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This is ICA Gruppen

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S Sustainability Report

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

We make every day
a little easier

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

The shared vision for all operations within ICA Gruppen is that we will make every day a little easier. Working in cooperation and making good use of economies of scale, in combination with the local entrepreneurship represented by ICA retailers in Sweden, creates value for all of ICA Gruppen's stakeholders.

ICA Gruppen's shares are listed on Nasdaq Stockholm (Large Cap). The largest shareholder at year-end 2018 was ICA-handlarnas Förbund (the Association of ICA Retailers).



2018 in brief



In spring 2018 ICA Sweden established a central e-commerce warehouse. The warehouse offers independent ICA retailers in the Stockholm region picking and direct delivery to end customer.



Stable development in a rapidly changing market

In 2018 ICA Gruppen's underlying operating profit increased by 2.6%, with good earnings growth in particular for Apotek Hjärtat and ICA Bank. A high level of activity and a series of improvement and development projects contributed to slightly higher costs during the year and the investment level remained high. The cash flow remained strong.

Strong online sales growth

The strong increase in online sales continued during the year. Online sales for both ICA stores and Apotek Hjärtat increased faster than the market in general during the year. The ICA stores' online sales increased by 42% and Apotek Hjärtat's by 55%. Hemtex' online sales also increased significantly with growth amounting to 36%.

E-commerce warehouse opened

To improve efficiency and service for both stores and consumers, in spring 2018 ICA Sweden opened a central e-commerce warehouse. The warehouse will offer independent ICA retailers in the Stockholm region picking and direct delivery from warehouse to end customer.

Agreement with Ocado for new e-commerce solution

In May ICA Gruppen decided to enter into an agreement with the British e-commerce company Ocado to use the company's platform and technology for highly automated e-commerce warehouses. Migration to the new platform and launch of the new warehouse in Stockholm is expected to happen no later than in 2022.

The first projects delivered from ICAX

In 2018 the first deliveries from ICAX took place. This is ICA Gruppen's

joint innovation hub. In August the Swedish version of Google Assistant was launched, integrating ICA's voice-controlled assistant Monica from the start. During the autumn the ICA Spa (ICA Save) app was launched to give all customers with an ICA card an easy way to review their personal finances and carbon footprint, all in one place.

Rimi Baltic's acquisition of IKI blocked

In October 2017 the Lithuanian Competition Council gave its approval for Rimi Baltic's acquisition of UAB Palink, which operates the IKI grocery retail chain, contingent upon the sale of 17 specific stores. In April 2018 the Council decided not to approve the proposed store sale agreement. As a result of this decision the acquisition of UAB Palink could not be completed. The focus is now instead on organic growth in Lithuania.

Investment in Min Doktor

In autumn 2018 Apotek Hjärtat acquired 42.7% of Min Doktor, Sweden's second largest actor in digital primary care services. The investment strengthens Apotek Hjärtat's position in health and is a key factor in developing future primary care.

Organisational structure and process review within ICA Sweden

To enable continued investment and a fast pace of development while also guaranteeing high internal efficiency, a review of the organisational structure and work processes within ICA Sweden was launched during the year. The review work will continue in 2019.

Reduced greenhouse gas emissions

ICA Gruppen's greenhouse gas emissions continued to decrease during the year. Since the base year 2006, ICA Gruppen's total greenhouse gas emissions have decreased by 61%. The goal is for ICA Gruppen's operations to be climate neutral by 2020.

Sales 2018

SEK 115 bn

Operating profit¹ 2018

SEK 4.651 bn

Operating margin¹ 2018

4.0%

¹⁾ Excluding items affecting comparability.

2018 IN BRIEF

Financial key ratios

See page 77 for information and definitions.

Group, SEK m	2018	2017	2016
Net sales ¹	115,354	109,408	106,643
Operating profit/loss before depreciation/amortisation (EBITDA)	6,302	6,756	6,238
Operating profit (EBIT) excluding items affecting comparability	4,651	4,642	4,669
Operating profit/loss (EBIT)	4,498	5,220	4,518
Profit before tax	4,227	4,853	4,154
Profit from continuing operations	3,647	4,145	3,397
Profit/loss for the year	3,647	4,145	3,418
Cash flow from operating activities, continuing operations	6,802	4,601	5,422
Cash flow from operating activities	6,802	4,601	5,422
Operating margin excluding items affecting comparability, % ¹	4.0	4.2	4.4
Operating margin, % ¹	3.9	4.8	4.2
Return on capital employed, %	10.2	12.3	10.5
Return on equity, %	11.1	13.4	11.9
Earnings per share, SEK	18.05	20.53	16.97
Earnings per share, continuing operations, SEK	18.05	20.53	16.87
Dividend per share, SEK ²	11.50	11.00	10.50

1) Earlier periods have been recalculated, see Note 1.

2) Board's proposal.

Sustainability performance indicators

See page 120 for information and definitions.

Group	2018	2017	2016
ICA Gruppen's operations will be climate-neutral by 2020. Emissions decrease compared to 2006, %	-61	-51	-32
Socially audited corporate brand suppliers (in high-risk countries), %	95	97	97
Quality certified corporate brand suppliers, %	85	86	85

In accordance with Chapter 6 Section 11 of the Annual Accounts Act, ICA Gruppen AB (publ) has chosen to prepare the statutory sustainability report as a separate document to the Annual Report. The Sustainability Report, the content of which is indicated in the table of contents, can be found on pages 9–13, 21–25, 27–38, 50–54, 66, 120–132 of this document.



Strong core business and new digital opportunities

2018 was a good year for ICA Gruppen. We are securing our strong positions in the grocery retail and pharmacy markets and, in the meantime, digitalisation is providing us with new opportunities for synergies and cooperation within the Group. We are presenting good earnings growth overall. This applies in particular to Apotek Hjärtat and ICA Bank, where we are now seeing clear effects of the new strategy and changes made in recent years.

Financially, our performance in 2018 was largely in line with our targets. The underlying sales growth was strong and earnings growth was stable. Apotek Hjärtat and ICA Bank presented strong results, and ICA Real Estate continued to deliver stable cash flows. Rimi Baltic is doing a good result despite an increasingly challenging market with increasing price competition and continued high wage inflation. ICA Sweden's performance was slightly weaker – mainly due to increased fuel and transportation costs as well as extensive investments in forward-looking initiatives.

A strong corporate structure

Since ICA Gruppen was established in 2013 we have worked on building a strong and synergistic corporate structure that is well adjusted to meet changes in consumer behaviour, rapid digitalisation and extensive blurring of industry lines. In 2018 we reviewed and updated our Group strategy to more closely reflect changes in the external

environment, emphasising the importance of using our combined strengths and focusing more on internal inspiration.

The changes and improvements made over the past few years have been comprehensive. In addition to improving our operations and making numerous structural changes, we have worked hard on taking advantage of synergies within the Group. We have gradually increased coordination in areas such as sourcing, administration and loyalty programmes. We are seeing clear and positive effects in all of these areas. We have also started a major digital transformation, the most visible manifestation of which is our e-commerce offering. Here too, we are seeing clear results. The ICA stores' online sales increased in 2018 by 42% and Apotek Hjärtat's online sales by 55%. Both grew significantly faster than the market.

Comprehensive digital agenda

ICA Gruppen operates in a market characterised by great pressure to change. The pace has been fast for

many years, but has accelerated over the past year. One of the factors impacting us the most is rapid digitalisation. This development is affecting all of our operations in essentially all areas. Naturally, this brings great challenges, but it also offers us many opportunities.

As we now look ahead we intend to utilise and benefit from the breadth of our corporate structure. Digitalisation creates entirely new opportunities for cooperation and synergies, especially those relating to using customer data and investments in new technology. Our digital agenda is comprehensive and is a common theme throughout our strategy.

Digital ecosystems

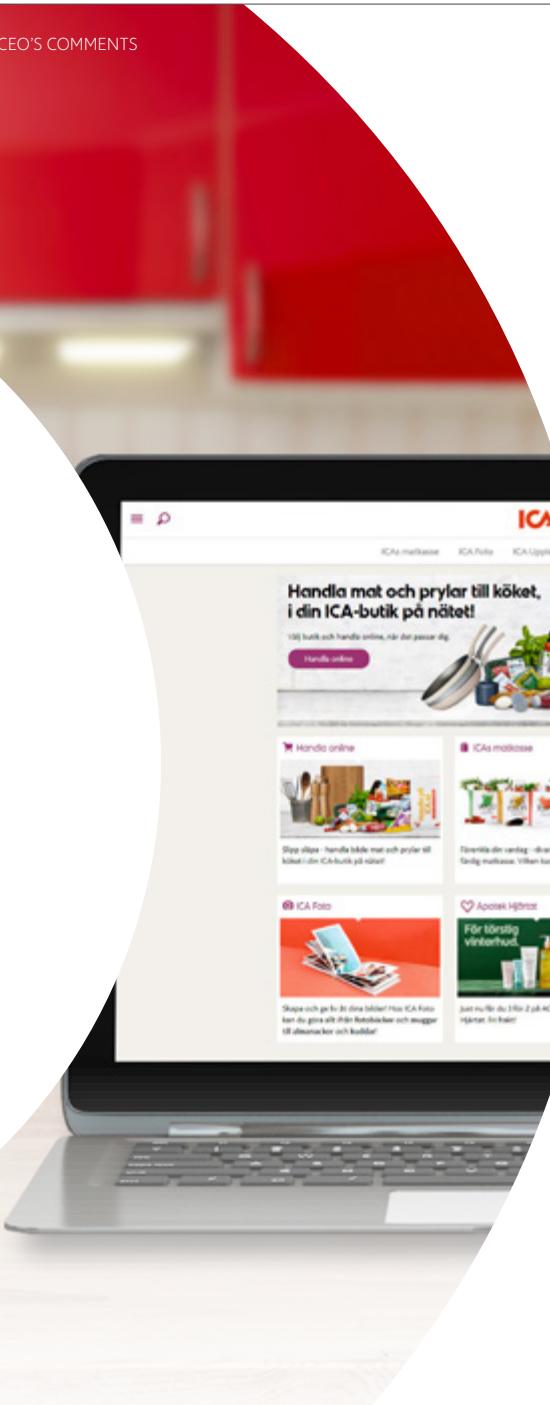
By using the data that our businesses generate to a greater extent than today, we will be able to develop new types of services – in-house as well as in cooperation with partners. One initial example of this in 2018 was the ICA Sparta app. Another is the launch of the voice-controlled assistant Monica →



developed for Google Assistant. Based on customer data we will also continue to develop our loyalty programmes. The goal is also for our customer offering to be both more relevant and more personalised.

Next generation e-commerce

Our focus areas going forward will of course include continuing to develop our e-commerce offering. All of our businesses are now making considerable investments in technology and infrastructure that will help enhance the →



→ customer experience, improve the efficiency of internal processes and speed up deliveries. One of our single largest projects is ICA Sweden's investment in the British e-commerce company Ocado's technology and platform, developed specifically for grocery retail. This e-commerce platform will be in place in 2021, and in 2022 a new automated warehouse will be opened north of Stockholm.

Automation and artificial intelligence
In addition to a stronger customer offering, digitalisation also results in more efficient internal processes. Through automation of manual tasks we will be able to reduce costs, increase efficiency and improve the quality of both our business and our offering.

Automation is happening here and now. Artificial intelligence is a little further down the road, but the possibilities are enormous. The technology represents a paradigm shift that will impact the whole of our industry. It will elevate the customer experience and enable entirely new types of added value. It also means that the technology content in underlying processes, such as sourcing, warehouse management and logistics, will be significantly increased. We are monitoring developments carefully and investing significant resources into ensuring that we have the right types of skills and talent.

Continued fast pace of investment

To take advantage of new opportunities and ensure long-term growth, we need to maintain a fast pace of investment. To ensure that we have resources in the areas and projects

that are key to our long-term development, we need to reduce costs in other areas. A period of transition is now under way. In 2018, for example, ICA Sweden launched a sweeping review of its structure and processes in order to prepare the organisation for the future, while also freeing up resources.

High quality basic processes

While we look to the future and develop both our offering and our work methods, we must not lose focus on our basic processes in the form of sourcing, product supply etc. We must increase the percentage of coordinated sourcing, continue to develop our already strong private label line and guarantee high delivery reliability for stores and pharmacies.

A positive force in the community

At a time of great challenges we aim to be a positive force that helps to promote a more sustainable society. We aspire to inspire our customers to make sustainable and healthy choices and to reduce our own carbon footprint. We are doing this within our own organisation, but also in cooperation with other actors – both nationally and internationally. We have been a signatory to the UN Global Compact since 2004.

The target for ICA Gruppen's own environmental impact is to be climate neutral by 2020. This is an inspiring and engaging goal, but also a challenging one. If we look at the year that has passed we can say that, on an annual basis, our development is moving in the right direction, but that the rate of decline slowed somewhat. An increase in the number of transport routes

driven as a result of the hot summer and changes in the renewable fuel market are among the main factors.

While our own climate impact is important, we can be most effective if we succeed in inspiring our customers to make more sustainable choices. As part of this work, at the beginning of April we launched our Mitt klimatmål (my climate target) digital tool, which enables ICA customers to monitor the carbon footprint of their food purchases. The service is an expansion of the award-winning Klimaträtt pilot project which received a UN Momentum for Change award in 2016.

Other key events include the decision on a new, group-wide strategy for plastics – an important area where we, by virtue of our size, can make a big difference. The strategy takes a broad approach and includes a number of focus areas. Among other things, we want to phase out single-use plastic items within the Group by 2020.

Constant learning

While we can state that our core business is successful and is developing well, the rapid and comprehensive changes in the world require more of us in terms of agility and change readiness. We must therefore continue to develop our offering as well as our work processes and organisational structure. We also need to ensure that we have the right types of skills and talent. Some knowledge exchange will take place through internal professional development; in other areas external expertise will need to be brought in through recruitment or partnerships with other actors. Our strong brand is a great asset here.

42%

ICA stores' online sales increased by 42% in 2018

Sustainable and profitable growth

Driving change within a company that is fundamentally stable and successful can be a challenge. It is therefore very inspiring to witness the go-ahead spirit throughout our organisation. Nothing of what we have achieved in recent years would have been possible without the strong commitment of our employees and intense cooperation with ICA retailers, suppliers and other partners. As we now move ahead into our next year in business, we do so from a stable platform that offers every opportunity for continued sustainable and profitable growth. We also have a strong financial position, enabling aggressive initiatives and investments. By taking advantage, to an even greater extent, of our size and the synergies that exist between our business areas, we have the potential to meet the challenges ahead and generate value for all of our stakeholders over the long term.

Stockholm, February 2019

Per Strömberg,
CEO ICA Gruppen

ICA Gruppen as an investment

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

A stable foundation for continued profitable growth

Leading positions and strong brands

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

Attractive online channels

Both ICA Sweden and Apotek Hjärtat have in recent years invested significantly in developing their online offering – and further investments will be made in the years to come. Rimi Baltic will launch an e-commerce solution in two pilot stores in 2019.

Unique business model in Sweden

ICA Gruppen's single largest segment consists of ICA Sweden, which in 2018 accounted for 71% of total sales and 72% of operating profit. ICA's strong position in Sweden is largely due to its unique business model, under which the commitment, market knowledge and entrepreneurship of local retailers is combined with central economies of scale and efficiency within ICA Sweden. This model is a strong factor in ICA's position as a market leader and in its continued growth.

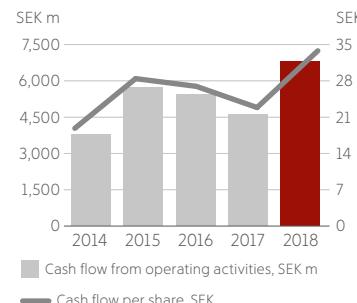
Supporting market trends

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

Strong financial position, investment capacity and stable returns

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

Cash flow and cash flow per share



Opportunities for additional synergies

Stronger customer offering through increased internal cooperation

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

Extensive digital initiatives

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

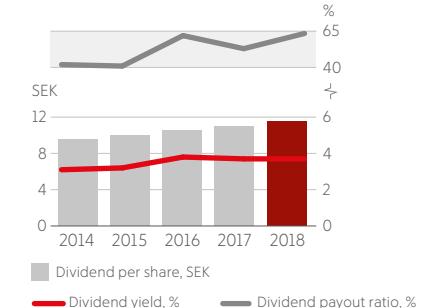


Attractive historical return

Gradual dividend increase

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

Dividend per share and dividend yield



Our vision

We make every day
a little easier

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

Supermarket, pharmacy and Minutkliniken – all in one place

Since ICA Gruppen acquired Apotek Hjärtat at the beginning of 2015 its collaboration with ICA has gradually been expanded. A number of the new pharmacies opened in recent years are located close to or directly adjacent to an ICA store. In a number of locations in Stockholm and Gothenburg there are also Minutkliniken (minute clinics) for simple healthcare services, including tests and vaccinations. Following the acquisition of Min Doktor, this service will be expanded. Colocation of services makes life easier for many customers and thereby enhances the local marketplace as a whole.



BUSINESS MODEL

A business model built on cooperation and common strengths

ICA Gruppen's business model is based on a strong understanding of the consumer and common strengths that include strong brands, attractive loyalty programmes and access to large quantities of data. Collaboration and taking advantage of economies of scale help strengthen customer offerings and contribute to efficient processes, high customer loyalty and low financial transaction costs.

The heart of ICA Gruppen's operations consists of grocery retail, where the hub consists of some 1,550 grocery stores in Sweden, Estonia, Latvia and Lithuania.

In Sweden grocery retail is operated in cooperation with independent ICA retailers, who own their own stores. Among other things, ICA Sweden is responsible for coordinated sourcing, logistics, central marketing communication and overall development of the

store network. In Estonia, Latvia and Lithuania all stores are owned and operated by the wholly-owned subsidiary Rimi Baltic.

The Group also includes the home furnishing chain Hemtex.

Leader in health

Apotek Hjärtat, which has around 390 pharmacies in Sweden, is a key element in ICA Gruppen's strategy of achieving a leading position in health.

Around a quarter of the pharmacies are at the same location as ICA stores and sourcing, customer offerings, organisation and loyalty programmes are all coordinated with ICA Sweden.

Full range of banking services

ICA Bank fulfills a number of important functions within ICA Gruppen. In addition to providing a growing range of user-friendly banking services, ICA Bank helps strengthen loyalty to the

ICA stores while also reducing the cost of the financial flows in the ICA system. Commission, net interest and other income contribute to ICA Gruppen's earnings, and the use of ICA Bank's own bank cards reduces the fees payable to other card issuers.

Active property development

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



Understanding consumers and markets

Coordination and cooperation...

- Development of concepts, channels and assortment
- Sourcing, logistics and IT
- Development of properties, administration and store network
- Financial services

...which provides clear benefits...

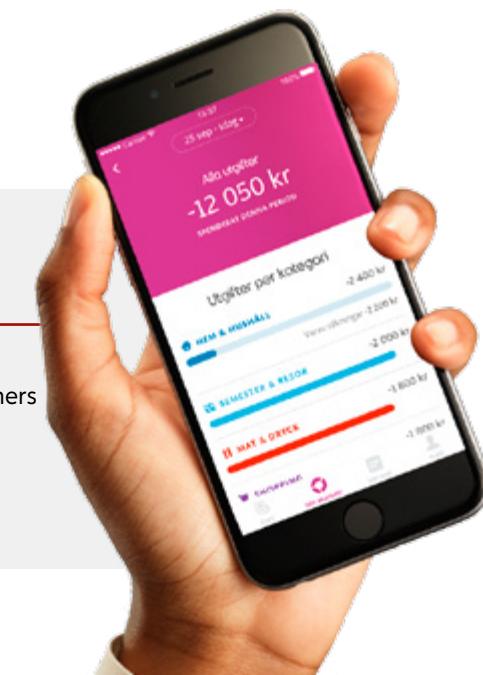
- A strong customer offering
- Efficient processes
- The right properties in the right locations – today and tomorrow
- High customer loyalty and low transaction costs

...in several channels...

- Stores
- Pharmacies
- Online

...and results in:

- ➔ Making every day easier for our customers
- ➔ A unique position and strong offerings
- ➔ Stable cash flows



ICA Sweden's business model

ICA Gruppen's single largest segment is ICA Sweden, which in 2018 accounted for 71% of total net sales and 72% of operating profit. ICA Sweden's grocery retail business is based on a unique business model where the local retailers' commitment, market knowledge and entrepreneurial skills are combined with economies of scale within ICA Sweden.

Essentially, the idea behind the business model is that ICA Sweden owns the rights to the store location and the brand, while the retailer owns and operates the store. The model, which is often called the ICA Idea, was born in 1917. Although it has been expanded and developed since then, entrepreneurship, the local retailer's perspective, a long-term approach and community engagement are still central pillars of ICA Gruppen's operations. They are some of the most critical success factors behind ICA's strong performance.

Clear division of responsibility

The relationship between ICA Sweden and the individual ICA retailers is regulated in an agreement. The agreement sets out, among other things, how the store network will be developed and how new stores will be financed. Key elements of the agreement include the overall division of responsibility between ICA Sweden and the retailer, the principles governing the rights to the ICA brand and ICA Sweden's right to compensation in the form of royal-

ties and, in some cases, profit sharing. It also contains a pre-emption clause in the event that ICA retailers want to sell their company or its operations. 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 (ICA Retailers' Association) regulating how goods and services passing from ICA Sweden to the stores are to be priced and how the joint operations are to be financed.

