, emissions from Swedish ICA stores not owned by ICA Gruppen, emissions from transport between warehouses and stores.

The following factors are used to calculate carbon dioxide emissions:

- Emissions factor for 2006 Nordic electricity mix for conventional electricity in Sweden.
- Supplier-specific emissions factor for units that have signed ICA's central electricity agreement.
- The International Energy Agency's average for the years 2000–2005 for electricity production in each Baltic country.
- The Swedish Society for Nature Conservation's specific emissions factor for Good Environmental Choice electricity.
- Swedish average for district heating from the Swedish Energy Agency (as recommended by the GHG Protocol).
- Emissions factor for diesel and ethanol from Nätverket för Trafik och Miljö (NTM).
- Global Warming Potential (GWP) for each type of refrigerant according to the Montreal Protocol and IPCC.
- Carbon dioxide emissions from air and rail travel are obtained from ICA's travel provider.
- The GHG Protocol's emissions factor for business travel by car.
- Alternative fuels from the haulage company concerned, base year 2012 and 2016.

Waste

Covers ICA Sweden's and Rimi Baltic's warehouses, as well as Rimi Baltic's stores. Apotek Hjärtat and Hemtex are not included in the reporting.

National laws and regional waste management systems define the types of waste included.

Information on waste management methods and amounts is obtained from waste contractors.

Rimi Baltic's waste is based on actual waste data extrapolated by the number of stores at year-end.

Waste reported for Rimi Baltic also includes packaging waste for products that Rimi Baltic introduces onto the market.

Compostable waste comprises biodegradable organic waste, i.e. waste sorted as compostable and 90% of organic waste fractions including packaging.

Incinerated waste comprises incinerated waste fractions and 10% of organic fractions including packaging.

Recycled/reused waste includes glass, metal, wood, plastics and other non-landfill waste. For categories where ICA Gruppen has producer responsibility, such as pharmaceuticals, batteries, electronic products and packaging, handling occurs in accordance with applicable legal requirements and any permits required. The waste arising from ICA Gruppen's producer responsibility is not included in the reported waste volumes.

ICA Gruppen seeks to reduce waste to landfill and increase the prospects of sorting and recycling of waste.

Supplier-related data

Quality certified suppliers comprise all suppliers of ICA Gruppen's corporate brands who have undergone an audit and hold an associated valid certificate in accordance with one of the quality standards accepted by ICA Gruppen. From 2014 ICA Gruppen has also accepted local standards as quality standards for local suppliers.

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. To be approved, the audit result must meet ICA Gruppen's set minimum standard, i.e. the audit must not have identified any of the zero tolerance criteria set and producers given the lowest rating must have improved in the subsequent audit, and suppliers must undertake to carry out any improvements required. Production unit refers to a factory, farm or processing plant.

Starting in 2014 high-risk countries are identified based on the BSCI (Business Social Compliance Initiative) definition.

Sales trends and number of products

Sales data for ICA Sweden includes all products in ICA Sweden's main product range sold from Swedish ICA stores. Sales percentages for ICA Sweden cover all products in ICA Sweden's main product range, excluding non-food items.

Sales data for the ICA stores' own buying from external suppliers is not included. Starting from the first quarter of 2016, ICA Gruppen is reporting store sales of eco-labelled, organic and ethically labelled products in ICA Sweden's product range. Products holding two or more of these labels are not counted twice.

Definitions: Eco-labelled products covers products with one of the following labels: Swan, EU eco-label, Bra Miljöval (Good Environmental Choice), MSC and FSC (FSC-labelled packaging is not included). Organic products covers products with one of the following labels: EU organic, KRAV, GOTS and OCS. Ethically labelled products covers products with one of the following labels: Rainforest Alliance, Utz Certified and Fairtrade.

The number of products refers to the total number of unique EAN codes in ICA Sweden's product range the current year.

Product related information

The objective for palm oil involves ensuring that all palm oil is certified, which means that ICA's corporate brand products will contain palm oil certified by RSPO (Roundtable on Sustainable Palm Oil) from a segregated flow or under the mass balance system. Palm oil certificates are used only in exceptional cases.

In accordance with the commitment in the Swedish Soy Dialogue, the objective for soy includes soy products as well as meat and dairy products (of more than 80% animal origin) from animals raised with soy. The amount of soy used for this must be certified or covered by certificates (soy credits) by RTRS (Round Table on Responsible Soy) or ProTerra. This is ensured by setting requirements for suppliers, including confirmation of compliance. Where the supplier cannot itself ensure that the soy is certified or covered by certificates, ICA buys RTRS certificates based on forecast annual sales of the respective products.

Customer surveys

The target figures for "ICA makes it easy for me to make healthy choices", "ICA is committed to sustainable development" and "ICA is good at Swedish produce" are measured by a brand positioning carried out in Sweden every week through 100 online interviews in collaboration with Ipsos. The respondents (aged 18-70 years) are asked to associate a number of claims with one or more listed brands (the grocery retail market's six biggest players).

Quality work and product safety

Recalls that are considered a risk to human health or the environment are public recalls, i.e. the public is informed via a press release or by other means.

Quality in stores

The number of certified stores in Sweden refers to stores approved and certified by a third party in accordance with the Swedish standard for food handling in stores.

Stores that have adopted the Swedish standard for food handling refers to Swedish ICA stores that apply the standard but have not been certified by a third party.

Environmental work in stores

Swan eco-labelled stores refers to stores in Sweden approved and certified by a third party in accordance with the Swan criteria.

Stores that have been approved according to ICA Retailers for the Environment refers to Swedish ICA stores that have been approved in an internal audit by a quality coach from ICA.

Employees

Comprises personnel employed by ICA Gruppen, i.e. including employees in stores owned by a company within the Group. Data is based on the number of employees at year-end, except for Number of FTEs and Gender distribution all employees, which are based on the number of FTEs. The number of full-time equivalents (FTEs) comprises permanent employees, probationers and temporary employees hired for longer than one month.

Employee turnover is calculated as the number of permanent employees who leave during the year in relation to the average number of permanent employees. Starting from 2016, ICA's Swedish store subsidiaries are included.

Sickness-related absence is calculated as the number of hours of sickness-related absence in relation to scheduled working hours. Starting from 2016, ICA's Swedish store subsidiaries are included.

Gender distribution, all management levels refers to all managers with responsibility for staff within the Group. Gender distribution, management positions refers to management levels that have business critical positions within ICA Gruppen.

Type of employment relates to all employees, broken down into those that work full-time (100%) and those that work part-time, i.e. less than 100%.

Permanent employees means individuals employed for an indefinite period or on a probationary basis, regardless of their degree of employment, as of December. Temporary employees means staff whose employment is for a limited term. The term consultants covers both resources and expertise, as of December.

Significant changes since the previous reporting period

Compared to the previous year, the following changes were made to the measurement and calculation methods in 2016:

New climate target

At the end of 2015 ICA Gruppen's 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. As a result, the measurement and calculation method for the previous climate target was adjusted somewhat for the new climate target. The changes are that total area is used instead of sales area, and that the climate impact from refrigerant refills in the Swedish ICA stores is included. This adjusted measurement and calculation method also applies in cases where historical data for ICA Gruppen is reported, such as for the base year of 2006. The climate impact of electricity use in Swedish offices, of flights for Rimi Baltic and of business travel by car for Apotek Hjärtat are planned to be included as soon as possible.

Sales trends and number of products

Sales data for ICA Sweden includes all products in ICA Sweden's main product range sold from Swedish ICA stores. Sales percentages for ICA Sweden cover all products in ICA Sweden's main product range, excluding non-food items. Sales data for the ICA stores' own buying from external suppliers is not included. Starting from the first quarter of 2016, ICA Gruppen is reporting store sales of eco-labelled, organic and ethically labelled products in ICA Sweden's product range. Products holding two or more of these labels are not counted twice.