The retailers are not obliged to purchase goods or services from ICA Sweden, but sourcing loyalty is generally high. In 2018 an average of 80% of the product range in the stores was sourced from ICA Sweden.

ICA-handlarnas Förbund is a non-profit association and members' organisation for Sweden's ICA retailers and is also ICA Gruppen's principle shareholder.

From centralised establishment to retailer-owned stores

The decision to establish a new store is taken by ICA Sweden, which is also

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

The ICA business model in the digital era

The ICA business model was developed for physical stores, but is still strong in an increasingly digital world. At the end of 2018 more than 280 stores were connected to ICA Gruppen's joint e-commerce solution. In the same way as in physical retail operations, the independent retailer owns and is responsible for the relationship with the end customer. ICA Sweden provides the technical platform, while the retailer decides on and is responsible for the



BUSINESS MODEL



→ offering, pricing picking and direct distribution. Since spring of 2018 ICA retailers in the Stockholm region have been offered an add-on service of direct delivery from a central e-commerce warehouse. To use these services the retailer pays a fixed fee and a variable amount depending on the number of orders and items.

ICA Sweden's revenue

ICA Sweden's revenue can in general be divided into two categories: reve-

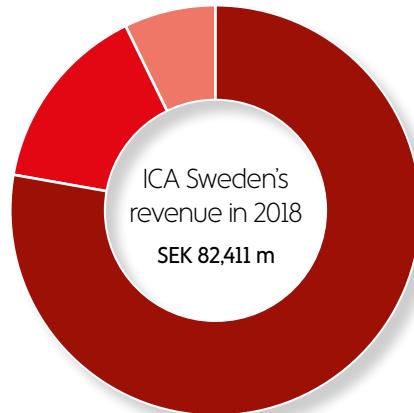
ne that contributes to profits and revenue that provides cost coverage. In the first category is revenue from wholesale sales, sales in stores owned by ICA Sweden, sales of ICA's own non-food products in Maxi ICA Stormarknad hypermarkets and revenue from add-on services in a competitive environment. Part of the revenue is also performance-based revenue in the form of royalties and profit sharing. The second category includes revenue from ICA subscriptions (fees from the

ICA retailers to finance the joint organisation) and compensation for logistics, infrastructure and add-on services not exposed to competition.

Factors affecting ICA Sweden's profits

ICA Sweden's profits come largely from wholesale sales. The size of the mark-up is set out in an agreement with ICA-handlarnas Förbund. It is the same for all stores and varies depending on the type of product, e.g. private label. Other compensation with a

direct impact on profits includes royalties and profit sharing from the stores. Profits are also generated from the non-food business, store subsidiaries and add-on services.



- Wholesale, 78%
- Store subsidiaries and non-food sales at Maxi ICA Stormarknad hypermarkets, 15%
- Other sales/revenue, 7%



1) Excluding items affecting comparability.

Responsible value creation

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

ICA Gruppen's overall aim is to ensure that the right conditions exist for continued stable value creation that is sustainable in the long term. From a strong market position, ICA Gruppen's operations are intended to help generate value for customers, shareholders,

independent ICA retailers, suppliers and employees – but also for society in general.

A positive force in the community

Its size and close proximity to the end consumer gives ICA Gruppen

resources and a real opportunity to make a difference. ICA Gruppen seeks to be a positive force and to contribute to more sustainable development – for society in general and at the local level, but also for individual people.

For ICA Gruppen good profitability goes hand in hand with active community engagement and taking responsibility. Acting responsibly today safeguards the ability to do good business tomorrow. Social responsibility therefore encompasses a broad spectrum →

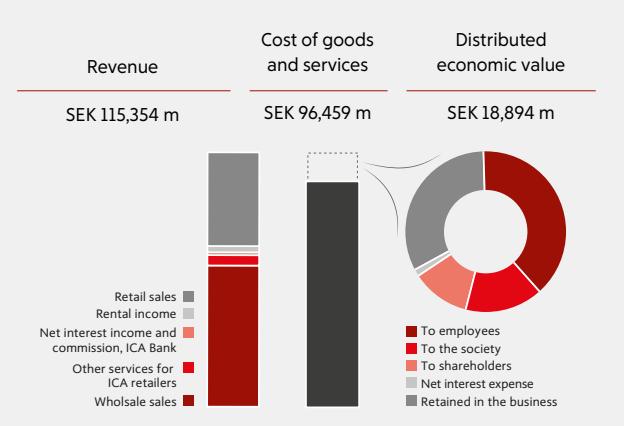


Revenue generation

The largest share of ICA Gruppen's revenue comes from wholesale sales – mainly ICA Sweden's sales to independent ICA retailers. The second largest source of revenue is sales related to Rimi Baltic and Apotek Hjärtat. Other revenue is mainly in the form of rental income, net interest income and commission.

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 in turn provide the foundation for future investments and initiatives, as well as good dividends to shareholders. They also enable ICA Gruppen to continue to contribute to society by paying salaries and taxes. In addition, ICA Gruppen is involved in fundraising activities for various organisations. In 2018, for example, Swedish companies within ICA Gruppen and their customers together donated around SEK 54 million to Pink Ribbon and in collaboration with ICA Stiftelsen with approximately SEK 6.9 million to the Red Cross. ICA Stiftelsen supports projects, ideas and organisations that make a lasting difference in society with a focus on health, well-being, diversity and integration. In Sweden, customers also contributed approximately SEK 7.5 million to the Red Cross via the so-called Red Cross button on the deposit machines for beverage bottles in ICA stores.



→ of areas. Important aspects of this are minimising the negative impact on the environment and climate, but also running the business in a way that creates jobs, generates tax revenues and contributes to positive local development.

At the consumer level it means supporting and providing choices so that people can live healthily and within their means, while also benefitting society as a whole. From an employer perspective, it means offering work that motivates people and enables them to develop. This includes utilising skills and creating jobs for young people and other groups who for various reasons are finding it difficult to break into the job market.



Sustainable financial development

ICA Gruppen's operations must be run in a way that is financially sustainable in the long term, paving the way for continual investment and providing dividends to shareholders. The targets established by the Board of Directors include an annual, long-term dividend to shareholders of at least 50% of profit for the year.

Creating value for ICA Gruppen's stakeholders

Shareholders

In 2018 the total return (share price development and reinvested dividend) on ICA Gruppen shares was 10,4%. Over a five-year period ICA Gruppen has generated a total return of 57,6% for the shareholders, representing an average annual total return of 9,5%.

Customers

During the year efforts to strengthen, improve and develop the offering for both end-customers and ICA retailers continued. Major events included continued investment in e-commerce, concepts for ready meal solutions and the launch of a large number of new private label products.

Employees

The size of the organisation and the fast pace of change are creating opportunities for internal mobility and a stimulating workplace. In addition to compensation at competitive levels consisting of salary, pension and other benefits, ICA Gruppen's employees are offered constant opportunities for professional development. In 2018 salaries amounted to SEK 6,830 million (6,349) in total, and pension costs amounted to SEK 526 million (453).

Suppliers

ICA Gruppen aims for long-term relationships with selected suppliers involving mutual value creation. ICA Gruppen provides suppliers with the opportunity for high-volume sales in Sweden, Estonia, Latvia and Lithuania. In 2018 the cost of sourcing products and services amounted to SEK 96,459 million (91,081¹). Sourcing is therefore ICA Gruppen's largest single cost item, representing 84% (83%) of sales.

Community

ICA Gruppen creates jobs and contributes to tax revenues in the local economies where the Group operates. In 2018 tax expense amounted to SEK 580 million (708). In addition, social security expenses amounted to SEK 2,349 million (2,189). Several environmental initiatives during the year helped to sustain the Group's decrease in greenhouse gas emissions. Emissions were down 61% compared to the base year 2006.

1) A recalculation of 2017 figure has been made, see Note 1.

Significant changes in the business environment and markets

The pace of change in all of ICA Gruppen's markets is high. New technology, fast digitalisation, new consumption patterns, changed demographics and extensive blurring of industry lines are fundamentally changing the markets. All this is impacting offerings, business models and internal processes. It brings challenges as well as important opportunities.



Trends and drivers

Some major trends are impacting ICA Gruppen's operations. Among the main ones are extensive and fast digitalisation, changed consumption patterns and an increasing focus on health and responsible behaviour.

Understanding the business environment, how it is changing and how these changes are impacting ICA Gruppen is critical to the Group's ability to meet the needs and demands of tomorrow. A strong emphasis on customers combined with a focus on accelerating the pace of change and development within the organisation will enable ICA Gruppen to leverage the drivers that create long-term and sustainable growth.

New consumer behaviour

Competition in grocery retail is tough and has ramped up in recent years. The main reasons include the growth of discount chains, e-commerce, continued blurring of industry lines and tougher competition from other channels – not least, restaurants and cafés. In cities the big shop is on the decline; instead people are doing a growing percentage of their shopping

when on their way to and from work. There is a simultaneous increase in demand for high-quality ready meal solutions.

Sustainability and responsibility

Environmental, social and financial sustainability have become "hygiene factors" and are also driving growth. Responsibility, environmental impact, business ethics and control of both a

company's own organisation and its external supply chain are increasingly important factors. Consumers are demanding more sustainable products and services, and suppliers want to work with innovative, long-term and stable customers. Being a responsible employer is and will continue to be an increasingly valuable asset among employees of today and tomorrow.

Health and wellbeing

Among the most obvious trends in society is an increased focus on physical and mental health. The health aspects span a broad spectrum of areas where diet, exercise and finding a balance in life are increasingly important lifestyle issues. Interest in food ingredients and production methods has grown significantly in recent years. But the experience with

food should not be complicated. Today's consumers demand food that is both healthy and delicious. What we eat and consume – both products and services – must reinforce a desired image, lifestyle and identity. →

ICA Gruppen's response to changes in the market



New consumer behaviour

- Better availability through digital channels
- Complete meal solutions
- Menu baskets
- Ensuring the right price perception among consumers



Sustainability and responsibility

- Expanded organic and locally produced offering and climate-smart services
- Communication in stores and pharmacies to guide customers to sustainable choices
- Initiatives to reduce food waste in stores, warehouses and at home
- Environmentally and quality-certified stores, sourcing and logistics processes
- Ambitious work to reduce climate impact



Health and wellbeing

- Increased range of healthy products
- Environmental and health labelling of products
- Advice on health and medicines in pharmacies
- Minutkliniken (minute clinics) adjacent to stores and pharmacies

TRENDS AND MARKETS

→ **Digital and transparent**

Fast digitalisation and technical development are greatly impacting both consumers and companies. In retail, every part of the value chain is affected – from product development, sourcing, logistics and product supply to product offerings, marketing and interactions with customers. Mobile devices, constant connection and faster processes are completely changing the prerequisites and presenting opportunities as well as challenges. Digitalisation is also driving changes in purchasing behaviour and allowing new players with new business models to emerge.

Demographic changes

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

Less predictability

Rapid technical development and major changes in consumption patterns are reducing predictability, making long-term planning more difficult. Agility is therefore increasingly important, especially for large companies. The changes taking place require significant leadership adjustments, an emphasis on learning and always being able to secure the right talent.



ICA Gruppen's response to changes in the market



Digital and transparent

- Major focus on e-commerce
- Using data for customised marketing
- Sweden's biggest food website – ica.se
- Joint loyalty programmes
- Digital banking services
- Same-day home delivery of medicines



Demographic changes

- New stores in metropolitan areas
- Development and adaptation of assortment and offerings to match changes in demand



Less predictability

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

High pace of change in all markets

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

Grocery retail in transition

In terms of structure and consumption patterns, the grocery retail markets in the four countries have both similarities and differences. In all countries a limited number of traditional operators have a high total market share, but competition for customers is tough. In the three Baltic nations in particular, the pace of expansion in recent years has been very high – especially in the discount segment. Here, price and price perception have historically been stronger competitive factors than in Sweden. All the markets are characterised by a noticeable blurring of industry lines, with increasingly tough competition from restaurants, cafés and pure-play e-commerce operators.

Growing online sales

All of the countries, but particularly Sweden, also sees growth – albeit from a low starting point – in online grocery sales and menu baskets for home delivery. In 2018 online sales within

total grocery retail in Sweden grew by an estimated 27% and online sales as share of total sales increased to approximately 2%. This can be compared with the United Kingdom where the corresponding figure is around 8%.

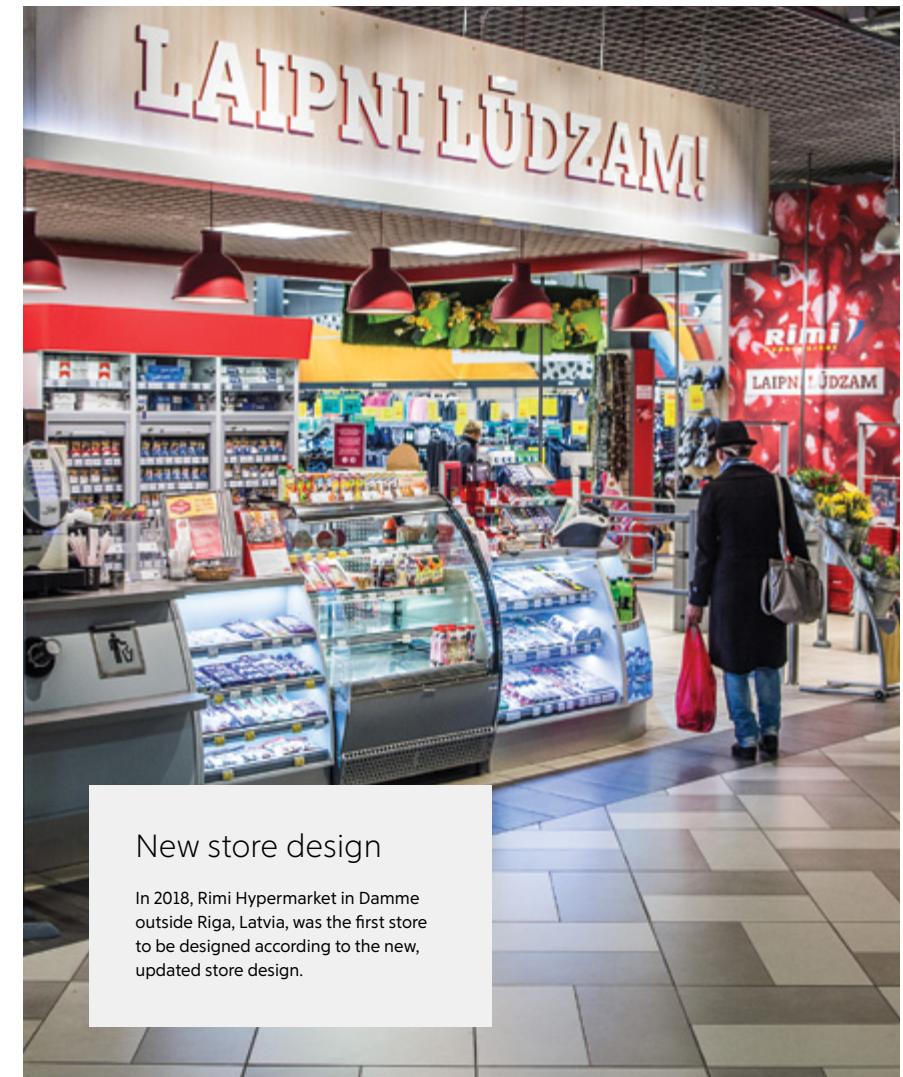
Online grocery purchasing has historically developed significantly slower than online purchasing of durables. The reasons include the fact that direct distribution of groceries and food is a more complex process and therefore does not have the same opportunities for cost savings, and thus lower prices, as purchases of durables.

Population changes, inflation and value-added

Grocery retail is less sensitive to economic fluctuations than other retail segments. In general terms, the growth rate can be described as moderate but stable. Sales largely track population changes. Svensk Handel estimates that grocery retail sales will grow by 1% per

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

In Sweden the average household spends around 12% of disposable income on food and groceries. In the Baltic countries the figure is around 18–22%. There are also substantial differences in demographics. The population is growing in Sweden, is unchanged in Estonia and has declined in Latvia and Lithuania in recent years. In all of the countries a growing proportion of retail sales take place in metropolitan areas; either in the city centre or in shopping centres just outside. →



New store design

In 2018, Rimi Hypermarket in Damme outside Riga, Latvia, was the first store to be designed according to the new, updated store design.



→ **Calculating market share is complex**

The market for groceries, food and meals is changing. There is a noticeable blurring of the lines between sectors, with more and more overlap between different operators' offerings. In parallel, consumption patterns are changing fast in terms of when and where consumption takes place. Restaurants and cafés, for example, account for a third of food and meal consumption in Sweden. Calculating different operators' market shares is therefore complex. The total size of the market depends on which segments and operators are included. It also

depends on whether you choose to look at actual consumption by consumers irrespective of where it takes place, or whether you select and compare a number of operators.

According to Statistics Sweden, total consumption of groceries in Sweden amounted to SEK 343.3 billion (335.7) in 2017, with ICA's market share at around 36%. In the Baltic countries the market is estimated to have had combined sales of EUR 9.9 billion (9.4) in 2018. Rimi Baltic's market share in the Baltic countries was 2018 around 15%, somewhat lower than in 2017.



Market share, groceries

Sweden¹



■ ICA, 36%
■ Coop, 13%
■ Axfood, 13%
■ Bergendahls, 4%

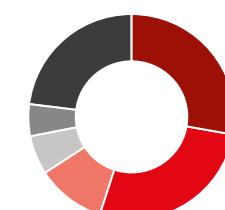
■ Lidl, 3%
■ Netto, 2%
■ Övriga, 29%

Estonia²



■ Coop, 23%
■ Maxima, 19%
■ Selver, 17%
■ Rimi Baltic, 16%
■ Prisma, 8%
■ Other, 18%

Latvia²



■ Rimi Baltic, 28%
■ Maxima, 27%
■ Top, 11%
■ Mego, 6%
■ Elvi, 5%
■ Other, 23%

Lithuania²



■ Maxima, 36%
■ IKI, 15%
■ Lidl, 7%
■ Norfä, 10%
■ Other, 25%

1) Statistics Sweden, HUI and the companies' annual accounts for 2017. Share of total grocery consumption.

2) 2017 government statistics, the companies' annual reports and Rimi Baltic's analysis.



Growing pharmacy market

There has been significant growth in the Swedish pharmacy market in recent years. From 2012, total net sales have increased from SEK 33.6 billion to SEK 45.4 billion in 2018, equivalent to annual growth of around 5.9%. The total number of pharmacies during the same period increased by just over 50%, at the same time as opening hours increased from an average of 45 to 56 hours per pharmacy and week.

Regulated purchase and retail prices
Around 75% of total market sales in 2018 related to prescription drugs, 9% were for over-the-counter (OTC) drugs and just over 16% related to commercial goods and services. Both purchase and retail prices for prescription drugs within the reimbursement system are set in the price model and according to regulations established by the Swedish Government through the Dental and Pharmaceutical Benefits Agency (TLV). The difference between the purchase price and retail price is the pharmacy's trade margin. This consists of a fixed amount and a percentage supplement based on the purchase price.

As a result of economic conditions, pharmacies have generally broadened and deepened their offering of OTC drugs and of other commercial goods and services. These conditions have also provided a greater incentive to

seek out economies of scale, which in recent years has led to consolidation in the market.

Rapidly growing online sales

Online sales by pharmacies still account for only a small proportion of total sales. However, sales growth is strong and fast. In 2018 all combined online sales increased by 38% compared to the previous year, representing 8.2% of the market as a whole. In the e-commerce channel the largest product group in terms of sales is prescription drugs.

New Pharmacy Market Commission

During the year the Swedish parliament adopted a bill proposed by the Government on changes in the pharmacy market. The bill was based on the findings of the so-called New Pharmacy Market Commission. The basic mission of pharmacies will be defined by law. Another change is that primary responsibility for ensuring that medicines are available to customers within 24 hours is being shifted from the pharmacies to the distributors.

Shortage of pharmacists

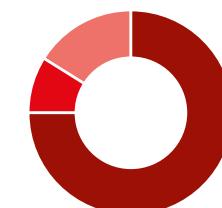
The pharmacy industry's high growth rate has significantly impacted the demand for skilled employees. While demand for trained employees has increased, the number of places in

pharmacist education programmes has declined. This, in combination with large retirement numbers in the industry, has resulted in tough competition for employees with the appropriate education.

Increased market share

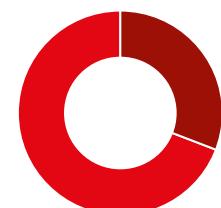
Like grocery retail, the pharmacy market is characterised by extensive blurring of sector lines and fierce competition – not least from pure-play e-commerce operators. In 2018 Apotek Hjärtat's market share was 31%. Online sales grew faster than the market average, increasing by 55% in 2018.

Pharmacy market sales, Sweden



■ Prescription drugs, 75%
■ OTC drugs, 9%
■ Commercial goods and services, 16%

Market share pharmacies, Sweden



The Swedish banking market

Through ICA Bank, ICA Gruppen is active in the Swedish banking market. The business consists of a wide range of everyday financial services in lending, saving, payments and insurance. The market is still dominated by a few large full-service banks. Alongside these are many smaller banks and credit providers. New customer demand, changed consumption patterns and new digital solutions combined with a number of operators have led to more and more banking

customers choosing different suppliers for their financial needs.

Low interest rates

Low interest rates have severely squeezed net interest income for many banks – which in turn has resulted in a need to review and develop business and revenue models. The Riksbank's forecast regarding the repo rate indicates that the next increase will likely happen in the second half of 2019.

Real estate market in Sweden

With an estimated market value of SEK 198 billion in wholly and partly owned properties, ICA Real Estate is one of Sweden's largest property companies in the retail sector. Its operations involve property development, adding value and property management for marketplaces as well as individual properties. In recent years the commercial property market has been characterised by low interest rates and a large inflow of national and international capital. The favourable market conditions have resulted in high transaction volumes

and higher property prices. Commercial properties with solid retailers with long leases as tenants, such as ICA, remain attractive to investors. ICA Real Estate's holdings are to a great extent focused on ICA-related operations and less than 10% of rental income is exposed to other commerce.



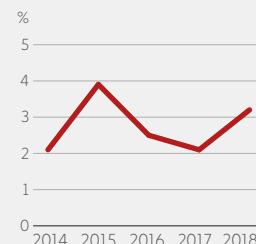
Performance in 2018

Grocery retail market in Sweden

In current prices, sales of groceries in Sweden (Retail Sales Index, excluding alcohol) grew by 3.2% (2.1) in 2018¹, according to statistics from Statistics Sweden and HUI. Adjusted for price and calendar effects, the volume increased by 0.8% (0.4). Sales of groceries for 2018 are estimated at around SEK 305.4 billion (296.1).

Competition continued to increase over the past year, mainly due to the continued expansion of discount chains but also as a result of the continued blurring of industry lines and tough competition from other channels such as restaurants, cafés and e-commerce.

Development of the grocery retail market in Sweden

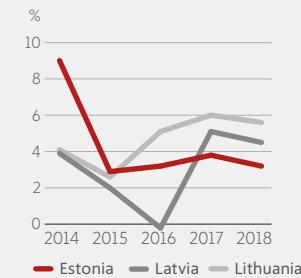


Source: Statistics Sweden, HUI
1) 2018 data is preliminary

Grocery retail market in Estonia, Latvia and Lithuania

The total market for the three Baltic countries grew in 2018 by 4.6% (5.2). The underlying increase in volume strengthened during the year in all three countries and the rate of inflation decreased to 2.3%. In total, sales in the Baltic grocery retail market were approximately EUR 9.9 billion in 2018, with Estonia accounting for around 25%, Latvia for around 29% and Lithuania for around 46%. A rapid rate of expansion, not least for discount chains, and increasing store space have resulted in increasingly tough competition in recent years. Direct competition varies between the three countries. In Estonia the primary competitors are Coop, Maxima, Selver and Prisma. In Latvia it is Maxima, Top!, Mego and Elvi. In Lithuania the main competitors are Maxima, IKI, Norfa and Lidl.

Development of the grocery retail market in the Baltics

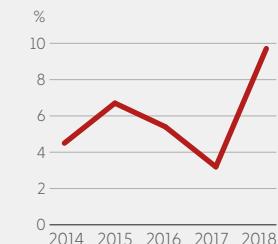


Source: Government statistics

Pharmacy market in Sweden

At year-end 2018 there were just over 1,400 pharmacies in Sweden. Sales in the Swedish outpatient pharmacy segment amounted to around SEK 45.4 billion during the year, representing an increase of 9.7% compared to 2017. One of the main growth drivers was a sharp increase in online sales. Overall, combined pharmacy e-commerce represented 8.2% of sales, compared to 6.5% in 2017.

Growth of the pharmacy market in Sweden 2014–2018



Source: Swedish Pharmacy Association

A long-term strategy for continued growth

ICA Gruppen's strategy is aimed at ensuring continued, long-term and sustainable growth in a market in major transition. The strategy, which was revised in 2018, is based on the Group's common strengths and a deep understanding of both the business environment and the market. Five common objectives provide the framework, and sets together with the vision, the long-term strategic focus going forward. Clear strategic priorities shine a light on what are the most important measures to implement during the year.

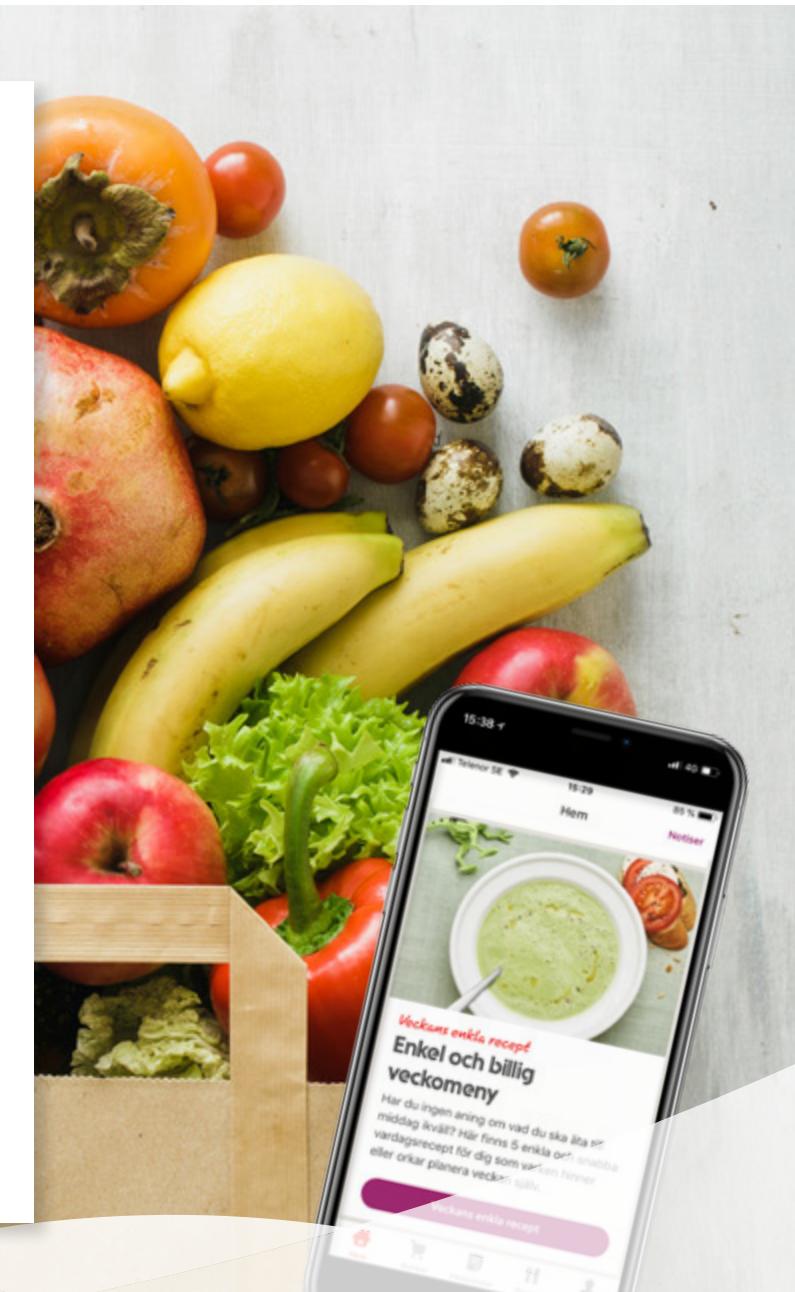
Common strengths →

- Customer base, loyalty programmes, data
- Brand & customer trust
- Economies of scale & synergies
- Culture & values
- Unique business model in Sweden
- Financial strength

Strategic objectives →



A clear vision



Strategic objectives and priorities

Strategic objectives



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



We earn our customers' loyalty with a great brand, a broad ecosystem and personalised, data driven communication



We are committed and inclusive. Together we build a fast moving and constantly learning company



We improve continuously and leverage technology to make it easier for our customers, improve efficiency and value for money



We lead the development towards a more sustainable and healthy society
– For a Good Tomorrow

Background

In a market in heavy transition ICA Gruppen will meet the customers where they are – in both physical and digital channels, and provide strong offerings. This strategy includes investing in concepts, prices, product ranges, stores, pharmacies and a strong e-commerce offering.

ICA Gruppen's breadth – groceries, pharmacy and bank – creates many opportunities for synergies, through a broad e-commerce offering, colocation and strong brands. The strong trust that people have in the ICA brand will be even more important in the future, as it becomes a platform for a broader range of digital services (ecosystems). It is also necessary for customers to be willing to share their data (purchase history). This data in turn enables offerings to be targeted and relevant, based on individual preferences.

Rapid advances in the business environment are placing high demands on agility and continuous development – for ICA Gruppen as an organisation and also for every employee. To support this development there are numerous strategic initiatives relating to leadership, learning and skills development.

Cost efficiency is crucial to ensure competitiveness in the long term. Measures to increase efficiency cover both infrastructure development and constant improvement of processes and methods. Digitalisation is also creating new opportunities to simplify, automate and optimise several administrative and manual processes.

ICA Gruppen is intent on being a leader in social responsibility. Sustainability must be a common theme in everything the Group does; it must lead to concrete results and ensure the value chain is sustainable – from production to consumption. For a Good Tomorrow is the name of ICA Gruppen's group-wide sustainability strategy with a focus on the following areas: local, environment, health, diversity and quality.

Priorities 2019

- Online: Continue rapid growth, expand offering and strengthen last mile to win online
- Store network & concepts: Develop our store network and format strategy with focus on convenience, urban areas and the hypermarket of the future

- Personalisation & loyalty: Scale up smarter personalised offerings, improve the loyalty program and launch new digital services in our ecosystem

- Ways of working & competence: Improve and scale agile ways of working, collaboration between our businesses, and build critical competences e.g. IT development and advanced analytics

- Core processes: Increase stability and cost efficiency in our core processes with particular focus on logistics and common sourcing
- Automation & AI: Expand process automation and implement first AI/Data Science use cases for increased efficiency and optimised business processes

- Climate & health: Drive our sustainability work For a Good Tomorrow with particular focus on health and climate

STRATEGY



Closer to our customers



Trusted & relevant



Empowered organisation



Always better



A positive force

THE STRATEGY IN PRACTICE – A FEW EXAMPLES

Next generation e-commerce

One of the main focus areas for ICA Gruppen moving forward is the continued development of e-commerce. Within ICA Sweden, Apotek Hjärtat and Rimi Baltic, considerable investments are now being made in technology and infrastructure that will help improve the customer experience and the efficiency of internal processes, and speed up deliveries.

Online sales for ICA and Apotek Hjärtat continued to grow significantly in 2018. All together online sales by ICA retailers increased during the year by 42%. Online sales still account for a marginal portion of the total sales of the stores offering this service, which means there is room for continued strong growth. The number of ICA stores connected to ICA Gruppen's central e-commerce solution continued to increase, amounting to around 280 at year-end, an increase of 40% compared to the previous year. Online sales growth for Apotek Hjärtat amounted to 55%.

Opening of e-commerce warehouse for direct delivery

As online sales grow, the direct delivery processes are increasingly important. To increase efficiency and improve service for both stores and consumers, ICA Sweden established a central e-commerce warehouse in 2018 that offers independent ICA retailers in the Stockholm region picking and direct delivery from warehouse to end customer. At the end of the year 60 stores were connected to the e-commerce warehouse and an additional 480 were using it for ICA's menu basket service (ICAs matkasse).

A broader offering and faster deliveries at apotekhjartat.se

A number of initiatives are under way within Apotek Hjärtat to further strengthen the e-commerce channel and create an even stronger connection between online sales and the physical pharmacies. As an example, Click & Collect was launched in 2018. This enables customers to shop online but collect their purchases at one of the 135 pharmacies included in the concept. In 2019 the rollout of Click & Express will begin. This concept will offer customers delivery on the same day they place their order.

The online offering has been expanded in recent years and will be increased to include more categories in the future. Ensuring efficient logistics

Investment in highly automated e-commerce solutions

One of the single largest e-projects is ICA Sweden's investment in an automated e-commerce solution, which includes working with the British e-commerce company Ocado for a new e-commerce platform and a new, highly automated e-commerce warehouse in Stockholm. The new platform will be launched in 2021 when it will replace the current solution.

A parallel investment is the construction of a new, highly automated e-commerce warehouse in the Stockholm region, in which items are picked by robots. The plan is for the e-commerce warehouse to be completed and operational in 2022. These investments will lay the foundation for the next generation e-commerce offering which will enable ICA Gruppen to offer a broader range, better deliveries and more efficient logistics flows.



and distribution will also be an important focus area. As part of this effort some of the warehouse management processes at the distribution warehouse outside Norrköping were automated in 2018.

Launch of online shopping by Rimi Baltic

In 2018 preparations were made to launch an online shopping solution within Rimi Baltic. Two pilot stores will be opened in 2019 and in 2020 online shopping will be rolled out in all three countries.

Hemtex

In recent years Hemtex has invested significantly in improving both its offering and back-office processes for the e-commerce channel. By allowing the stores to handle a certain portion of online orders, the time from placing an order to delivery has been shortened considerably.





THE STRATEGY IN PRACTICE – A FEW EXAMPLES

Continued digitalisation and increased cooperation

Continued digitalisation, increased cooperation within the Group and clearer links between physical and digital channels will provide entirely new opportunities to create even more attractive offerings – to benefit customers, individual operations and ICA Gruppen as a whole.

Within ICA Gruppen there is a broad offering of everyday products and services in grocery retail, pharmacy, banking and insurance solutions. These various businesses are unified by a common vision of making every day a little easier.

Today there is already relatively extensive cooperation between them. ICA Sweden, Apotek Hjärtat, Rimi Baltic and Hemtex work together on sourcing, among other things, and ICA and Apotek Hjärtat have a joint bonus programme. The main priorities going forward include continued digitalisation and increased cooperation to further strengthen the customer offering and customer loyalty.



ICAx – a joint innovation hub

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

Digital ecosystems

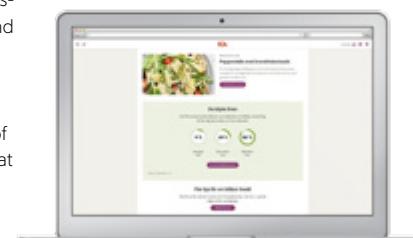
Several digital development projects are currently under way in a number of areas. These include initiatives aimed at creating so-called ecosystems based on specific customer needs. At the end of 2018, for example, an offering aimed specifically at families with children was launched in which ICA, Apotek Hjärtat, ICA Bank, and ICA Insurance are all working together. The aim is to gradually develop, broaden and deepen the offering. Similar concepts have also been developed for pet owners.

Personalised banking services and smarter properties

Large digitalisation projects are also under way within ICA Bank and ICA Real Estate. ICA Bank is in the process of a digital transformation of the entire banking operation – as well the customer experience as internal processes. The goal is to use customer insights and data to offer modern and relevant offerings in all platforms and channels. Several digital initiatives are under way within ICA Real Estate. More and more properties are being connected to systems that make it possible to send and receive information in real time. This technology not only enables energy consumption to be optimised and reduced, but also the development of entirely new types of services aimed at retailers and visitors as well as local residents.

Keeping track of personal finances

In autumn 2018 the ICA Spara app was launched, giving all customers with an ICA card an easy way to review their personal finances in one place. Using the app, customers can see their food purchases, bills, subscriptions and savings. The app is also connected to the Mitt klimatmål (my climate target) service, where people can monitor their own carbon footprint.





THE STRATEGY IN PRACTICE – A FEW EXAMPLES

With a focus on agility and digital transformation

Rapid advances in the business environment are placing high demands on agility and continuous development – for ICA Gruppen as an organisation and also for the individual employees. To support this development there are numerous strategic initiatives relating to leadership, learning and skills development.

New technology and changed consumer behaviour, in combination with an increase in cross-industry offerings, fast digitalisation and changed demographics are changing the game for grocery retail. Technical development is creating opportunities for new business models and work processes. At the same time demographic changes – based on urbanisation, immigration and an aging population – are leading to new consumption patterns and changes in demand.

The rapid changes taking places in the external environment are affecting ICA Gruppen – both its relationships with the community and customers, and its internal work methods and decision processes. The changes are bringing both challenges and opportunities.



Enhanced leadership

In 2018 a major analysis was conducted of how changes in the world around us are impacting ICA Gruppen from a skills and leadership perspective. The analysis points clearly to the fact that these changes are affecting different parts of ICA Gruppen in different ways and to varying degrees. From a leadership perspective, the ways in which operation, development and leadership are adapted now need to be based more on the various operations and their specific success factors and targets. Some organisations need more change-focused leadership, while others require greater agility. In general the emphasis is also being shifted closer and closer to the employees – in terms of power of initiative, responsibility and authority to make decisions. The task of leaders is to set boundaries, coach and inspire, while the team determines independently how to perform the work.

Changed skills requirements

Fast technical development in combination with new consumer behaviour is changing the talent needs. Some tasks, functions and processes will be automated, with people being replaced by robots to some extent or altogether. Meanwhile demand for other types of skills, especially technical ones, will increase. Some knowledge exchange will take place through internal professional development; in other areas external expertise will need to be brought in.

ICA Gruppen already has a strong employer brand. To further strengthen this among potential employees who can contribute expertise which is critical for the ongoing digitalisation process, an important project was launched in 2018 with the overall goal of increasing awareness about the broad range of career opportunities within ICA Gruppen. This work will continue and be intensified in the years

ahead. To supplement recruitment through external recruitment agencies, ICA Gruppen will also launch its own recruitment function in 2019. The purpose is to ensure the right experience for candidates, short lead times and better use of synergies within the Group.

Diversity increasingly important

As demographic changes take place, internal diversity is becoming an increasingly important competitive advantage. ICA Gruppen is proactive in making the most of the creativity and added value that differences and diverse interactions provide, thereby creating a dynamic organisation that can offer high quality products and services. The aim is for the make-up of ICA Gruppen to reflect society.

Read more on page 36.

Emphasis on learning

The changes taking place mean that both ICA Gruppen as a whole and the individual employees will need to develop and strengthen their skills in both existing and new areas, particularly digital ones. To support this process a new learning strategy was adopted in 2018. The strategy emphasises in particular the significance of relevance and connections to business benefits, personal responsibility, cooperation and simplicity.

ICA Gruppen has a long tradition of learning and in all parts of the organisation there are joint efforts to support continuous learning at work. In recent years several initiatives – primarily digital ones – have been launched, all aimed at integrating learning into work processes and facilitating just-in-time learning.

Example of initiatives for increased agility

- **Learning Hackathon** In October 120 employees in Sweden and the Baltic countries took part in a hackathon on the topic of learning. The goal was to develop new ways to increase learning.

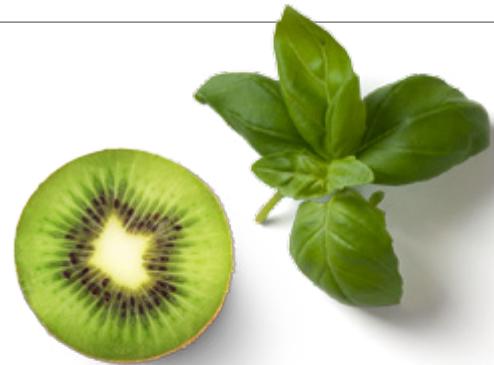
- **Leadership programme with a digital focus** In 2018 ICA's business and leadership programme was further developed, with an increased emphasis on multi-speed business, artificial intelligence and agile leadership.

- **Strategic workforce planning** Based on analysis on how changes in the external environment are impacting ICA Gruppen, business-critical skill shifts were identified during the year.

- **ICA@work**

In connection with moving to ICA Gruppen's new head office, an activity-based work process will be introduced to stimulate productivity and innovation, based on new physical and digital environments.

Financial targets



Description

Outcome

Grow faster than the market

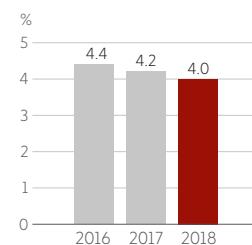
Achieve an operating margin excluding items affecting comparability of 4.5%

Good sales development and a strong market position are key factors in achieving and maintaining good profitability and value growth.

The target level provides room for investments in the business and a return on invested capital, and is at a good level for the industry. The target is measured excluding items affecting comparability.

Growth for ICA Sweden's stores in 2018 was slightly higher than the preliminary market growth data indicated. Apotek Hjärtat's sales in 2018 were in line with market growth, while Rimi Baltic's sales, affected by store conversions in Estonia and Latvia increased at a slightly slower pace than the market.

The operating margin was slightly lower in 2018 than in the previous year. Positive volume and price effects were offset by higher logistics costs and multiple large improvement and development projects under way on a broad front within the Group. Reserves for ICA Sweden's structural costs affected the operating margin in the amount of -0.1%.

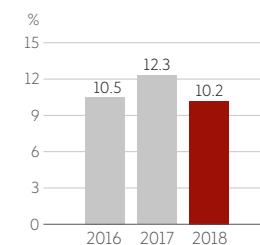


Achieve a return on capital employed of 10%. New target level of 7.5% from 1 January 2019

The target level indicates that the Group is using capital effectively. The target was changed at the beginning of 2019 due to accounting changes under IFRS 16.

ICA Bank is not included in the calculation because banking legislation stipulates that its assets and liabilities are not available to the Group. Instead ICA Bank has a target for return on equity that is a more appropriate target for banking operations.