Definitions: Eco-labelled products covers products with one of the following labels: Swan, EU eco-label, Bra Miljöval (Good Environmental Choice), MSC and FSC (FSC-labelled packaging is not included). Organic products covers products with one of the following labels: EU organic, KRAV, GOTS and OCS. Ethically labelled products covers products with one of the following labels: Rainforest Alliance, Utz Certified and Fairtrade.

The number of products refers to the total number of unique EAN codes in ICA Sweden's product range.

Other

Apotek Hjärtat and Hemtex have been included in the sustainability reporting for 2016.

Significant changes in coming reporting periods

Other

ICA Gruppen has acquired the IKI chain in Lithuania. This may change the measurement and calculation methods in future years.

GRI-index

ICA Gruppen's Sustainability Report follows the Global Reporting Initiative's (GRI) guidelines (G4). It covers all significant principles in the UN Global Compact and describes sustainability issues of interest to the stakeholders. SDG = linkage to UN's Sustainable Development Goals according to the SDG Compass.

GENERAL STANDARD DISCLOSURES	Section	External Assurance	Global Compact	SDG
STRATEGY AND ANALYSIS				
G4-1	Statement from the most senior decision-maker about the relevance of sustainability to the organisation and the organisation's strategy for addressing sustainability	CEO's comments, page 4	✓	
ORGANISATIONAL PROFILE				
G4-3	Report the name of the organisation	Note 1, page 82	✓	
G4-4	Report the primary brands, products, and services	Food and health are key, page 1 A strong business model, page 8 ICA Gruppen's segments, page 42	✓	
G4-5	Report the location of the organisation's headquarters	Note 1, page 82	✓	
G4-6	Report the number of countries where the organisation operates, and names of countries where either the organisation has significant operations or that are specifically relevant to the sustainability topics covered in the report	Note 1, page 82 ICA Gruppen's world of suppliers, page 35	✓	
G4-7	Report the nature of ownership and legal form	Note 1, page 82	✓	
G4-8	Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries)	A strong business model, page 8	✓	
G4-9	Report the scale of the organisation	ICA Gruppen's segments, page 42 Five-year financial summary, page 76	✓	
G4-10	a. Report the total number of employees by employment contract and gender. b. Report the total number of permanent employees by employment type and gender. c. Report the total workforce by employees and supervised workers and by gender. d. Report the total workforce by region and gender. e. Report whether a substantial portion of the organisation's work is performed by workers who are legally recognized as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors. f. Report any significant variations in employment numbers (such as seasonal variations in employment in the tourism or agricultural industries).	Employees, page 128	✓	6 8
G4-11	Report the percentage of total employees covered by collective bargaining agreements	Employees, page 128	✓	3 8
G4-12	Describe the organisation's supply chain	This is how ICA Gruppen can have an impact, page 30 ICA Gruppen's world of suppliers, page 35	✓	
G4-13	Report any significant changes during the reporting period regarding the organisation's size, structure, ownership, or its supply chain	2016 in summary, page 2 Shares and shareholders, page 72	✓	
G4-14	Report whether and how the precautionary approach or principle is addressed by the organisation	Risk and risk management, page 52	✓	
G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses	Leading the way in sustainability, page 26 Partnerships and memberships, page 123	✓	
G4-16	List memberships of associations (such as industry associations) and national or international advocacy organisation	Partnerships and memberships, page 123	✓	
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES				
G4-17	a. List all entities included in the organisation's consolidated financial statements or equivalent documents b. Report whether any entity included in the organisation's consolidated financial statements or equivalent documents is not covered by the report	Note 1, page 82 Note 2, page 86 About the Sustainability Report, page 120	✓	
G4-18	a. Explain the process for defining the report content and the Aspect Boundaries. b. Explain how the organisation has implemented the Reporting Principles for Defining Report Content.	About the Sustainability Report, page 120	✓	
G4-19	List all the material Aspects identified in the process for defining report content	About the Sustainability Report, page 120	✓	
G4-20	For each material Aspect, report the Aspect Boundary within the organisation	About the Sustainability Report, page 120 Measurement and calculation methods, page 130 See respective indicator for other boundaries	✓	
G4-21	For each material Aspect, report the Aspect Boundary outside the organisation	Measurement and calculation methods, page 130 See respective indicator for other boundaries	✓	
G4-22	Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements	Measurement and calculation methods, page 130	✓	
G4-23	Report significant changes from previous reporting periods in the Scope and Aspect Boundaries	Measurement and calculation methods, page 130	✓	