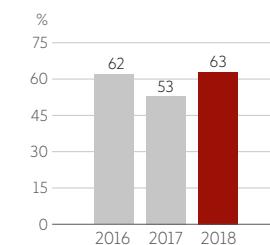
Return on capital employed was slightly lower in 2018 due to significantly lower capital gains from property sales than in 2017 and significantly higher impairments in 2018. The difference in these items amounted to SEK -731 million net between the years.



Dividend of at least 50% of profit for the year

The intention is to provide shareholders with a good dividend while also being able to make value-adding operational investments.

The Board of Directors proposes a dividend of SEK 11.50. This is an increase of SEK 0.50 or 4.5%, making the dividend percentage 63% for 2018.

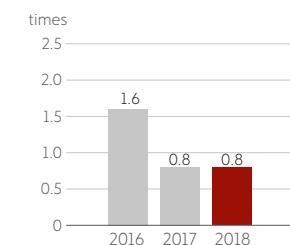


Net debt/EBITDA <2. New target level of <3 from 1 January 2019

A good balance between earnings and borrowing gives the company the freedom and ability to act, even in times of recession.

The target was changed as of the beginning of 2019 due to accounting changes under IFRS 16.

The key ratio is at the same level as in 2017. The net debt is lower due to a sustained strong cash flow from operating activities. At the same time, EBITDA was lower, mainly due to the previous year's high capital gains from property divestments.



Sustainability targets



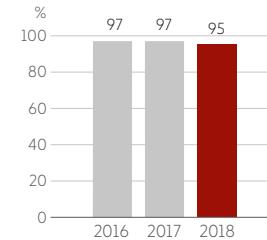
Description

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

It is ICA Gruppen's firm conviction that all commercial activity must include humane conditions. To ensure that the products sold are produced in an acceptable way in terms of human rights, there are special provisions for this in sourcing agreements. Social audits are conducted on site for suppliers in high-risk countries that produce ICA Gruppen's corporate brand products. The audits are to be performed according to a model approved by the Group or using ICA Gruppen's own social audit tool. In 2018 a decision was also made that at least 90% of ICA Gruppen's corporate brand suppliers in high-risk countries are to have a valid follow-up social audit by the end of 2020, which is followed up quarterly.

The outcome for the target of 100% of ICA Gruppen's corporate brand suppliers in high-risk countries undergoing social audits was lower at the end of 2018 than the previous year. This is due to a change in the supplier base, and is a result of a changed risk classification for high-risk countries and subsequent delays in internal follow-up processes. The process following changes in risk classification is a long one, and the outcome was adversely affected.

Read more on pages 37 and 123.

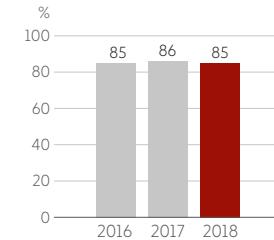


90% of ICA Gruppen's corporate brand suppliers are to be quality-certified by the end of 2020

Customers should feel safe shopping with ICA Gruppen. The quality work is based on ensuring that suppliers have safe production processes. This is done through provisions in agreements with all suppliers. Suppliers of the Group's corporate brand products are also required to have certification according to a standard accepted by the Group. 100% of ICA Gruppen's corporate brand food suppliers are to be quality-certified, but to allow for a wider range within the category non-food and to enable there to be small local food suppliers as well, the overall target is 90%. In 2018 the target was adjusted upwards from 80%.

The outcome for the target at the end of 2018 was slightly lower than the previous year. The reason is a change in the supplier base and delays in internal follow-up processes.

Read more on pages 37 and 123.



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

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

During the year ICA Gruppen continued its efforts to inspire customers to have a healthy lifestyle. A few examples are special Halloween and Easter lines at ICA Sweden to encourage children to eat more fruit and vegetables, a 30% reduction in sugar in ICA's soft drinks, cordials and fruit drinks, more Minutkliniken clinics and investment in Min Doktor. Rimi Baltic has also implemented numerous activities to inspire people to be active, exercise and eat healthy food. In the 2018 Customer Satisfaction Index, ICA Sweden came in third place among the Swedish retailers and Rimi Baltic came in first place among the retailers in the Baltic region when respondents answered the question "Who inspires me to eat healthily". Apotek Hjärtat came in first place in the pharmacy industry in the survey Nepa Brand Attribute in November 2018 when the respondents were asked to associate a pharmacy with the claim "Easy to make healthy choices".

Read more on page 35.

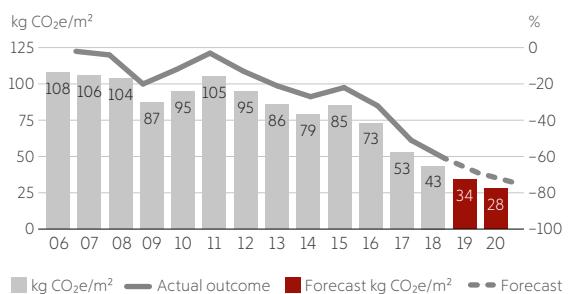
ICA Gruppen's operations are to be climate-neutral by 2020

Climate change affects everyone. To contribute to the UN goal of limiting global warming, ICA Gruppen has set an ambitious climate target. The target places high demands on equipment maintenance, operation, contracts and knowledge. The climate impact that cannot be eliminated from operations by 2020 will be offset. In 2018 ICA Gruppen's overall climate ambition was approved by the Science Based Targets initiative.

In 2018 ICA Gruppen's direct emissions of greenhouse gases were reduced by 61% compared with the base year of 2006, thanks to long-term efforts in the areas of energy, refrigerants and goods transports. The main reasons for the reduction are transition to renewable energy, renewable fuels and refrigerants with a lower climate impact.

Read more on pages 30, 33–34 and 123–128.

Emissions kg CO₂e/m² 2006–2018 and forecast up to 2020



A positive force in the community

Sustainability is an integral part of all of ICA Gruppen's operations. All segments work actively on improving the value chain, by setting standards for and working in cooperation with suppliers, working towards common goals and certifications, and by developing new, sustainable products and services.

Interest in sustainability has increased significantly in society over the past few years with one of the most important areas being the impact from consumption. ICA Gruppen's ambition is to be a leader in corporate responsibility, in part because the Group, as a major player, has a great responsibility and in part because sustainability also drives long-term growth. Customers are increasingly demanding sustainable and healthy products. Partners and suppliers want to work with companies that take a long-term approach, and future employees want to work for responsible companies. Through cooperation within the Group and with other actors in society, ICA Gruppen can play a role in improving sustainable development.

Food accounts for about a quarter of humanity's total impact on the climate, and in Sweden the carbon footprint is far higher than the UN's recommendations. In order to do its part to help limit the temperature increase, ICA Gruppen's

operations will be climate neutral by 2020. The Group is working in a structured way in multiple areas to achieve that target. Refrigerants, energy use in stores and fuel in transport operations have the highest impact.

The Group is also working actively to help customers make sustainable and healthy choices, and to promote improved public health and sustainable

use of pharmaceuticals. ICA Gruppen offers products and services that both reduce the customers' environmental impact and have a positive impact on their health. There is also a major focus on offering locally produced products in all of the Group's markets, as well as on projects to increase equality and diversity.



Transparency for conscious consumption

ICA Gruppen's forward-looking report published in 2018 has identified attitudes and trends in the world that will shape development of the retail trade in the decade ahead. The report shows, among other things, that future consumers will not only want climate neutrality, but will also be looking for climate-positive solutions that are also beneficial in society. Companies will be required to be transparent and responsible and this will also determine where people shop.

It is expected that conscious consumption will provide social status to an even higher degree than today. This will require full insight into how consumer goods are produced, taking into account factors such as carbon emissions, biodiversity, health, social factors, fair pay structures and humane work environments.

Customers want guidance based on their particular situations, and are already informed, interested and engaged. They want to take the next step, but often do not know how. By

helping customers to choose thoughtfully, plan their purchases and handle the food and products correctly, ICA Gruppen can help make consumption more sustainable.

Responsible meat consumption

One issue that has been discussed more and more in recent years is the consumption of meat. Meat production has a major impact on the climate, but may also have a positive effect in the form of grazing livestock helping to keep landscapes open and preserve biodiversity. However, meat consumption needs to be varied and the transition to more sustainable forms of protein from both animal and plant-based sources has already begun. This is particularly evident in the increased demand from customers for plant-based products. Meanwhile, interest in locally produced food remains high and ICA Sweden has implemented several activities to support Swedish agriculture, including promoting robust rural communities.

Framework for sustainability work

As part of its work to contribute to and work towards global responsibility within sustainability, since 2004 ICA Gruppen has been a signatory of the UN Global Compact and is thereby committed to its 10 principles covering human rights, labour conditions, the environment and anti-corruption. Ethics and anti-corruption work are of the utmost importance for building trust and strengthening ICA Gruppen's relationships with the surrounding community. Read more on page 66.

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

Each year ICA Gruppen performs a materiality analysis, which combined with dialogue with stakeholders also helps to define the issues on which the Group's sustainability work should focus.

Read more about the materiality analysis on pages 121–122.

ICA Gruppen is a constituent of the FTSE4Good Index Series, which measures the performance of companies' Environmental, Social and Governance (ESG) work. ICA Gruppen is also participating in the evaluation of companies' sustainability work being conducted by RobecoSAM.



FTSE Russell (the trading name of FTSE International Limited and Frank Russell Company) confirms that ICA Gruppen AB has been independently assessed according to the FTSE4Good criteria and has satisfied the requirements to a constituent in the FTSE4Good Index Series¹.

¹⁾ Created by the global index provider FTSE Russell, the FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong ESG practices. The FTSE4Good indices are used by a wide variety of market participants to create and assess responsible investment funds and other products.



Expanded efforts to reduce climate impact

To contribute to the UN's goal to limit global temperature rise, ICA Gruppen has been working for several years towards an ambitious climate target – that the Group's operations will be climate-neutral by 2020. This target will be reached by reviewing equipment maintenance, operations, contracts and knowledge to improve resource efficiency and thereby drastically reduce the climate impact, but also by offsetting the climate impact that cannot be completely eliminated by 2020.

ICA Gruppen's greenhouse gas emissions have decreased by 61% since the base year 2006. The decrease is mainly attributable to a long-term process involving numerous measures within the areas of energy, refrigerants, logistics flows and goods transports.

Climate targets approved by Science Based Targets initiative

Cooperation is needed in order to stop climate change. In 2018 the Group therefore raised its climate ambition further to

include an additional target: that suppliers accounting for 70% of ICA Gruppen's upstream climate impact are to have adopted science-based climate targets by 2025 at the latest.

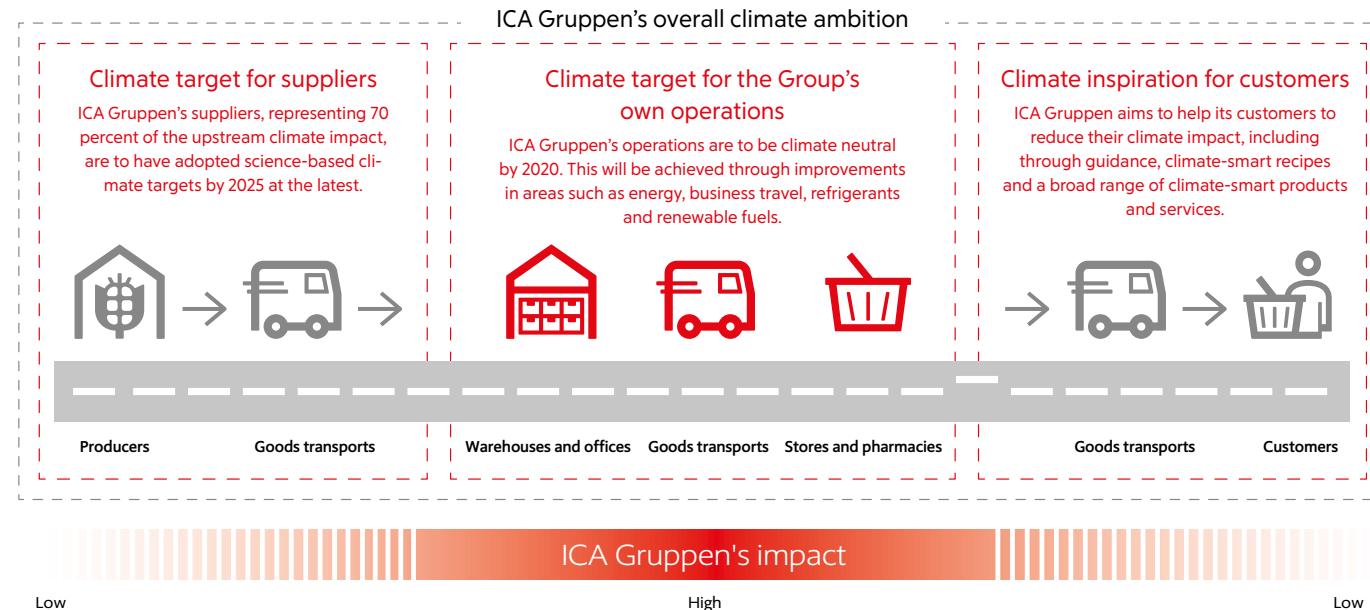
In September 2018 ICA Gruppen's overall climate ambition was approved by the Science Based Targets initiative. This approval confirms that the targets have been set based on a scientific method that ensures that they are in line with the global Paris Agreement. The method was created by, among

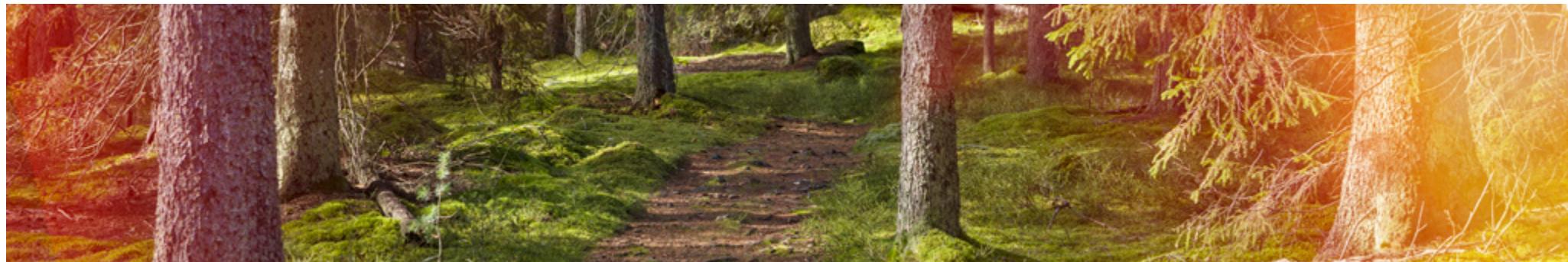
others, the UN Global Compact, CDP and WWF. ICA Gruppen thereby became Sweden's first retailer to have its climate targets approved by the Science Based Targets initiative.

In 2018 ICA Gruppen conducted a status analysis of the climate target for its suppliers. A number of activities also took place to inform and involve suppliers. These included targeted supplier meetings and information on ICA Sweden's annual supplier days.

Ambitious climate targets

While ICA Gruppen's responsibility extends beyond its own operations, its ability to influence outcomes varies between different parts of the value chain.





FOR A GOOD TOMORROW

ICA Gruppen's sustainability work is wide-ranging and embodies high ambitions and a variety of activities. For structured communication surrounding this work, the concept För en god morgondag (For a Good Tomorrow) is used, which is broken down into five defined areas: local, environment, health, diversity and quality. Examples of the Group's activities during the year are presented on the following pages. In addition to the activities presented in this report, extensive and important sustainability and social responsibility work is being carried out by the approximately 1,300 Swedish ICA stores.

¹⁾ ICA Gruppen's group-wide sustainability targets are described on page 27. In addition to these targets there are also company-specific targets and objectives.

²⁾ ICA Sweden brand positioning.



Local

We will actively contribute to the local communities where we operate



Environment

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



Health

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



Diversity

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



Quality

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

Examples of targets¹

- ICA Gruppen is aiming for at least 56% of customer survey² respondents to be of the opinion that ICA Sweden is good at using Swedish raw materials
- ICA Real Estate's marketplaces are to include value-adding concepts based on local needs and development, for example charging stations, geothermal energy, outdoor gyms, dog lounges and bike depots.
- ICA Gruppen's operations will be climate-neutral by 2020
- ICA Gruppen's suppliers, representing 70 percent of the upstream climate impact, are to have adopted science-based climate targets by 2025 at the latest
- Single-use plastic items will be phased out throughout the Group by 2020
- By 2020 ICA Gruppen will be perceived by consumers as the actor in the market that most clearly help them make healthy choices
- Defibrillators installed at all Apotek Hjärtat pharmacies
- Increase the number of products in Rimi's health range
- Increase diversity within the Group by offering job opportunities through 100-klubben and ICA2020
- 50/50 gender distribution in leadership positions within ICA Gruppen
- Increase the percentage of ICA retailers who are women
- 100% of ICA Gruppen's corporate brand suppliers in high-risk countries will be socially audited
- At least 90% of ICA Gruppen's corporate brand suppliers in high-risk countries must have had a valid follow-up social audit by year-end 2020
- 90% of ICA Gruppen's corporate brand suppliers will be quality-certified

Examples of activities

- Offer locally produced products (page 32)
- Investments in energy-saving solutions, renewable energy sources, natural refrigerants and renewable fuels (pages 33-34)
- Facilitate for small local suppliers (page 32)
- Environmentally certified stores, processes and buildings (page 123)
- Sponsorship and fundraising to support the local community (page 32)
- Offer sustainable products and services (page 33-34)
- Develop marketplaces that contribute services and jobs locally, and breathe life into the community (page 32)
- Guiding customers by means of labelling, healthy recipes and campaigns (page 35)
- Offer a healthy range of products (page 35)
- Internal training in CPR (page 35)
- Health and exercise initiatives for children (page 35)
- Projects to increase equality and diversity (page 36)
- Initiatives to increase employment for individuals experiencing difficulty entering the job market (page 36)
- Local partnerships to increase diversity and offer jobs (page 36)
- Social auditing of suppliers (pages 27, 37 and 123)
- Quality-certified stores, processes and suppliers (pages 37 and 123)
- Action plan for food fraud, traceability tests (page 37)
- Ensure high standards of animal welfare (page 37)



Focus on local suppliers and communities

There is substantial and growing demand for locally produced food, both in Sweden and in the Baltic countries. ICA Gruppen is working in various ways to increase the amount of locally produced food in the product range, and to support rural areas and help keep communities alive. For some time ICA Sweden has been making adjustments to its dairy line to increase the proportion of Swedish raw materials in all private label dairy products, and to source more milk from dairy farmers in Sweden. In an annual survey in 2018, 56 percent of the respondents considered that ICA Sweden is good at Swedish raw materials.

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



Efforts in response to drought and wildfires

The heatwave and drought last summer hit Swedish farmers hard. The higher cost of hay and animal feed combined with insufficient grazing pasture have increased costs. ICA Sweden was already making extensive efforts to increase sales of Swedish meat, and this was continued after the summer and further intensified. The most comprehensive initiatives included campaigns for Swedish mince, switching to Swedish ingredients in ICA's meatballs and even clearer labelling of Swedish meat and Swedish products.

In connection with several extensive wildfires during the summer, local ICA retailers and several Apotek Hjärtat pharmacies supported relief efforts in various ways, including opening up their premises and providing fluids and oral rehydration, wound care and medicines to relief workers and people who were evacuated from their homes.

More Minute Clinics opened

Apotek Hjärtat is continuing to invest in healthcare services to make things easier for customers and at the same time relieve the pressure on traditional health centres. During the year two new Minutkliniker (minute clinics) were opened – one in Stockholm adjacent to the Maxi ICA Stormarknad hypermarket in Haninge, and one in Gothenburg adjacent to the Maxi ICA Stormarknad hypermarket in Högsbo. The minute clinics, which have been part of the Min Doktor concept since 1 November 2018, offer people easily accessible healthcare and wellness services, such as vaccinations, mole checks and treatment of infections. There are now eight clinics, all adjacent to Apotek Hjärtat pharmacies or Maxi ICA Stormarknad hypermarkets.

Supporting local communities

Through sponsorship and fundraising campaigns, ICA Gruppen's operations

are helping in various ways to make local communities stronger. In 2018 numerous activities were carried out, including a food donation drive for the Lithuanian Food Bank, a fundraising campaign for children with serious diseases in Latvia, and a donation made by ICA Global Sourcing to a local school in Bangladesh.

Processing of ICA-brand bacon and mineral water moved to Sweden

During the year the decision was made to move the processing of ICA-brand bacon from the Netherlands to Halmstad in Sweden. The pork has always been sourced in Sweden, but until now there has not been sufficient capacity in Sweden to handle the curing, smoking and packaging processes. As a result of this move, the meat is now processed closer to both Swedish producers and consumers, which in turn will result in lower greenhouse gas emissions related to transportation. Production

of ICA-brand mineral water has also been moved to Sweden; the water is now sourced from a spring north of Köping after previously having been sourced from Telemark, Norway. Under this new arrangement transport routes are shorter and greenhouse gas emissions are therefore also lower. In addition, a donation per liter of water sold goes to ICA Stiftelsen's work to support projects, ideas and organizations that make a lasting difference in society with a focus on health, well-being, diversity and integration.