GENERAL STANDARD DISCLOSURES		Section	External Assurance	Global Compact	SDG
STAKEHOLDER ENGAGEMENT					
G4-24	Provide a list of stakeholder groups engaged by the organisation	ICA Gruppen's stakeholders, page 29	✓		
G4-25	Report the basis for identification and selection of stakeholders with whom to engage	ICA Gruppen's stakeholders, page 29	✓		
G4-26	Report the organisation's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process	ICA Gruppen's stakeholders, page 29	✓		
G4-27	Report key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns	ICA Gruppen's stakeholders, page 29	✓		
REPORT PROFILE					
G4-28	Reporting period (such as fiscal or calendar year) for information provided	About the Sustainability Report, page 120	✓		
G4-29	Date of most recent previous report (if any)	About the Sustainability Report, page 120	✓		
G4-30	Reporting cycle (such as annual, biennial)	About the Sustainability Report, page 120	✓		
G4-31	Provide the contact point for questions regarding the report or its contents	About the Sustainability Report, page 120	✓		
G4-32	a. Report the 'in accordance' option the organisation has chosen. b. Report the GRI Content Index for the chosen option.	About the Sustainability Report, page 120 GRI index, page 132	✓		
G4-33	a. Report the organisation's policy and current practice with regard to seeking external assurance for the report. b. If not included in the assurance report accompanying the sustainability report, report the scope and basis of any external assurance provided. c. Report the relationship between the organisation and the assurance providers. d. Report whether the highest governance body or senior executives are involved in seeking assurance for the organisation's sustainability report.	About the Sustainability Report, page 120	✓		
GOVERNANCE					
G4-34	Report the governance structure of the organisation, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts	Corporate Governance Report 2016, page 58 Rules and regulations, page 61 Board committees, page 63	✓		
ETHICS AND INTEGRITY					
G4-56	Describe the organisation's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics	ICA's Good Business, page 22 Leading the way in sustainability, page 26 A thoroughly sustainable organisation, page 28	✓		16
SPECIFIC STANDARD DISCLOSURES		Section	External Assurance	Global Compact	SDG
ECONOMIC IMPACT					
Economic performance					
G4-DMA	Disclosure on management approach	Targets and outcomes, page 16	✓		
G4-EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change	Risks and risk management, page 52	✓		13
ENVIRONMENTAL IMPACT					
Energi					
G4-DMA	Disclosure on management approach	Sustainability targets, page 17 This is how ICA Gruppen can have an impact, page 30 Rules and regulations, page 61 Sustainability work based on tools and standards, page 122 Sustainability data, page 124	✓	7, 8, 9	
G4-EN3	Energy consumption within the organisation	This is how ICA Gruppen can have an impact, page 30 Sustainability data, page 124 Measurement and calculation methods, page 130	✓	7, 8, 9	7, 8, 12, 13
G4-EN4	Energy consumption outside of the organisation	Sustainability data, page 124 Measurement and calculation methods, page 130	✓	7, 8, 9	7, 8, 12, 13
G4-EN6	Reduction of energy consumption	This is how ICA Gruppen can have an impact, page 30 Sustainability data, page 124 Measurement and calculation methods, page 130	✓	7, 8, 9	7, 8, 12, 13
Emissions					
G4-DMA	Disclosure on management approach	Sustainability targets, page 17 This is how ICA Gruppen can have an impact, page 30 Rules and regulations, page 61 Sustainability work based on tools and standards, page 122 Emissions, page 125	✓	7, 8, 9	
G4-EN15	Direct greenhouse gas (ghg) emissions (scope 1)	Emissions, page 125 Measurement and calculation methods, page 130	✓	7, 8, 9	3, 12, 13, 14, 15
G4-EN16	Energy indirect greenhouse gas (ghg) emissions (scope 2)	Emissions, page 125 Measurement and calculation methods, page 130	✓	7, 8, 9	3, 12, 13, 14, 15

SPECIFIC STANDARD DISCLOSURES		Section	External Assurance	Global Compact	SDG
G4-EN17	Other indirect greenhouse gas (ghg) emissions (scope 3)	Emissions, page 125 Measurement and calculation methods, page 130	✓	7, 8, 9	3, 12, 13, 14, 15
G4-EN19	Reduction of greenhouse gas (ghg) emissions	Sustainability targets, page 17 This is how ICA Gruppen can have an impact, page 30 Rules and regulations, page 61 Emissions, page 125 Measurement and calculation methods, page 130	✓	7, 8, 9	13, 14, 15
Effluents and Waste					
G4-DMA	Disclosure on management approach	This is how ICA Gruppen can have an impact, page 30 Rules and regulations, page 61 Sustainability work based on tools and standards, page 122	✓	7, 8, 9	
G4-EN23	Total weight of waste by type and disposal method	This is how ICA Gruppen can have an impact, page 30 Emissions, page 126 Measurement and calculation methods, page 130	✓	7, 8, 9	3, 6, 12
Transports					
G4-DMA	Disclosure on management approach	Rules and regulations, page 61 Sustainability work based on tools and standards, page 122 Emissions, page 126	✓	7, 8, 9	
G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organisation's operations, and transporting members of the workforce	This is how ICA Gruppen can have an impact, page 30 Emissions, page 126 Measurement and calculation methods, page 130	✓	7, 8, 9	11, 12, 13
SOCIAL IMPACT – HUMAN RIGHTS					
Freedom of Association and Collective Bargaining					
G4-DMA	Disclosure on management approach	Sustainability targets, page 17 ICA Gruppen's sustainability work, page 34 Rules and regulations, page 61 Sustainability work based on tools and standards, page 122	✓	1, 2	
G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	ICA Gruppen's sustainability work, page 34 Sustainability work based on tools and standards, page 122 Measurement and calculation methods, page 130	✓	1, 2, 3	8
Child Labour					
G4-DMA	Disclosure on management approach	Sustainability targets, page 17 ICA Gruppen's sustainability work, page 34 Rules and regulations, page 61 Sustainability work based on tools and standards, page 122	✓	1, 2	
G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	ICA Gruppen's sustainability work, page 34 Sustainability work based on tools and standards, page 122 Measurement and calculation methods, page 130	✓	1, 2, 5	8, 16
Forced or Compulsory Labour					
G4-DMA	Disclosure on management approach	Sustainability targets, page 17 ICA Gruppen's sustainability work, page 34 Rules and regulations, page 61 Sustainability work based on tools and standards, page 122	✓	1, 2	
G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor	ICA Gruppen's sustainability work, page 34 Sustainability work based on tools and standards, page 122 Measurement and calculation methods, page 130	✓	1, 2, 4	8
Supplier Human Rights Assessment					
G4-DMA	Disclosure on management approach	Sustainability targets, page 17 ICA Gruppen's sustainability work, page 34 Rules and regulations, page 61 Sustainability work based on tools and standards, page 122	✓	1, 2	
G4-HR10	Percentage of new suppliers that were screened using human rights criteria	Sustainability targets, page 17 ICA Gruppen's sustainability work, page 34 Measurement and calculation methods, page 130	✓	1, 2	
SOCIAL IMPACT – PRODUCT RESPONSIBILITY					
Customer Health and Safety					
G4-DMA	Disclosure on management approach	Sustainability targets, page 17 Product safety and quality, page 38 Quality in stores, page 38 Rules and regulations, page 61 Sustainability work based on tools and standards, page 122 Quality, page 127	✓		
G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	Quality, page 127 Measurement and calculation methods, page 130	✓		
G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	Product safety and quality, page 36 Quality, page 127 Measurement and calculation methods, page 130	✓		16