Asllani Court opened in Vimmerby

In May 2018 Asllani Court in Vimmerby, Sweden, was inaugurated after receiving financial support and project management from ICA Real Estate. The idea is for this playing field to give more young girls an opportunity to play football in a safe and inspiring venue. The project is one example of ICA Real Estate's increased investment in social sustainability and community engagement.

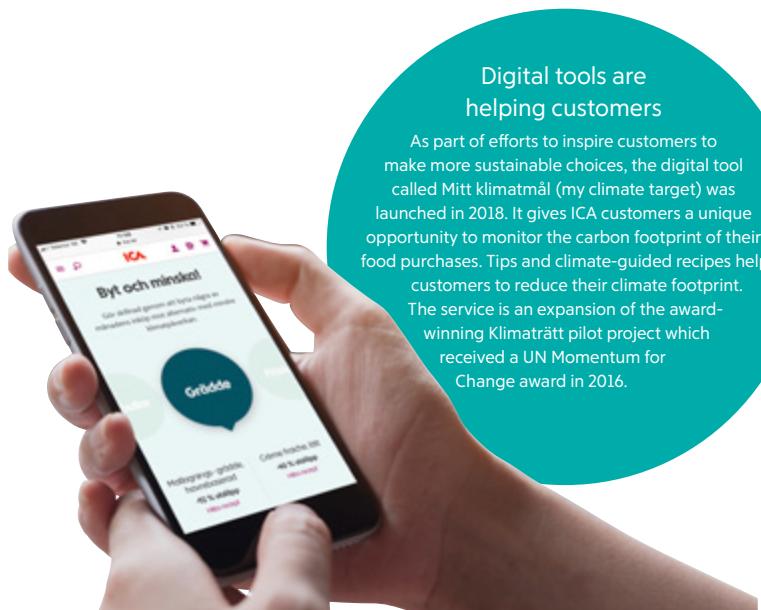
FOR A GOOD TOMORROW



Multiple initiatives to reduce environmental impact

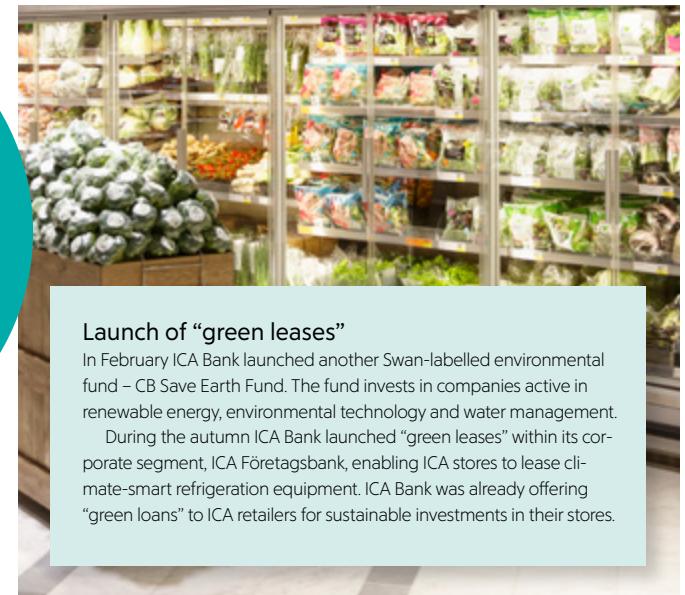
An important aspect of ICA Gruppen's sustainability work involves efforts to minimise the Group's own environmental impact, which means, among other things, reducing greenhouse gas emissions, working to reduce food waste and offering sustainable products and services. The overall goal is for the Group's own operations to be climate-neutral by 2020.

ICA Gruppen's greenhouse gas emissions continued to decrease during the year, but at a slightly slower pace than previously. The explanations include increased goods transports and higher energy consumption in stores and pharmacies as a result of the hot summer in Sweden, but also a lower percentage of HVO in the fuel used for goods transports due to Swedish law requiring greenhouse gas emissions reductions.



Digital tools are helping customers

As part of efforts to inspire customers to make more sustainable choices, the digital tool called *Mitt klimatmål* (my climate target) was launched in 2018. It gives ICA customers a unique opportunity to monitor the carbon footprint of their food purchases. Tips and climate-guided recipes help customers to reduce their climate footprint. The service is an expansion of the award-winning *Klimaträtt* pilot project which received a UN Momentum for Change award in 2016.



Launch of "green leases"

In February ICA Bank launched another Swan-labelled environmental fund – CB Save Earth Fund. The fund invests in companies active in renewable energy, environmental technology and water management.

During the autumn ICA Bank launched "green leases" within its corporate segment, ICA Företagsbank, enabling ICA stores to lease climate-smart refrigeration equipment. ICA Bank was already offering "green loans" to ICA retailers for sustainable investments in their stores.

New strategy to increase the share of fossil-free plastic

During the year ICA Gruppen decided on a new plastic strategy, the overall goal of which is to help promote a circular and sustainable plastics system, where plastic is reused and recycled to the greatest extent possible, where no plastic ends up in nature and where the raw material used has been recycled or comes from renewable sources. In 2020 all single-use items will be made from paper or other biomaterials that do not lead to plastic pollution of seas and oceans. In addition to this, all plastic food packaging used for ICA Gruppen's corporate brand products will be recyclable or reusable by 2022 and by 2030 packaging will consist of recycled or renewable materials.

For the past several years, all plastic bags in ICA Sweden's key lines have been made from renewable polyethylene based on sugar cane. The same has applied to Apotek Hjärtat's plastic bags

since May 2017. In addition, all of ICA Sweden's plastic and paper bags have been climate-neutral since June 2017. In May 2017 Apotek Hjärtat became the first pharmacy chain in Sweden to charge customers for its plastic bags and during 2018 the use of plastic bags has decreased by 56% compared to 2016, which is equivalent to over 100 tonnes of plastic or almost 16 million plastic bags. Sales of plastic bags continued to decline in Swedish ICA stores and Hemtex as well. In 2018 sales of plastic bags were down by 42% for Hemtex.

Seminar on sustainable pharmaceuticals

In January 2018 Apotek Hjärtat invited decision-makers, government agency representatives and industry representatives to a seminar to discuss how Swedish actors can contribute to a long-term solution to today's unsustainable pharmaceutical production. The background

to the seminar was Apotek Hjärtat's own eco- and sustainability labeling *Välj med Hjärtat* (choose with your heart) for OTC drugs, which is intended to encourage pharmacy customers to choose sustainable alternatives among OTC drugs, and includes just over 270 products in Apotek Hjärtat's assortment. The OTC market, however, only accounts for 10% of total sales of pharmaceuticals in Sweden. Apotek Hjärtat's intention in arranging the seminar was therefore to encourage other parts of the industry, i.e. various actors and those sourcing OTC drugs within inpatient and outpatient care, to do their part.

Launch of new geothermal energy system

ICA Real Estate carried out several projects during the year focusing on geothermal energy. At the beginning of March 2018 the new geothermal energy system at Maxi ICA Stormarknad in

Stenhamra, Uppsala, Sweden was put into operation. It will enable the store to produce its own heat and cooling on site. The system has also enabled the store to reduce its electricity consumption by 15%.

Sustainable cotton initiative

Hemtex is one of only five actors who in 2018 was on the Better Cotton Initiative (BCI) list of brands in the world with more than 75% of their cotton being Better Cotton. Hemtex has been a member of BCI from the start. The organisation is taking action to make large-scale cotton production more sustainable, in terms of environmental, financial and social factors. During the year Hemtex also joined and adopted the Textile Exchange 2025 Sustainable Cotton Challenge. Hemtex' goal is for 100% of the company's cotton to come from sustainable sources by 2020.

FOR A GOOD TOMORROW

Food waste in Sweden¹**Examples of ICA Sweden's efforts to reduce avoidable food waste**

Primary production	Food production	Warehouses and stores	Households
<ul style="list-style-type: none"> Anatomical responsibility, i.e. buying, for example, the whole animal and the whole of milk production 	<ul style="list-style-type: none"> Improved packaging for private label products to extend shelf life Circular cooperation with Rescued Fruits and Nutrient etc. 	<ul style="list-style-type: none"> Efficient sourcing routines Partnerships e.g. with Food2change and Karma to make use of short-dated food 	<ul style="list-style-type: none"> Recipes for making meals with leftovers at ica.se and menu baskets designed to minimise waste Launch of Matlådans dag (lunchbox day), to encourage people to use leftovers in their lunchboxes Information to consumers to increase knowledge about the shelf life of food and food handling

Food waste = all food waste that arises, including unavoidable waste such as peel, bones etc.
Avoidable food waste = unnecessary food waste.

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

Reduction in avoidable food waste

ICA Gruppen has a number of initiatives to reduce food waste. Of total food waste in Sweden, around 70% is generated in the home. One way of reducing food waste is to use leftovers in lunchboxes. For the second consecutive year ICA Sweden has highlighted this through its Lunchbox Day, held on 23 March. The day is intended as a celebration of all homemade meal leftovers that can become lunchbox lunches and saved instead of being thrown away.

Reduced sales of ecolabelled and organic products

Store sales of ecolabelled, organic and ethically labelled products in ICA Sweden's central

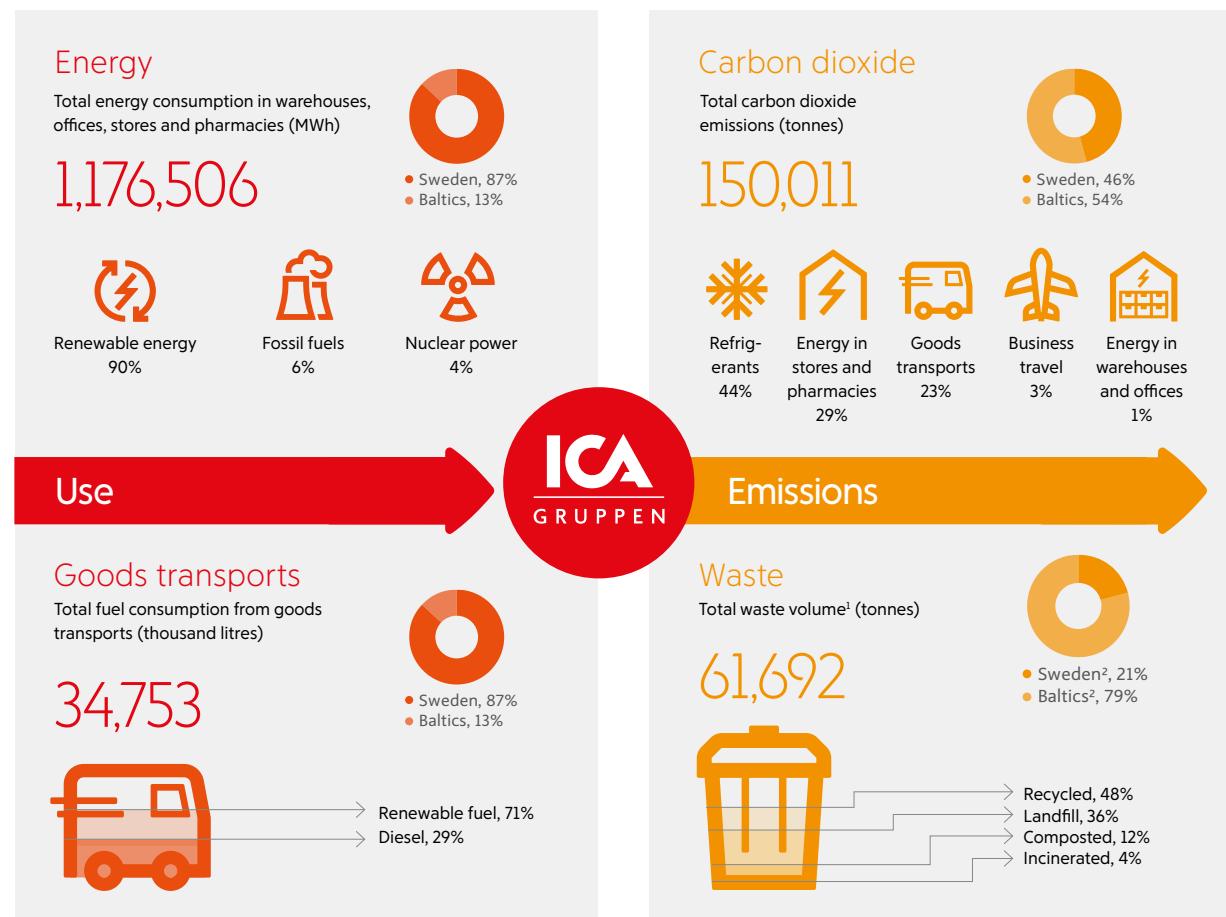
assortment range decreased by 3% in 2018 compared to the corresponding period the previous year. However, in the fruit and vegetables category sales growth was still positive. The factors contributing to the reduction include increased interest in products produced locally and in Sweden.

As a share of total sales, ecolabelled, organic and ethically labelled products amounted to 10% in 2018. The total sales value of organic products amounted to SEK 6,3 billion in 2018 on a rolling 12-month basis.

In the Baltic states, interest among customers in the organic range continues to increase. Rimi Baltic had just over 1,000 organic products in its range in 2018.

ICA Gruppen's use of resources

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



1) Consists of waste from logistics in Sweden and waste from logistics and stores in the Baltics.
2) 98% of waste in Sweden and 56% of waste in the Baltics was recycled (recycled, composted and incinerated).

FOR A GOOD TOMORROW



Comprehensive health offering

One of ICA Gruppen's main priorities is to help promote better public health. Through grocery stores, pharmacies and Minutkliniker the Group is working in several areas of healthcare – from preventing, caring for and curing to inspiring and guiding people to a healthy lifestyle and sound personal finances. The goal is, by 2020, to be perceived by consumers as the actor in the market that is best at helping them make healthy choices.

Through products and services that address issues relating to allergies, trends and lifestyles, ICA Gruppen can spread information and inspire customers to make conscious choices on a daily basis. This information is always based on official dietary guidelines and the Nordic nutritional recommendations.

ICA's menu basket pilot project to promote better eating habits



Pilot project focusing on childhood obesity

Overweight and obesity in children is a serious health problem. Today more than 20% of Swedish children are overweight, and just under 5% of children suffer from obesity. In partnership with a paediatrician in the Halland region, ICA Sweden and the ICA retailers in Varberg and Kungsbacka have started a pilot project aimed at helping children with obesity. For a three-month period, nine patient families were offered ICA menu baskets at a discounted price to study if this could contribute to better eating habits and meals among the patient families. The project was partly financed through contributions from ICA Stiftelsen. The pilot project provided interesting insights and data for a larger study that is planned to be carried out in 2019 and will comprise a total of 120 patient families.

ICA Sweden's health initiative called Kompis med kroppen (buddy with your body) has been running for 17 years. To

date, around 950,000 school children have completed the course at an ICA store, in which children learn about healthy eating with a focus on fruit and vegetables, and the importance of exercise.

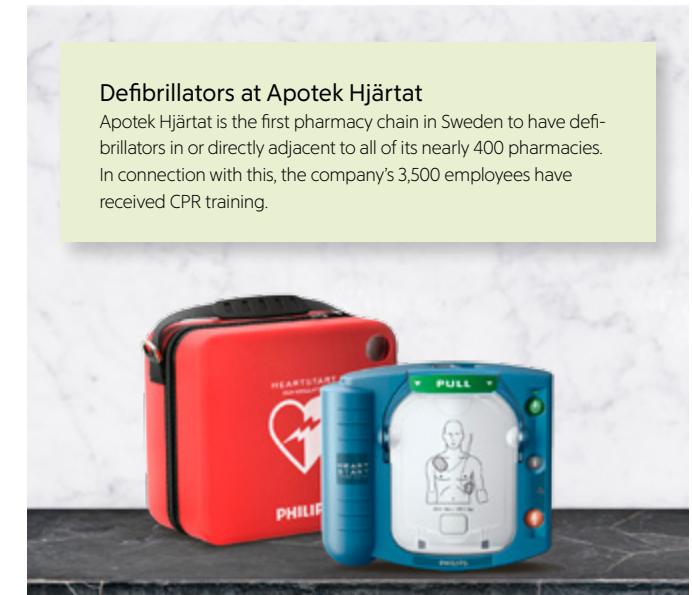
ICA Sweden is also participating in Generation Pep's initiative called Upp och hoppa Sverige (get up and move, Sweden). The goal is to counter sedentary lifestyles and encourage young people to live a healthy life. ICA Stiftelsen is co-founder of Generation Pep.

Fundraising for Pink Ribbon

ICA Sweden and Apotek Hjärtat are since several years two of the principal sponsors of Pink Ribbon and during the autumn raised funds for cancer research by selling pink products as well as Pink Ribbons. ICA Bank also raised funds, and in total ICA Gruppen and its customers donated SEK 54 million to cancer research.

Defibrillators at Apotek Hjärtat

Apotek Hjärtat is the first pharmacy chain in Sweden to have defibrillators in or directly adjacent to all of its nearly 400 pharmacies. In connection with this, the company's 3,500 employees have received CPR training.



Healthy guidance at Rimi Baltic

During the year Rimi Baltic implemented a large number of activities to inspire consumers to exercise and have a healthy diet. Rimi's own labelling which guides customers towards healthier choices includes more than 800 products. The labelling requirements are based in part on the Swedish National Food Agency's Keyhole labelling criteria. Rimi Latvia's music video for labelling is one of the most viewed YouTube films in Latvia. Rimi Baltic has also been involved in several sporting events to encourage people to exercise more.

Investment in Min Doktor

In 2018 Apotek Hjärtat acquired 42% of Min Doktor, a digital primary care service. The investment strengthens ICA Gruppen's position in health. By combining Min Doktor's Swedish operations

with Apotek Hjärtat's Minutkliniken (minute clinic) concept, patients will in future be able to get help both online and at small clinics staffed by registered nurses. Min Doktor is now planning for a rapid expansion in the number of clinics, which will primarily be located adjacent to ICA stores.

Less sugar and more vegetables

During the year the sugar content in soft drinks, cordials and fruit drinks sold under ICA Sweden's private label brands was reduced by 30%. This is equivalent to three fewer sugar cubes per 330 ml soft drink can. A parallel effort is under way whereby ICA Sweden is encouraging customers to eat more fruit and vegetables, including through a special Easter and Halloween range of fruit and vegetables as a healthier alternative to sweets.

FOR A GOOD TOMORROW



Emphasis on increasing diversity

ICA Gruppen is working actively to spread knowledge about diversity and inclusion, to increase awareness of unconscious bias and to prevent offensive treatment. During the year a large number of activities were carried out in various parts of the organisation. Several of the activities were aimed at increasing awareness among ICA Gruppen's managers and employees about the Group's zero tolerance for discrimination and harassment, the grounds of discrimination and what they mean, as well as routines to deal with discrimination.

Initiative for increased integration and narrowing the gap between urban and rural communities

Two of the most urgent challenges for Sweden are integration and the gap between urban and rural areas. For 2018 ICA Sweden launched several initiatives in these areas. Among other things, ICA Gruppen and the Swedish Public Employment Service (Arbetsförmedlingen) have partnered in an initiative to encourage the employment of newcomers to Sweden, primarily in stores. The partnership was one of several initiatives to achieve the goal of employing 500 newcomers in 2018. Simplified processes at Arbetsförmedlingen and a strong focus on joint communication – both internal and external – were key components of the initiative.

ICA Gruppen exceeded its newcomer employment goal

ICA Gruppen is one of 31 employers who have participated in the 100-klubben initiative run by the Swedish Government, the purpose of which is to create jobs for newcomers to Sweden. Since the initiative was launched in 2015, 970 newcomers have been given jobs at ICA stores and Apotek Hjärtat pharmacies. This represents 26% of the total number of people who got jobs within the 100-klubben initiative.

More women in senior positions

In 2018 the ICA 50/50 Potentials programme was launched for female leaders at ICA Gruppen in Sweden. The aim is to motivate and support the development of junior-level women

leaders with potential to serve in higher positions.

ICA Sweden and ICA-handlarnas Förbund have jointly decided on the ambition that by 2020, 50% of all new ICA retailers recruited will be women. To succeed in this endeavour a number of projects have been initiated, with the common aim of challenging and tearing down structural barriers, and inspiring and emboldening women to take the next step. 2018 the share was approximately 20%.

During the year, recruitment was carried out for ICA Sweden's company management programme for prospective retailers. The programme has 16 places and 50% of the participants are women. To increase the number of ICA retailers who are women there is also a mentoring programme for female store employees with commercial ambitions.

A leader in gender equality among listed companies

ICA Gruppen is one of the most gender-equal listed companies in Sweden. This is the finding of the AllBright report published at the end of the year and is based on a review of gender distribution in the management teams and boards of Swedish listed companies.

ICA Bank working in cooperation with Ecpat

During 2018 ICA Bank launched a campaign in cooperation with Ecpat to support the organisation's work to end the online exploitation of children. The goal was to raise SEK 500,000 or more for Ecpat and to generate more members and awareness about the organisation and child exploitation. The campaign raised SEK 650,000 for Ecpat.





Monitoring and audits to ensure quality

Customers should feel safe shopping with ICA Gruppen. The whole range of products must live up the Group's quality criteria and be produced in an acceptable way with respect to human rights. The products sold by the Group must of course follow laws relating to labelling and ingredients, and good animal welfare must be ensured to the greatest extent possible.

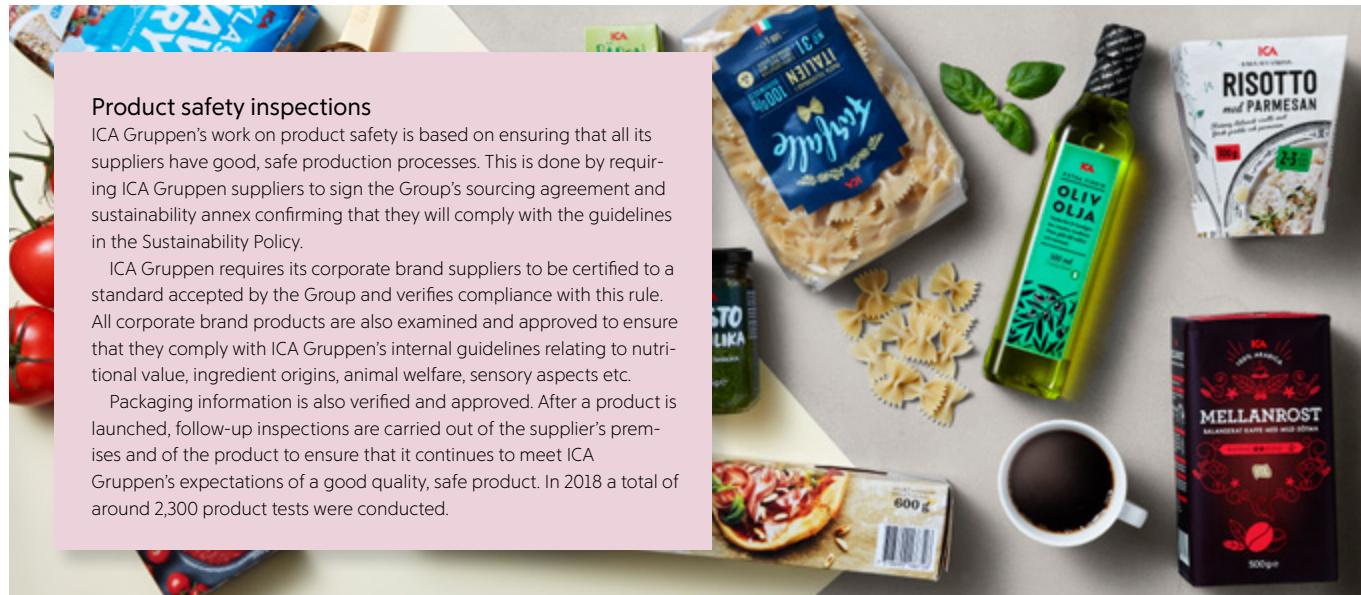
ICA Gruppen works in a structured way with respect to standards and certification to ensure quality and social responsibility in all processes. Country-of-origin labelling and traceability are important parameters in quality assurance.

Product safety inspections

ICA Gruppen's work on product safety is based on ensuring that all its suppliers have good, safe production processes. This is done by requiring ICA Gruppen suppliers to sign the Group's sourcing agreement and sustainability annex confirming that they will comply with the guidelines in the Sustainability Policy.

ICA Gruppen requires its corporate brand suppliers to be certified to a standard accepted by the Group and verifies compliance with this rule. All corporate brand products are also examined and approved to ensure that they comply with ICA Gruppen's internal guidelines relating to nutritional value, ingredient origins, animal welfare, sensory aspects etc.

Packaging information is also verified and approved. After a product is launched, follow-up inspections are carried out of the supplier's premises and of the product to ensure that it continues to meet ICA Gruppen's expectations of a good quality, safe product. In 2018 a total of around 2,300 product tests were conducted.



ICA Gruppen's social responsibility and quality targets for suppliers

In 2018 ICA Gruppen revised its targets for social audits and quality certification of suppliers of the Group's private label products. The target of 100% of ICA Gruppen's corporate brand suppliers in high-risk countries being socially audited still stands. In addition, at the end of 2020, 90% must have had a valid follow-up social audit within the established timeframe, based on the initial audit results. In 2018 95% of corporate brand suppliers in high-risk countries had gone through an initial social audit. In the fourth quarter of 2018, 79% of suppliers went through a follow-up social audit within the established timeframe.

The quality certification target has been adjusted upwards. The goal now is for 90% (previously 80%) of ICA Gruppen's corporate brand suppliers to be quality-certified by year-end 2020. In 2018 85% of ICA Gruppen's corporate brand suppliers were quality-certified.

Food fraud prevention efforts continue

ICA Gruppen is working on several fronts to prevent food fraud. In 2018 the last of the planned, unannounced audits of suppliers focusing on preventing and countering food fraud were carried out. None of the audits revealed any conscious fraud. ICA Sweden will now evaluate the process of unannounced audits and plan future efforts.

In 2018 ICA Sweden also developed a training course to educate employees about food fraud. The course is designed primarily for buyers, but is also suitable for product developers and quality specialists. The aim is to create a greater understanding of food fraud, increased knowledge about typical foods that are the subject of food fraud, and greater awareness about ICA Gruppen's efforts in this area.

Coffee is helping farmers in Peru deal with climate change

To support farmers who are directly affected by climate change, ICA Sweden has started buying coffee beans from Aproexport, a farming collective in Peru, for ICA's I love eco line. One krona from every packet

sold goes to the farming collective's work on adapting the coffee farmers' farms for climate change. The first project that ICA Sweden is supporting through Aproexport is an investment in tents to protect coffee beans from unpredictable rain during the critical drying period.

New version of Bangladesh Accord signed

ICA Special and Hemtex have signed the new 2018 version of the Accord on Fire and Building Safety in Bangladesh. This is a framework agreement produced following the factory collapse at Rana Plaza in 2013, which caused more than 1,100 deaths. The agreement is legally binding and requires safety inspections to be conducted.

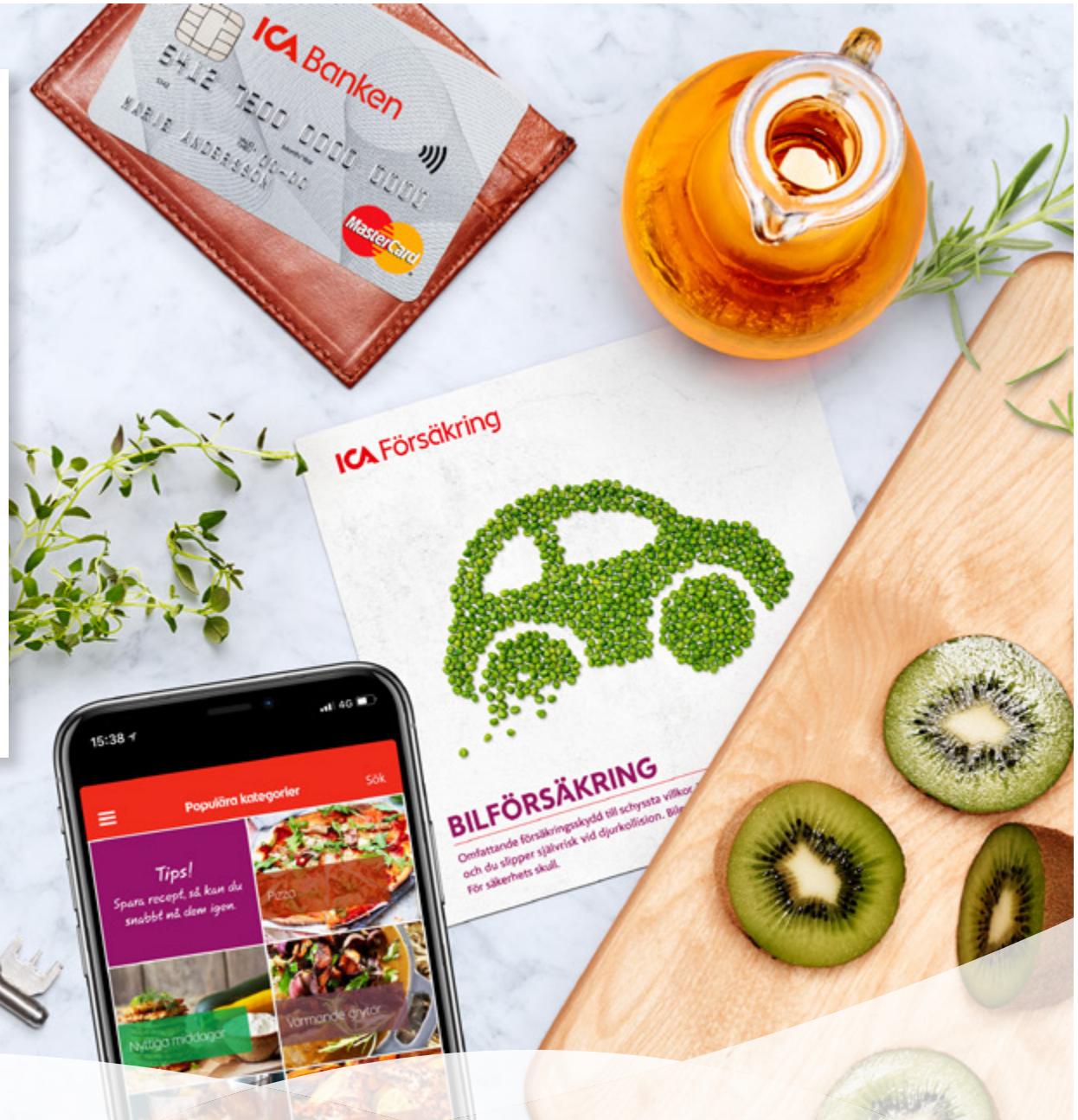
ICA Gruppen's world of suppliers

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



Performance of the Group and segments in 2018

ICA Gruppen had good underlying sales growth and stable earnings growth in 2018. Read more about the Group's and the segments' performance on the following pages.



Group performance 2018

In 2018 ICA Gruppen's underlying operating profit increased by 2.6%, with good earnings growth in particular for Apotek Hjärtat and ICA Bank. A high level of activity and a series of improvement and development projects also resulted in slightly higher costs in 2018, and the investment level also remained high. Cash flow remained strong.



Net sales and earnings

Consolidated net sales in 2018 amounted to SEK 115,354 million (109,408), representing an increase of 5.4% compared with 2017. The increase in local currency was 4.6%, and an increase in prescriptions for high-price drugs contributed 0.7%. The underlying increase of 3.9% was mainly volume-driven but positive price effects were also a factor, particularly in ICA Sweden and Rimi Baltic.

Operating profit excluding items affecting comparability was SEK 4,651 million (4,642). The operating profit includes structural costs in the amount of SEK 110 million associated with ongoing reorganisation within ICA Sweden.

The underlying earnings growth of 2.6% is mainly due to increased volumes, a higher share of profits from ICA stores, slightly higher revenue from joint ventures and positive mix effects within Rimi Baltic and Apotek Hjärtat. This was offset by higher logistics costs, the launch of an e-commerce warehouse in Stockholm, increased payroll costs for Rimi Baltic and higher costs associated with a number of initiatives within the framework of the Group's growth and development agenda.

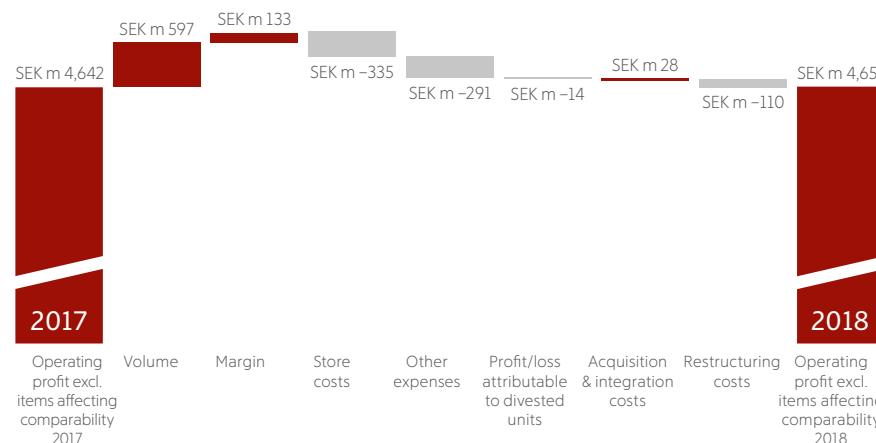
The operating profit also includes SEK 26 million (54) in costs associated with the previously planned integration of IKI in Lithuania, of which SEK 23 million (40) were within Rimi Baltic. The operating margin excluding items affecting comparability was 4.0% (4.2). Excluding ICA Sweden's structural costs, the operating margin was 4.1%. Profit for the year amounted to SEK 3,647 million (4,145). Earnings from divestments and impairments were lower due to the previous year's large property divestments and amounted to SEK -153 million (578) net. This resulted in a reduction in earnings per share to SEK 18.05 (20.53).

Net financial items and tax

The Group had net financial expense of SEK -272 million (-367). Interest expense decreased sharply due to the refinancing carried out in 2018 and to a lower level of net debt. The previous year's outcome also included SEK -30 million linked to impairment of a financial receivable.

The tax expense for the year was SEK -580 million (-708), representing a tax rate of 13.7% (14.6). The tax cost was →

Operating profit development



With restructuring costs for ICA Sweden removed, ICA Gruppen's operating profit excluding items affecting comparability increased by SEK 119 million. The increase was mainly volume-driven but prices also had a positive effect, as did higher profit sharing revenue from ICA stores. Store costs increased in part as a result of newly opened stores and in part due to wage

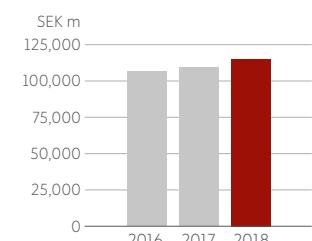
inflation within Rimi Baltic. Other costs were also higher, mainly relating to the higher level of activity in improvement and development projects that are under way on a broad front throughout the Group. Acquisition and integration costs are related to the previously planned integration of IKI in Lithuania. These costs were lower in 2018 than in 2017.

Operating profit/loss, SEK m and operating margin¹, %



¹⁾ Excluding items affecting comparability.

Net sales



GROUP PERFORMANCE 2018

→ favourably affected by a remeasurement of deferred tax assets and deferred tax liabilities as a result of the forthcoming reduction in the Swedish corporate tax rate that takes effect in 2019. The non-recurring effect of this is SEK 194 million. Paid tax totalled SEK -803 million (-856).

Financial position

The Group's net debt (excluding ICA Bank and pension liabilities) at the end of the year amounted to SEK 5.1 billion (5.6). The lower level of net debt is mainly attributable to a positive cash flow from operating activities. As of 31 December 2018, the net debt/EBITDA ratio was 0.8 (0.8), 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 6,555 million (5,816). A positive change in working capital driven by the Supply Chain Financing programme is the main reason for the improvement.

Cash flow from investing activities was significantly lower than in 2017. This is mainly due to the previous year's significant property divestments, which altogether contributed around SEK 2.9 billion to last year's cash flow. The investment level was also higher than in 2017.

Investments

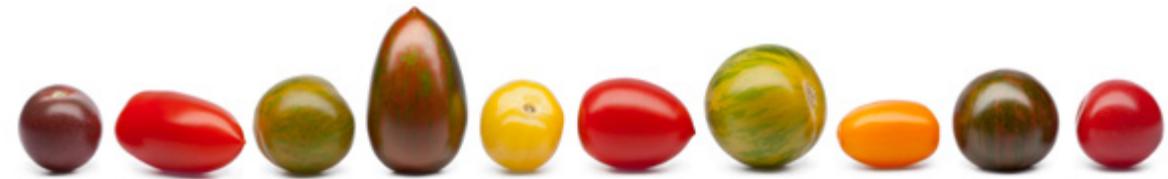
The investments (excluding company acquisitions) amounted to SEK 3,507 million (2,230), of which SEK 1,845 million (937) was attributable to ICA Real Estate. Large investment projects during the year included acquisitions of future store locations, investments in the Group's e-commerce, IT investments, a new warehouse in Riga, as well as new stores and store conversions. Additionally, ICA Gruppen has invested SEK 350 million in Min Doktor through Apotek Hjärtat.

Parent Company

The Parent Company's net sales were SEK 972 million (838). Profit after financial items amounted to SEK 3,303 million (5,428). Dividends received from subsidiaries were SEK 2,345 million lower than the previous year. Profit for the year amounted to SEK 3,687 million (5,879). Investments in property, plant and equipment and intangible assets amounted to SEK 158 million (111).

Seasonal variations

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



Net sales per segment				Operating profit/loss excluding items affecting comparability by segment				Cash flow statement, Group excluding ICA Bank			
SEK m	2018	2017	2016	SEK m	2018	2017	2016	SEK m	2018	2017	2016
ICA Sweden ²	82,411	79,353	77,038	ICA Sweden	3,332	3,507	3,504	Cash flow			
Rimi Baltic	15,255	14,008	13,571	Rimi Baltic	631	557	526	From operating activities before change in working capital	5,430	5,275	5,361
Apotek Hjärtat	14,110	12,876	12,531	Apotek Hjärtat	533	461	436	Change in working capital	1,125	541	323
ICA Real Estate	2,591	2,468	2,372	ICA Real Estate	417	429	493	From operating activities	6,555	5,816	5,684
ICA Bank	1,353	965	863	ICA Bank	170	71	51	Investing activities, net	-3,577	647	-1,649
Hemtex ¹	1,020	1,078	1,316	Hemtex ²	13	31	24	Before financing activities	2,979	6,463	4,035
Other	1,042	909	863	Other	-444	-414	-365				
Intra-Group sales	-2,429	-2,249	-1,911	Operating profit excl. items affecting comparability	4,651	4,642 ¹	4,669				
Net sales²	115,354	109,408	106,643								

1) In the first half of 2016 divested companies are included.
2) Earlier periods have been recalculated, see Note 1.

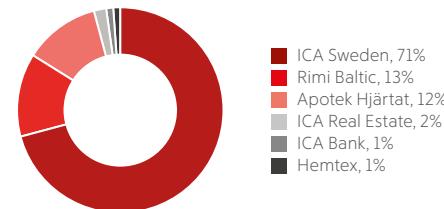
1) The cost of the planned integration of IKI is included in the amount of SEK -26 million in 2018, of which SEK -23 million is for Rimi Baltic and SEK -3 million for Other. In 2017: SEK 54 million, of which SEK 40 million for Rimi Baltic and -14 for Other.
2) In the first half of 2016 divested companies are included.

ICA GRUPPEN'S SEGMENTS

ICA Gruppen's segments

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

Share of ICA Gruppen's sales, %



ICA Sweden

With 1,277 stores and a market share of around 36%¹ (for 2017), ICA Sweden is the leading grocery retail actor in the country. The independent ICA retailers own and operate their own stores, but have agreements with ICA Sweden in areas such as coordinated sourcing, logistics, market communication and store development.

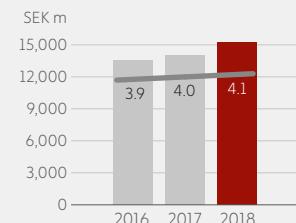
Net sales, SEK m and operating margin, %



Rimi Baltic

Rimi Baltic is a grocery retailer operating 267 wholly owned stores in Estonia, Latvia and Lithuania. The properties owned by the Group in the Baltic region are also part of Rimi Baltic. At year-end Rimi Baltic had 86 stores in Estonia, 125 in Latvia and 56 in Lithuania. Rimi Baltic's market share in the region is around 15%¹.

Net sales, SEK m and operating margin, %



Apotek Hjärtat

With 388 pharmacies and a market share of approximately 31%¹, Apotek Hjärtat is the second largest company in the Swedish pharmacy market. Pharmacy operations complement grocery retail and play an important role in ICA Gruppen's efforts to achieve a leading position in health.

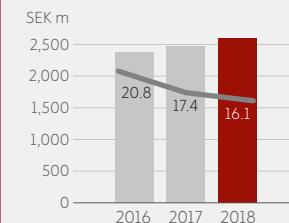
Net sales, SEK m and operating margin, %



ICA Real Estate

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

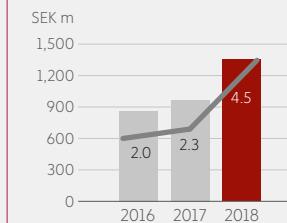
Net sales, SEK m and operating margin, %



ICA Bank

ICA Bank provides a broad 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, SEK m and return on equity, %



Hemtex

Hemtex is one of the Nordic region's leading home furnishing chains. At year-end 2018 there were 147 stores in total, of which 129 were in Sweden, 13 in Finland and 5 in Estonia. Of the stores, 133 are owned by Hemtex and 14 are franchises. At present a process is under way to make comprehensive changes, the overall goal of which is to lay the foundation for long-term, sustainable profitability.

Net sales, SEK m and operating margin, %



¹) For a definition of market share, see page 18

¹) In the first half of 2016 divested companies are included.

ICA SWEDEN

Good sales development and many forward-looking initiatives

For ICA Sweden 2018 was a year of good sales growth and intense work on a variety of development projects. Positive price and volume effects were, however, offset by increased costs relating to among other things logistics.

The focus areas in 2018 included continued investment in the assortment range, price perception and customer loyalty, as well as continued development of both the digital customer offering and the physical store network. A total of ten new stores were opened during the year and 20 stores were closed. The net increase in store space was 14,000 m² or 0.9%.

Continued investment in private label products

In 2018 investments in private label products and ready meal solutions continued. The private label line creates breadth and depth in the range of products and strengthens ICA's brand while also contributing to good profitability. Private label products as a percentage of total sales amounted to 25.4%, an increase of 0.7 percentage points compared to the previous year.