Assurance Report

Auditor's Limited Assurance Report on ICA Gruppen AB's Sustainability Report

This is the translation of the auditor's report in Swedish

To ICA Gruppen AB

Introduction

We have been engaged by the Board of Directors of ICA Gruppen AB to undertake a limited assurance engagement of ICA Gruppen AB's Sustainability Report for the year 2016. The Company has defined the scope of the Sustainability Report to the pages referred to in the GRI index on the pages 132–134.

Responsibilities of the Board of Directors and the Executive Management for the Sustainability Report

The Board of Directors and the Executive Management are responsible for the preparation of the Sustainability Report in accordance with the applicable criteria, as explained on page 130-131, and are the parts of the Sustainability Reporting Guidelines (published by The Global Reporting Initiative (GRI)) which are applicable to the Sustainability Report, as well as the accounting and calculation principles that the Company has developed. This responsibility also includes the internal control relevant to the preparation of a Sustainability Report that is free from material misstatements, whether due to fraud or error.

Responsibilities of the Auditor

Our responsibility is to express a conclusion on the Sustainability Report based on the limited assurance procedures we have performed.

We conducted our limited assurance engagement in accordance with RevR 6 Assurance of Sustainability Reports issued by FAR. 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. The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, a reasonable assurance engagement conducted in accordance with IAASB's Standards on Auditing and other 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. The procedures performed consequently do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance conclusion.

Our procedures are based on the criteria defined by the Board of Directors and the Executive Management as described above. We consider these criteria suitable for the preparation of the Sustainability Report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion below.

Conclusion

Based on the limited assurance procedures we have 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.

Stockholm February 10, 2017

Ernst & Young AB

Erik Åström
Authorized Public Accountant

Charlotte Söderlund
Authorized Public Accountant

Annual General Meeting and financial calendar

Annual General Meeting 2017

The Annual General Meeting (AGM) of Shareholders in ICA Gruppen will be held on Friday, 7 April 2017 at 1 p.m. CET at Stockholm Waterfront, Stockholm.

The notice of the Annual General Meeting will be issued on Monday, 6 March 2017 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 Wednesday, 8 March 2017. The notice and documentation relating to resolutions to be considered at the AGM will be available at www.icagruppen.se/en/ in the section on Corporate Governance.

Attendance

In order to attend the Annual General Meeting shareholders must (i) be listed in the shareholder register maintained by Euroclear Sweden AB on Saturday, 1 April 2017, which in practical terms means Friday 31 March 2017, (ii) have given notice of their intention to attend the Annual General Meeting no later than Monday, 3 April 2017.

Notification of attendance can be given on ICA Gruppen's website under the section on Corporate Governance or by telephoning +46 8 402 90 40 on weekdays between 09.00 and 17.00 CET or by post to ICA Gruppen AB, Annual General Meeting 2017, c/o Euroclear Sweden, Box 191, SE-101 23 Stockholm.

Nominee registered shares

In order to be entitled to attend the Annual General Meeting, shareholders whose shares are registered with a nominee through a bank or other nominee must take action well in advance of Saturday, 1 April 2017, which in practical terms means no later than Friday 31 March 2017, requesting the nominee to register the shares in their own name in the shareholder register maintained by Euroclear Sweden AB.

Dividends

The Board of Directors of ICA Gruppen proposes that the Annual General Meeting resolve on a dividend of SEK 10.50 (10.00) per share, or a total of SEK 2,112 million (2,011). The dividend corresponds to 62% of profit for the year. The dividend proposal is appropriate in view of the aim of providing a good and stable dividend over time. The total dividend paid out will be higher as the number of shares with dividend entitlement increased this year from 118.9 to 201.1 million shares due to the conversion of C shares to ordinary shares on 20 January 2016. ICA Gruppen's dividend target over time is to pay a dividend to shareholders of at least

50% of profit for the year. The final trading day for shares in ICA Gruppen including dividend entitlement, provided the Annual General Meeting resolves in accordance with the proposal, is Friday 7 April 2017 and the record date is Tuesday 11 April 2017. The estimated payment date from Euroclear Sweden's system is therefore Wednesday 18 April 2017.