Strong online growth

The ICA stores' online sales continued to increase significantly during the year. Altogether sales of food online

and menu basket increased by 42%, compared with the market sales increase of 27% according to Food Retail Index (DVI/HUI).

At the end of the year 282 stores were offering an online solution, an increase of 40% compared to the previous year. Online sales as a percentage of the total sales in stores offering the service amounted to an average of 3% at the end of the year.

E-commerce warehouse opened in Stockholm

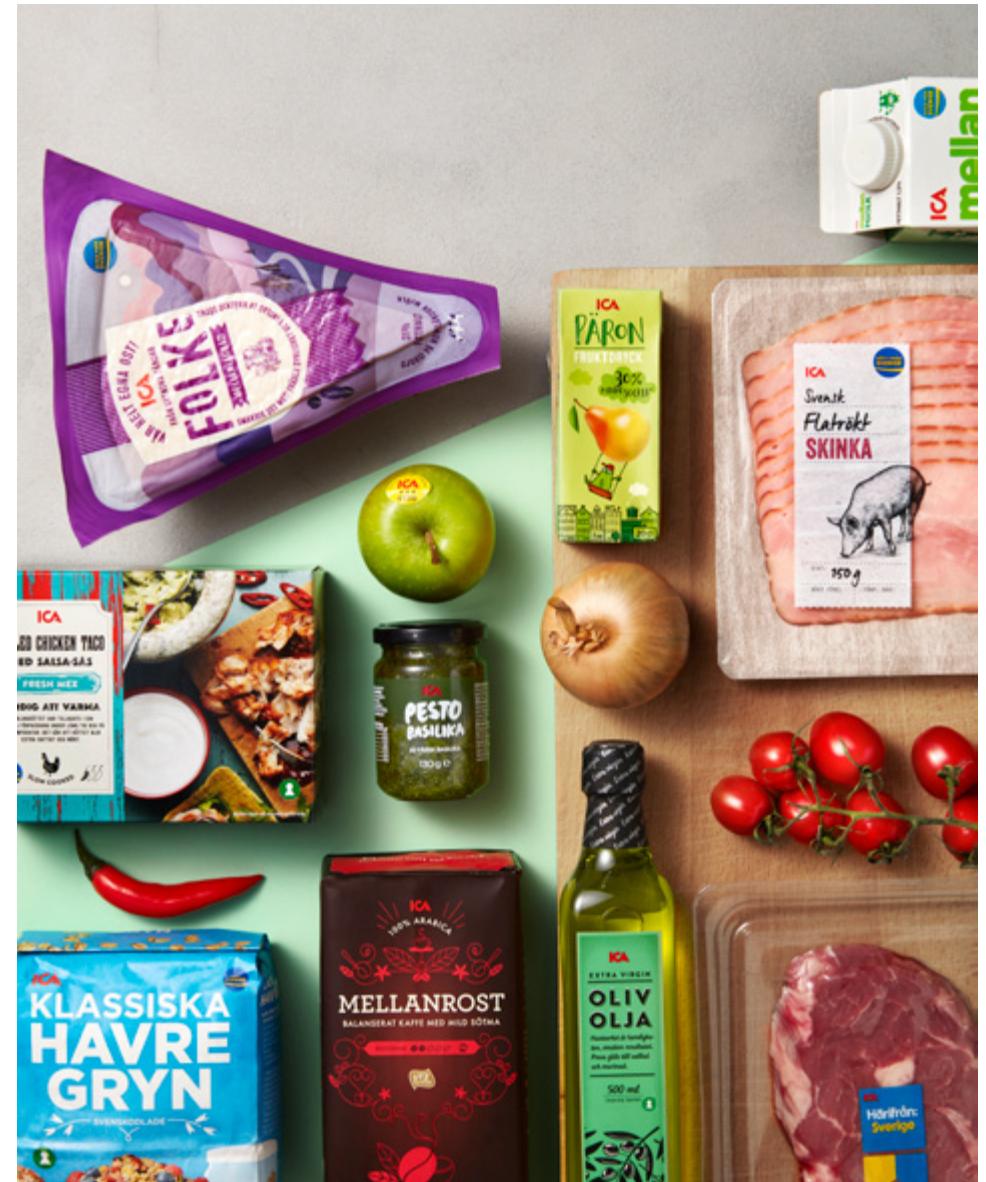
Increased online sales requires increasingly efficient picking and direct delivery processes. To increase efficiency and improve service for both stores and consumers, a central e-commerce warehouse was established in 2018 that offers independent ICA retailers in the Stockholm region direct delivery from warehouse to end customer. At the end of the year around 60 stores were connected to the e-commerce warehouse and an additional 480 were using it for ICA's menu baskets. →

Next generation e-commerce

During the year ICA Gruppen also decided to enter into an agreement with the British e-commerce company Ocado regarding a new e-commerce platform and a new, highly automated e-commerce warehouse in Stockholm. The new solution is expected to be completed no later than 2022 and will enable ICA Gruppen to offer improved functionality, a broader range, better deliveries and more efficient logistics flows. Read more on page 23.

ICA stores' sales

Sales in the Swedish ICA stores increased by 3.5% in 2018. The increase for comparable units amounted to 3%. The sales increase was mainly driven by larger average purchases, but an increase in customer store visits was also a contributing factor. Growth for the grocery retail market as a whole in Sweden was 3.2%, according to preliminary data from Statistics Sweden. →



ICA GRUPPEN'S SEGMENTS

→ Organisational changes and new work processes

To strengthen margins and to ensure the necessary conditions for a sustained high level of activity, a short-term action and savings programme and a longer term review of the organisational structure and work processes were launched during the year. The change entails that approximately 200 existing positions including vacancies in ICA Sweden will be removed and that approximately SEK 180 million will be freed up annually starting in the second half of 2019. The store network and format strategy is also being reviewed with a focus on convenience, metropolitan areas and hypermarkets of the future.

Future focus

The overall goal going forward is to ensure sustained strong sales growth, to further strengthen the Group's position in the grocery retail market and to create the necessary conditions for aggressive future initiatives. The activity level is expected to remain

high. The e-commerce offering and preparations for the highly automated e-commerce warehouse will have a high priority, as will continued development of loyalty programmes, private label products and concepts aimed at the meal market.

The ongoing review of the organisational structure and work processes will continue. Great emphasis will be placed on logistics and distribution as the underlying cost increases in these areas are expected to remain significant. The task of reviewing the store network and format strategy continues.

The number of new store launches is expected to be higher than in 2018. A total of 12–14 new stores are planned for 2019. The pace of renewal of the existing store network will remain high, involving around 200 stores.



Key figures

	2018	2017	2016
Net sales, SEK m ¹	82,411	79,353	77,038
Operating profit/loss before depreciation and amortisation (EBITDA), SEK m	3,787	3,939	3,941
Operating profit/loss excl. items affecting comparability, SEK m	3,332	3,507	3,504
Of which:			
Structural costs relating to organisational changes	110	–	–
Operating margin excl. items affecting comparability, % ¹	4.0	4.4	4.5
Investments, SEK m	868	660	640
Depreciation/amortisation, SEK m	456	434	438
Average number of employees	8,199	8,006	7,622
Private label share of store sales, %	25.4	24.7	24.0

1) A recalculation has been made for previous periods, see Note 1.



Financial performance

Altogether ICA Sweden's revenue increased during the year by 3.9%. This is mainly due to increased volumes in wholesale and to newly opened stores. In terms of earnings, revenue growth was offset by higher logistics costs and generally higher costs, mainly related to a large number of improvement and development projects, for example the e-commerce warehouse launch in Stockholm. The profit/loss item includes structural costs of SEK 110 million for the upcoming reorganisation. The operating margin was 4.0% (4.4). Adjusted for structural costs the margin was 4.2 percent.

Sales growth and number of stores including retailer-owned stores

Profile	Store sales (excluding VAT)			Number of stores in Sweden				
	2018, SEK m	Change, all stores %	Change, like-for-like %	Dec. 2017	New	Converted	Closed	Dec. 2018
Maxi ICA Stormarknad	36,525	4.7	2.6	82	1	2	0	85
ICA Kvantum	28,509	2.3	3.1	127	2	-2	-1	126
ICA Supermarket	35,465	2.7	2.5	429	3	0	-3	429
ICA Nära	17,807	4.4	4.7	649	4	0	-16	637
Total	118,307	3.5	3.0	1,287	10	0	-20	1,277

RIMI BALTIC

Focus on organic growth

For Rimi Baltic, 2018 was characterised by tough competition, ongoing store conversions and preparations for the upcoming e-commerce rollout. Increased sales of private label products and better performance in converted stores contributed to the improved operating profit, despite negative underlying volume growth.

Within Rimi Baltic there was a sustained focus on product range development and price perception, especially for private label and non-food products. Sales of private label products continued to grow during the year. Altogether private label products accounted for 24.3% of total sales.

New central warehouse in Riga
During the year preparations continued for the actual construction phase for the new central warehouse in Riga. Construction will take place in 2019 and the first half of 2020. As the new central warehouse is expanded, warehouse operations in Latvia will again be consolidated into the Riga warehouse and the central warehouse function for the Baltic countries will be expanded.

One brand strategy
In 2018 divestment of the discount stores under the Supernetto brand in Latvia began. The stores will gradually be converted into Rimi stores. This pro-

cess is expected to be completed in summer 2019 and all stores in Estonia, Latvia and Lithuania will then be Rimi stores.

Future focus

The overall goal going forward is to increase sales while also maintaining good profitability. Following the decision in 2018 by the Lithuanian Competition Council to block Rimi Baltic's acquisition of UAB Palink, which operates the IKI grocery retail chain, the focus has been shifted to strong organic expansion in Lithuania instead. Overall, there are plans to almost double the number of stores in Lithuania up to 2023, from the current 56 to around 100. The number of stores will also be increased in Estonia and Latvia, albeit not at the same pace.

Rimi Baltic will also increase the pace of digitalisation with continued investment in more targeted offerings and preparations for the e-commerce rollout. The experience and lessons

learned in similar initiatives within ICA Sweden will be valuable assets in this effort. Two pilot stores will be opened in 2019, and in 2020 online shopping will be rolled out in all three countries. A total of eight to ten new stores are planned for 2019.



Key figures

	2018	2017	2016
Net sales, SEK m	15,255	14,008	13,571
Operating profit/loss before depreciation and amortisation (EBITDA), SEK m	969	893	838
Operating profit/loss excl. items affecting comparability, SEK m	631	557	526
Operating margin excl. items affecting comparability, %	4.1	4.0	3.9
Investments, SEK m	362	358	372
Depreciation/amortisation, SEK m	336	321	306
Average number of employees	9,572	9,634	9,679
Private label share of store sales, %	24.3	24.1	22.4
EUR exchange rate, average	10.2593	9.6431	9.4718

Financial performance

Net sales increased by 2.4% during the year in local currency. The increase was mainly driven by higher fresh food prices, while volume growth was negative. The operating profit rose by 6.6% in local currency (in SEK by more than 13%). Improved margins in campaigns and for private label products as well as higher profits from converted stores in Estonia were offset to some extent by price investments in Lithuania and higher costs, mainly due to high wage inflation.

Sales development and number of stores

Country	Store sales (excluding VAT)			Number of stores			
	2018, EUR m	Change, all stores %	Change, like-for-like %	Dec. 2017	New	Closed	Dec. 2018
Estonia	374.3	-0.9	0.4	82	4	0	86
Latvia	775.2	3.0	3.7	121	4	0	125
Lithuania	324.5	3.6	0.9	56	1	-1	56
Total	1,474.0	2.1	2.2	259	9	-1	267

APOTEK HJÄRTAT

Strong increase in e-commerce and stronger position in health

For Apotek Hjärtat 2018 was characterised by an improved omni-channel offering, successful private label investments and a sustained high pace of renewal at existing pharmacies. These factors combined contributed to increased sales, stronger operating profit and better margins.

There was a strong emphasis during the year on further strengthening the e-commerce channel. Altogether online sales increased by 55%, compared to market growth of 35%. The growth drivers include a continued broadening and deepening of the product range, and faster and more flexible deliveries to customers. Among the new services launched during the year was Click & Collect at 135 pharmacies, where the customer can shop online but opt to pick up their purchase within two hours from the pharmacy of their choice.

Increased warehouse and distribution efficiency

In the beginning of 2019 a new automation solution was launched at the Apotek Hjärtat's distribution warehouse outside Norrköping. Also, in 2019 a new replenishment system will be installed. The new system will increase efficiency and the level of service offered to customers.

Investment in Min Doktor

In autumn 2018 Apotek Hjärtat acquired 42.7% of Min Doktor, one of Sweden's largest provider of digital primary care services. At the same time, Minutkliniken was divested to Min Doktor. By combining Min Doktor's Swedish operations with the Minutkliniken concept, patients will be able to get help both online and at small clinics staffed by registered nurses. The investment strengthens Apotek Hjärtat's position in health and is a key factor in the development of future primary care.

Continued development of the pharmacy network

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

Future focus

The focus in 2019 will be on further strengthening Apotek Hjärtat's position as one of the leading players in the Swedish pharmacy market. Strong priorities will be continued development of both the physical pharmacies and the online channel, and increasing the connection between these two channels to a higher extent.

The plan is to open six to eight new pharmacies in 2019, while maintaining a high pace of renewal at existing pharmacies. The expansion of the product range in both the physical pharmacies and online will continue, with a particular focus on private label products.

Expansion of Min Doktor will also continue with a further increase in the number of drop-in clinics, primarily adjacent to ICA stores. In 2019 the operations will be coordinated under one brand.



Key figures

	2018	2017	2016
Net sales, SEK m	14,110	12,876	12,531
Of which:			
Prescription drugs, SEK m	10,512	9,503	9,251
OTC drugs, SEK m	1,435	1,408	1,415
Other products and services, SEK m	2,163	1,965	1,865
Operating profit/loss before depreciation and amortisation (EBITDA), SEK m	740	604	594
Operating profit/loss excl. items affecting comparability, SEK m	533	461	436
Operating margin excl. items affecting comparability, %	3.8	3.6	3.5
Investments, SEK m	193	128	168
Depreciation/amortisation, SEK m	157	143	136
Average number of employees	3,085	3,083	3,234
Private label share of other products, %	19.6	18.5	17.6

Financial performance

Apotek Hjärtat's net sales increased in 2018 by 3.4% based on fixed prices for prescription drugs. The operating profit excluding items affecting comparability was 15.6% higher than the previous year. The operating margin also increased. Good volume growth, positive mix effects and an increased share of private label products were partially offset by higher costs linked to ongoing initiatives in e-commerce, logistics and newly opened pharmacies. From 1 November, Apotek Hjärtat owns 42.7 percent of Min Doktor, which since this date is reported as an associated company of Apotek Hjärtat. Operating profit excl. items affecting comparability for the year includes a loss of SEK -10 million attributable to Min Doktor.

Number of pharmacies

	Dec. 2017	New	Closed	Dec. 2018
Apotek Hjärtat	386	6	-4	388

ICA REAL ESTATE

High level of activity and numerous development projects

For ICA Real Estate 2018 was a year of continued development and planning of sites in locations close to cities. Work also continued on ensuring that the properties are being managed in a sustainable, customer-focused and value-creating way in order to support and develop ICA Sweden's store network.

The overall goals for ICA Real Estate include meeting ICA Gruppen's long-term need for appropriate properties in the right locations by either owning or leasing. For ICA Real Estate this means working with municipalities and other actors to create plans to develop better, more pleasant and more efficient marketplaces and destinations. In addition to grocery retail, the projects include other retail units, residential properties, offices, restaurants and community services.

Several urban development projects
In 2018 the development of several urban development projects continued. The larger ones include the sustainable future city district of Brunnshög outside Lund, a retail and residential project in Årsta and marketplaces in Bästa and Täby. Projects completed during the year include the construction of a Maxi ICA Stormarknad hypermarket in Ulricehamn and a new ICA Kvantum store with student housing in Teleborg in Växjö.

There were also numerous large development projects in existing properties, including new ICA stores, pharmacies and residences.

In 2018 the project property Trafikflyget 8 in Bromma was sold with building rights for offices, retail and a hotel. In connection with the sale a 15-year lease was signed for a Maxi ICA Stormarknad hypermarket and an Apotek Hjärtat pharmacy.

Smarter and more sustainable properties
A number of initiatives were implemented during the year to reduce energy consumption and in general promote more sustainable development.

The projects include connecting properties to systems enabling information to be sent and received in real time and investments in charging stations for hybrid and electric cars. During the year several ICA stores switched to geothermal energy as their energy source for store heating and cooling.

Market valuation

The assessed market value of ICA Real Estate's properties, owned or partly-owned, amounted to SEK 19.7 billion at the end of the year. The market value of the wholly owned Swedish properties was assessed at SEK 14.1 billion at year-end

(book value SEK 10.0 billion). Added to this are the properties partly owned by ICA Real Estate through three joint ventures: Långeberga Logistik (SEK 1.9 billion), Ancore Fastigheter (SEK 6.6 billion) and Secore Fastigheter (SEK 2.6 billion). The book values of the partly owned properties at the end of the year were SEK 1.5, 4.9 and 2.4 billion respectively. ICA Real Estate owns 50% of all three companies. Långeberga Logistik is consolidated into ICA Real Estate, while Ancore and Secore are reported in accordance with the equity method of accounting (see also Note 2).

Future focus

In 2019 ICA Real Estate will continue to develop attractive and sustainable locations adjacent to ICA stores and Apotek Hjärtat pharmacies. There will be an emphasis on implementing activities and projects based on the Group's urban development strategy. Expansion will be focused particularly on metropolitan areas.

Also in 2019, the long-term task of adapting the property portfolio to the new conditions in the grocery retail market will continue.



Key figures

	2018	2017	2016
Net sales, SEK m	2,591	2,468	2,372
Of which rental income from owned properties, SEK m	1,010	975	1,117
Operating profit/loss before depreciation/amortisation (EBITDA), SEK m	920	1,490	1,032
Operating profit/loss excl. items affecting comparability, SEK m	417	429	493
Operating margin excl. items affecting comparability, %	16.1	17.4	20.8
Investments, SEK m	1,845	937	1,212
Divestments, SEK m	286	2,927	404
Depreciation/amortisation, SEK m	514	483	467
Property yield, %	6.8	6.5	7.1
Occupancy rate, %	99.3	99.4	98.6
Average number of employees	101	90	87

Financial performance

The previous year's operating profit, excluding items affecting comparability, includes profits from divested units totalling SEK 24 million. Revenue from new investments and higher revenue from joint ventures had a positive effect on the operating profit for 2018, while negative factors were increased depreciation/amortisation and administrative expenses.

Other key ratios

	Consolidated operations, Sweden		Joint venture according to the equity method ¹
	Wholly owned	Partly owned Långeberga ¹	
Book value of owned properties, SEK bn	10.0	1.5	7.3
Estimated market value, SEK bn	14.1	1.9	9.2
No. of properties owned	119	2	73
No. of square metres owned, thousands	564	105	371
Occupancy rate, %	99.3	100	99.6
Share of rents from non-ICA operations, %	14.9		
Investments, SEK m	1,845		
Divestments, SEK m	286		

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

ICA BANK

Increased business volumes and improved profits

In 2018 ICA Bank saw clear and positive effects from the comprehensive changes implemented in recent years. Revenue and business volumes increased and profits improved significantly.

A negative repo rate and major regulatory changes relating to card charges have had a significantly negative impact on ICA Bank's revenue in recent years. To manage this situation ICA Bank has been making some comprehensive changes. The overall goal has been to develop the offering while also intensifying relationships with existing customers.

Digitalisation and cooperation

As a result of these changes, ICA Bank today is able to offer a wide range of financial services in the areas of lending, saving, payments and insurance.

2018 was a year of extensive optimisation of processes, continued digitalisation and increased cooperation with other operations within ICA Gruppen. The business model has become driven even more by customer insights, with a focus on customised offerings and solutions.

Altogether this has resulted in increased revenue and significantly improved profits. The customer count at the end of the year exceeded 800,000. Business volumes, measured as the sum of lending, deposits, saving in invest-

ment funds and mortgages, increased during the year by around 14%, largely as a result of higher loan volumes. The operating profit excluding items affecting comparability improved significantly, primarily driven by higher loan volumes and continued positive development from ICA Insurance.

High demand for services for ICA retailers

ICA Bank Corporate, a bank tailored for ICA retailers and ICA stores, continued to develop in a positive direction during the year. The offering includes financial services such as payment solutions, company bank cards, investments, liquidity management and various financing solutions. The retailers are also offered private banking services and advice. At the end of the year slightly more than one third of ICA retailers were customers of the bank.

Stable growth for ICA Insurance

ICA Insurance continued to grow largely according to plan in 2018. The insurance business strengthens and broadens ICA Bank's customer offering, and also helps

improve customer loyalty to the grocery stores. During the year the offering was expanded and the number of bank customers increased. Also, the number of insurance customers continued to increase during the year and at year-end amounted to around 146,000, confirming ICA Insurance's position as Sweden's fastest-growing insurance company.

Future focus

The overall goal going forward is to continue to grow revenue, volumes and earnings. This will happen by intensifying relationships with existing customers and continuing to attract new customers, but also through the investments made in the insurance company and corporate business. The development of new, innovative, primarily digital, services which help to simplify people's lives and personal finances will continue. The business model will become driven even more by customer insights, with a major focus on digital marketing, targeted offerings and increased cooperation with other operations within ICA Gruppen.