Financial calendar

Annual General Meeting 2017	7 April 2017
Interim Report January–March 2017	9 May 2017
Interim Report January–June 2017	16 August 2017
Interim Report January–September 2017	10 November 2017
Interim Report January–December 2017	7 February 2018

Interim reports and other information from the Company are published regularly on the Company's website www.icagruppen.se. It is also possible to subscribe for information published by the Company in the form of press releases. All interim reports and press releases intended for the capital market are published in Swedish and English.

Printed copies will be available at the Company's head office from week 11 of 2017. The Annual Report will be distributed by post to shareholders who have requested this.

Contact

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Glossary

Bangladesh Accord – An international agreement between companies and trade unions to improve safety in the textile industry in Bangladesh.

BRC – British Retail Consortium. Retail organisation in UK.

BRC CP – British Retail Consortium Consumer Products, a standard for non-food products that covers product safety, quality and compliance.

BRC S&D – British Retail Consortium Storage and Distribution, a quality standard for retailers that covers product safety, quality and compliance.

BSCI – Business Social Compliance Initiative, a European platform for social audits of suppliers.

Fairtrade – Independent labelling system that promotes better working and living conditions for growers and their employees in countries with widespread poverty.

GFSI – The Global Food Safety Initiative, a business-driven initiative for the continuous improvement of food safety management systems.

Global Compact – UN initiative to encourage companies to support human rights, labour and the environment.

HACCP – Hazard Analysis and Critical Control Point, risk analysis and management program.

High-risk countries – Countries with a high risk level as defined by the UN Human Development Index and Economic Security Index (UNDP).

HVO – Hydrogenerated Vegetable Oil.

ICA corporate brands – All products for which ICA Gruppen is the primary consignee, mainly private label products.

ICA's Good Business – Seven position statements that govern ICA Gruppen's operations and serve as the foundation for its sustainability work.

IMT – ICA Gruppen Management Team.

ISO 9001/ISO 14001 – International standards for quality/food safety and environmental management systems.

Joint venture – A partnership project, a joint venture company.

KRAV – Swedish independent labelling system for organic food.

MSC – Marine Stewardship Council, international eco-label for seafood.

MTN – A medium-term note (MTN) is a continuously offered debt note with a set maturity date.

Non-food – Items that are not food, such as clothing, kitchen utensils and toys.

Omni-channel offering – An offering enabling a uniform customer experience, regardless of the channel in which the customer chooses to purchase goods or find information.

Preference share – A share which has preferential rights over other shares, such as ordinary shares, when dividends are paid or in the event of liquidation.

Private label products – Own brand products.

Pro forma – The pro forma financial statements show a hypothetical financial situation. Pro forma financial statements have been prepared in order to illustrate what the financial situation would have been had ICA Gruppen had its present structure in 2012 and 2013.

RSPO – Roundtable on Sustainable Palm Oil, an organization established to promote the growth and use of certified sustainable palm oil.

RTRS – Round Table on Responsible Soy, an organization established to promote the growth and use of certified sustainable soy.

Svanen – Official Nordic eco-label of the Nordic Council of Ministers.

Swedish standard for food handling in stores – Swedish industry-wide standard for food handling and food safety in stores.

For definitions of key figures see page 75.



Solberg

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Photo: Joakim Bergström, Magnus Glans, Jessica Gow, Tobias Göth, Martin Olson, Lennart Sääf and others

ICA Gruppen AB 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, ICA Real Estate which owns and manages properties, ICA Bank which offers financial services and Apotek Hjärtat which conducts pharmacy operations. The Group also includes the company Hemtex.

www.icagruppen.se



ICA
GRUPPEN

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