Key figures

	2018	2017	2016
Revenues, SEK m	1,353	965	863
Of which net interest income, SEK m	487	409	385
Operating profit/loss before depreciation/amortisation (EBITDA), SEK m	205	103	74
Operating profit/loss excl. items affecting comparability, SEK m	170	71	51
Cost/income ratio, %	83.5	86.4	89.2
Return on equity, %	4.5	2.3	2.0
Credit loss ratio, %	-0.4	-0.7	-0.6
Common equity Tier 1 ratio, %	15.6	16.9	17.1
Business volume, SEK m	46,618	40,866	32,288
Average number of employees	383	368	356

Financial performance

In 2018 ICA Bank's revenue increased by more than 20% (SEK 178 million of the reported revenue increase is attributable to a change in ICA Insurance's reinsurance volume) and the operating profit excluding items affecting comparability increased by SEK 99 million during the year. The significantly improved profits were the result of an increased volume of lending to both private individuals and companies, increased card revenue and a lower deficit within ICA Insurance, which continues to develop well.

HEMTEX

Review and change processes continue

2018 was a year of transition for Hemtex, with a strong emphasis on continuing to make changes to achieve long-term stable profit development.

Since Hemtex became a wholly owned subsidiary of ICA Gruppen at the end of 2015, a process of comprehensive change has been under way with the overall goal of achieving long-term and sustainable profitability. The changes are extensive and it will take some time before the results are evident in the company's financial performance.

The whole organisation is being overhauled. Areas of particular focus are reducing costs, increasing efficiency and strengthening the customer offering through, among other things, a new store concept and a significant investment in increasing online sales. Distribution efficiency has also been improved and cooperation with ICA Sweden expanded.

Negative volume growth

As an important aspect of the change process, a review of the store network was conducted in 2018. Altogether two new stores were opened and eight were closed. The negative store growth, in combination with a lower number of customer visits, had a negative impact on volume and reduced net sales. The stores' volume development was partly compensated for by increased

online sales and wholesale sales through Kesko in Finland.

Strong increase in online sales

In 2018 online sales increased by 36%. Altogether the online channel accounted for 9% of total sales. In addition to reviewing the actual product offering, logistics processes have also been improved. By allowing the stores to handle a certain portion of online orders, the time from order placement to delivery has been shortened considerably.

Continued rollout of new store concept

During the year the rollout of the new store concept continued, including an overhaul of the store environment and communication. The fashion content of the product range has been raised and the customer offering has been expanded to include many more home furnishing items.

Future focus

The ongoing changes will continue in 2019. There will be a strong emphasis on increasing sales, continuing the rollout of the new store concept and continued improvements to the e-commerce channel.

Key figures

	2018	2017	2016 ¹
Net sales, SEK m	1,020	1,078	1,316
Operating profit/loss before depreciation and amortisation (EBITDA), SEK m	35	54	21
Operating profit/loss excl. items affecting comparability, SEK m	13	31	24
Operating margin excl. items affecting comparability, %	1.3	2.9	1.8
Investments, SEK m	27	19	13
Depreciation/amortisation, SEK m	22	23	28
Average number of employees	495	547	607

1) In the first half of 2016 divested companies are included.

	2018 SEK m	Change,	
		all stores %	like-for-like %
Store sales (excluding VAT)	1,042	-5.2	-6.0
Dec. 2017	New	Closed	Dec. 2018
Number of stores incl. franchise stores	153	2	-8
			147

Financial performance

Hemtex' operating profit excluding items affecting comparability was lower than in 2017 despite significantly lower costs. This change is essentially explained by lower volumes, negative currency effects and a slightly higher percentage of discount sales.



Risks and risk management

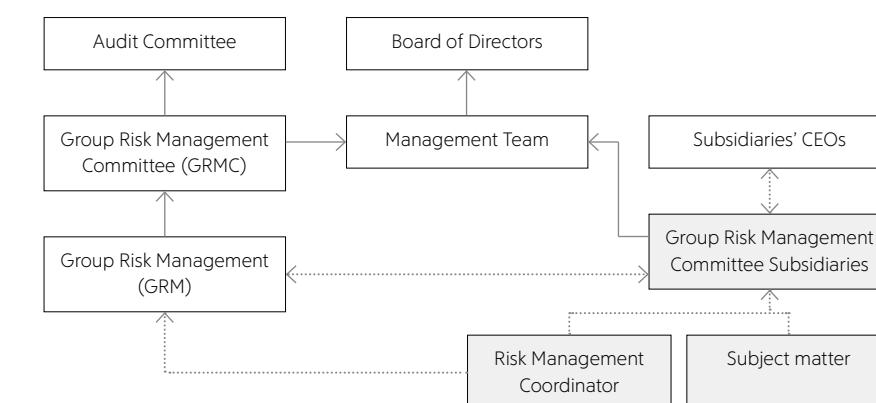
Risks and risk taking are a natural part of ICA Gruppen's operations. A good understanding of the risks and continuous monitoring of changes in the risk profile provide good conditions for risk to be considered in a relevant way in decision-making, increasing the ability to achieve the Group's strategic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

Risk management strategy

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

be a safe and reliable choice for customers, employees and partners. ICA Gruppen's risk management framework establishes, among other things, the levels of risk that are acceptable and how risks that exceed these levels are to be escalated to the Management Team and Board of Directors for decisions on risk management measures. Levels of risk are established by the Board of Directors and are expressed as a number of factors which, along with the financial impact, are to be analysed and assessed with the objective of minimising the risk of the following occurring:

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



RISKS AND RISK MANAGEMENT

Risk management process

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

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

There is also a Group Risk Management Committee, headed by ICA Gruppen's CFO, which has the responsibility for maintaining an overview of the Group's risk exposure by providing guidance and governance. The Group Risk Management Committee is also responsible for reporting significant changes in the risk profile and for checking that the risk management efforts are sufficiently effective. Together with appointed risk management coordinators, similar committees in the subsidiaries ensure that risk management work is conducted in a coordinated and effective way within each business. In addition there is a Group Risk Management (GRM) department, which coordinates the Group's risk work and monitors compliance with the framework, and which supports the subsidiaries and strengthens the Group's risk management work through training, by developing tools and by carrying out risk analyses for specific risk areas such as fraud risk, the processing of personal data and group-wide initiatives. Among other things, this means that GRM supports and contributes to the development of the business as regards structured loss prevention work and business continuity plan-

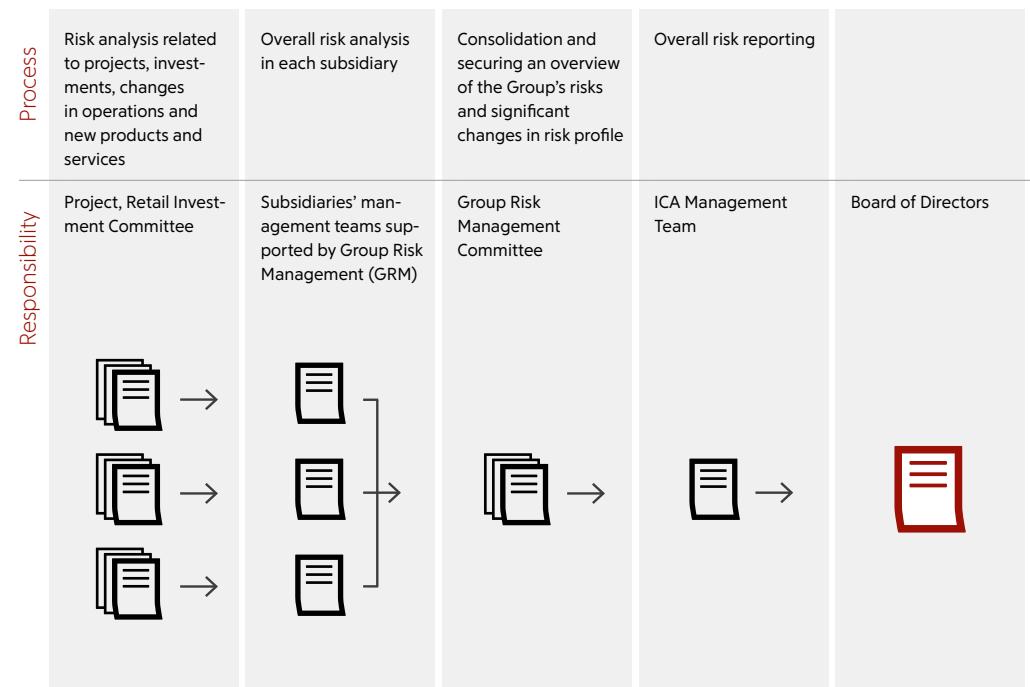
ning. In addition, GRM works to ensure that the assessment of risks within the Group is balanced and stringent.

An overview of the Group's main risks as well as measures to manage them are reported every six months to the Management Team and ICA Gruppen's Board of Directors.

Through regular meetings between GRM and the Internal Control and Internal Audit departments, any shortcomings found during scrutiny are shared. This improves efficiency in actions aimed at increasing risk awareness in the identified risk areas. For further information on internal control over financial reporting, see pages 65 and 73.

Some of the changes that affected ICA Gruppen's risk profile in 2018 relate to the implementation of major change and development projects within ICA Gruppen. There are also risks associated with an increasing degree of online sales and digitalisation, and how this affects the ICA model with its independent retailers.

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



RISKS AND RISK MANAGEMENT

- 
- Increased risk
-
- 
- Unchanged risk
-
- 
- Decreased risk

Risk areas

Risk description	Trend	Impact	Management
IT-related risk		<ul style="list-style-type: none"> • Critical processes • Trust • Financial 	<p>In 2018 ICA Gruppen's work to streamline and digitalise the business continued. At the Group level and within the subsidiaries, structured work is continually under way to enhance the ICA Gruppen's IT and data security. In addition, the implementation of GDPR involved significant work on ICA Gruppen's systems and processes.</p>
Distribution risk		<ul style="list-style-type: none"> • Critical processes • Trust • Financial 	<p>There is an ongoing process to help ensure a high level of safety in the logistics chain, for example through ongoing plant maintenance, training of employees and the monitoring of routines via self-assessment and risk inspections to ensure good order is maintained. In addition, the Group works in a structured way to ensure that deliveries can continue in the event of unforeseen events occurring.</p>
Personnel risk		<ul style="list-style-type: none"> • Health and wellbeing • Sustainability 	<p>During the year ICA Gruppen maintained its structured work aimed at continuous skills enhancement and increased opportunities for further development within the Group. Work is in progress to identify and reduce dependence on key individuals, to ensure succession planning for critical roles and to increase diversity in the Group. During the year ICA's popularity among students increased, with university students seeing ICA as one of the most attractive employers.</p>
Brand risk		<ul style="list-style-type: none"> • Employee motivation • Health and wellbeing • Sustainability 	<p>ICA Gruppen's framework includes various policies and guidelines to support the Group in its interaction with customers and suppliers, and in interactions between colleagues. Since ICA Gruppen's operations in Sweden consist of independent retailers who to varying extent also purchase products from suppliers other than ICA Sweden, the Group's ability to ensure adherence to ICA Gruppen's policies and guidelines can sometimes be limited. The continuous dialogue conducted between ICA Gruppen and ICA-handlarnas Förbund and the training offered to ICA retailers are resulting in increased understanding of and compliance with the values that ICA stands for.</p>
Real estate-related risk		<ul style="list-style-type: none"> • Laws and regulations • Health and wellbeing 	<p>ICA Real Estate is engaged in a constant dialogue with the tenants, and conducts inspections and invests significant amounts to ensure that existing properties are well maintained and developed. Before decisions are made on major new construction or renovations, ICA Gruppen conducts risk analysis to identify and reduce risks associated with property development, such as environmental impact. A long-term plan to ensure access to strategic locations and that properties have a mix of tenants also helps to maintain high occupancy rates and keeps rent levels in line with market norms.</p>

RISKS AND RISK MANAGEMENT

-  Increased risk
-  Unchanged risk
-  Decreased risk

Risk description	Trend	Impact	Management
Market risk and changed consumption patterns		<ul style="list-style-type: none"> • Laws and regulations • Health and wellbeing 	<p>ICA Gruppen's business and products are heavily influenced by changes in the market. Major changes in consumption patterns, customer behaviour such as increased online sales and competitors' actions can also result in a reduced market share, lower margins and greater pressure on prices.</p> <p>ICA Gruppen continues to develop its ability to adapt the organisation and offering, in order to be able to continue to have an attractive offering in the future. This includes e-commerce solutions within ICA Sweden, Apotek Hjärtat, ICA Bank and Hemtex. To do this, major investments are being made in infrastructure, IT systems and new facilities in order to have an attractive e-commerce offering in the long term. Constant adjustment of prices, the product range, quality and services in line with customer demand is a priority and is achieved through constant dialogue with customers and by ensuring that sufficient resources are available for future investments.</p>
Regulatory risk		<ul style="list-style-type: none"> • Laws and regulations 	<p>ICA Gruppen's grocery retail, pharmacy, insurance and financial operations require special permits and are subject to ongoing scrutiny from various supervisory authorities. An inability to comply with laws or regulations, or changes in the application or interpretation of existing ones, could require ICA Gruppen to change its business methods or could result in the loss of permits to operate or have unforeseen costs, and could affect the Group's good reputation among customers and shareholders.</p> <p>Adapting operations to changes in laws and regulations is an ongoing process and is achieved by monitoring relevant regulatory changes, through analysis and training, and by 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.</p>
Financial risk	—	<ul style="list-style-type: none"> • Laws and regulations 	<p>ICA Gruppen's objective is to provide a strong and stable return in the long term. The ability to secure financing for the Group and to control financial exposure in line with policies and guidelines is essential if ICA Gruppen is to reach its targets.</p> <p>Financial risk such as interest rate risk, refinancing risk, liquidity risk, foreign currency risk, credit risk and commodity price risk are managed centrally by the Group's Treasury & Tax department in accordance with the policy set annually by the Board of Directors. For a more detailed description of established risk levels and how adherence to these is ensured, see Note 20.</p>
Risk related to threats and violence		<ul style="list-style-type: none"> • Employee motivation • Health and wellbeing • Sustainability 	<p>ICA's business, and the employees in the store network, are exposed to the growing levels of threat and violence in some parts of society. This could have an indirect effect on ICA's personnel in terms of their wellbeing and security, but could also affect them directly in the event of violent incidents.</p> <p>ICA Gruppen conducts extensive security work and there is collaboration on this, both between Group companies and between ICA Gruppen and ICA-handlarnas Förbund. Risk and security work takes a structured form and includes both preventive measures and a number of initiatives to improve support in the event of incidents.</p>

RISKS AND RISK MANAGEMENT

- Increased risk
- Unchanged risk
- Decreased risk

Risk description	Trend	Impact	Management
Sustainability risk		<ul style="list-style-type: none"> • Employee motivation • Trust • Financial • Sustainability • Laws and regulations 	<p>Expectations of companies are growing even more as regards acting as a good member of the community and being transparent about how the business affects the world around it. Increased customer awareness about climate change, product origins, ethical positions and personal health is impacting purchasing behaviours. ICA Gruppen is expected to engage extensively in sustainability efforts and to be open about both the positive and negative impact of its operations. If trust in ICA Gruppen's sustainability work were to decline in the community due to shortcomings in the handling of products, dubious supplier working conditions or failure to act on risks swiftly, confidence in ICA Gruppen as well as the Group's earnings and attractiveness as an employer could be negatively affected.</p> <p>Sustainability is a core aspect of ICA Gruppen's operations. The sustainability policy and its guidelines provide a framework, and performance in relation to overall sustainability targets for climate, quality, health and social responsibility is monitored and the results published in quarterly sustainability reports. To provide a clearer picture and greater insight into how ICA Gruppen conducts its sustainability work, the For a Good Tomorrow concept was launched. The concept is broken down into five defined areas: local, environment, health, diversity and quality. A key aspect of the focus on sustainability is to work according to relevant standards and certifications for quality and the environment. In 2018 a new group-wide strategy on plastics was adopted with the overall aim of contributing to a circular, sustainable plastics system.</p>
Climate risk		<ul style="list-style-type: none"> • Trust • Financial • Sustainability • Laws and regulations 	<p>One of the big challenges is predicting how climate change and population growth will affect the supply and cost of various products. Stores and transportation may also be affected by factors triggered by extreme weather conditions, such as flooding or wildfires resulting from drought. A reduction in supply or increase in cost for renewable fuels also poses a risk to ICA Gruppen in its efforts to transform and adapt the business for the future. Society's measures to limit climate change are also very likely to result in new laws and regulations, which in turn will affect ICA Gruppen's operations. For example, on 1 July 2018 Sweden introduced a statutory requirement to reduce greenhouse gas emissions from petrol and diesel with a view to increasing the amount of biofuels in the fuel mix, which has impacted the supply and cost of renewable fuels.</p> <p>ICA Gruppen has an ambitious target for its climate work and is implementing targeted measures in areas such as energy saving, the transition to renewable electricity and to refrigerants with a lower climate impact in stores and warehouses, and reducing transport emissions. In 2018 ICA Gruppen became the first Swedish grocery retailer to have its climate ambition approved by the Science Based Targets initiative. During the year a new target was also added: that suppliers accounting for 70% of ICA Gruppen's upstream climate impact are to have adopted science-based climate targets by 2025 at the latest. Regular dialogue is also maintained with all suppliers to manage potential sustainability risks associated with sourcing. The fuel market is undergoing change, and ICA Gruppen is working to come up with a long-term fuel strategy that both addresses the challenges and capitalises on opportunities.</p>

Corporate Governance Report 2018

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

Rapid changes in the market and the world around us continued to shape the work of the Board during the year. Rapid digitalisation, changed consumer behaviour and extensive blurring of industry lines are creating both challenges and opportunities.

Over the past year fast changes in the markets and the world around us became a major focus for the Board's work, with rapid and increasingly widespread digitalisation affecting most of the areas in which we operate. We have been talking about this for a long time and in 2018 it actually became even more tangible.

The power and effects of digitalisation must not be underestimated. It is fundamentally changing conditions, behaviours and value chains. It is impacting our offering and our interactions with our customers – but also our internal processes, work methods and how we lead. In many ways we are facing a new reality and although the pace of development has been fast in recent years, we are still at the beginning of a new era. Neither we nor any other actor knows with certainty what tomorrow will bring. There are numerous challenges – but even more opportunities. The Board is optimistic about our joint ability to handle changed market conditions and new customer behaviours.

Courage and a long-term approach
The new climate requires us to have great organisational capacity, financial strength and the courage to continue to evolve. One of the main tasks of the Board in this situation is to chart a long-term course and create the best possible conditions for continued positive development. Through good and relevant corporate governance we want to ensure that our corporate culture is sound and help the Group and its operations to develop – as a whole and as individual parts.

As always the Board has taken a long-term perspective this past year. ICA has been around for a little over 100 years and we plan to be here for at least another 100. Our decisions on goals and targets, strategies and individual initiatives are based on this long-term perspective.

The Board has performed its duties during the year through Board meetings and in various committees. The fact that each Board member serves

on at least one committee ensures participation and that continuity is maintained between the meetings. The level of commitment among the Board members has remained high. Discussions within the Board and with the Management Team have been fruitful, constructive and characterised by an aspiration to dare to think outside the box.

Taking long-term decisions requires knowledge of and insight into both day-to-day work and changes in the markets and external environment. In my opinion we have a good mix of skills on the Board. To help us we have purpose-built systems, routines and processes to follow up on targets, internal control and risk management.

Capacity for continued investment
The goal going forward is to continue to evolve and further strengthen our positions. This applies in particular, or course, to our online sales channels. ICA Sweden's cooperation agreement with

Further information:

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

the British e-commerce company Ocado relating to its technology and platform developed specifically for grocery retail is an important step forward in this area. We also intend to strengthen our position in the Baltic countries. After the Lithuanian Competition Council blocked Rimi Baltic's acquisition of UAB Palink (IKI) in 2018, we shifted our focus to organic growth.

Our starting position is strong. Entrepreneurship, a desire to evolve and the retailers' perspective are key parts of our DNA – and as a result of the operational improvements and structural changes made in recent years, we now have a stable structure to build on. We also have a financial position that provides good opportunities for both aggressive investment and a sustained stable return for our shareholders.

Major focus on sustainability

Due to our size and position we have a major responsibility to help promote more sustainable development. In addi-



tion to inspiring our customers to make sustainable choices, we are also working on gradually decreasing our own environmental impact. Since 2015 we have been working towards the goal of making ICA Gruppen's operations climate-neutral by 2020. This goal is both inspiring and challenging, and we are convinced that it will create value for our customers, our communities and ourselves. Sustainability work is a key priority for ICA Gruppen and the Board is monitoring the Group's progress closely and with great interest. To ensure that the sustainability perspective is fully integrated, the Board has had a committee entirely dedicated to this since 2016.

In line with established targets
One recurring item on the Board's agenda is, of course, following up and, if necessary, revising the group-wide targets and strategic priorities that were set in the past. As we now summarise 2018 it is gratifying to be able to confirm

that our performance in 2018 was largely in line with our financial and sustainability targets. As a consequence of the introduction of IFRS 16 we recalculated two of ICA Gruppen's financial targets in 2018. Our target of paying a dividend of at least 50% of profit for the year remains the same.

Inspiring internal commitment

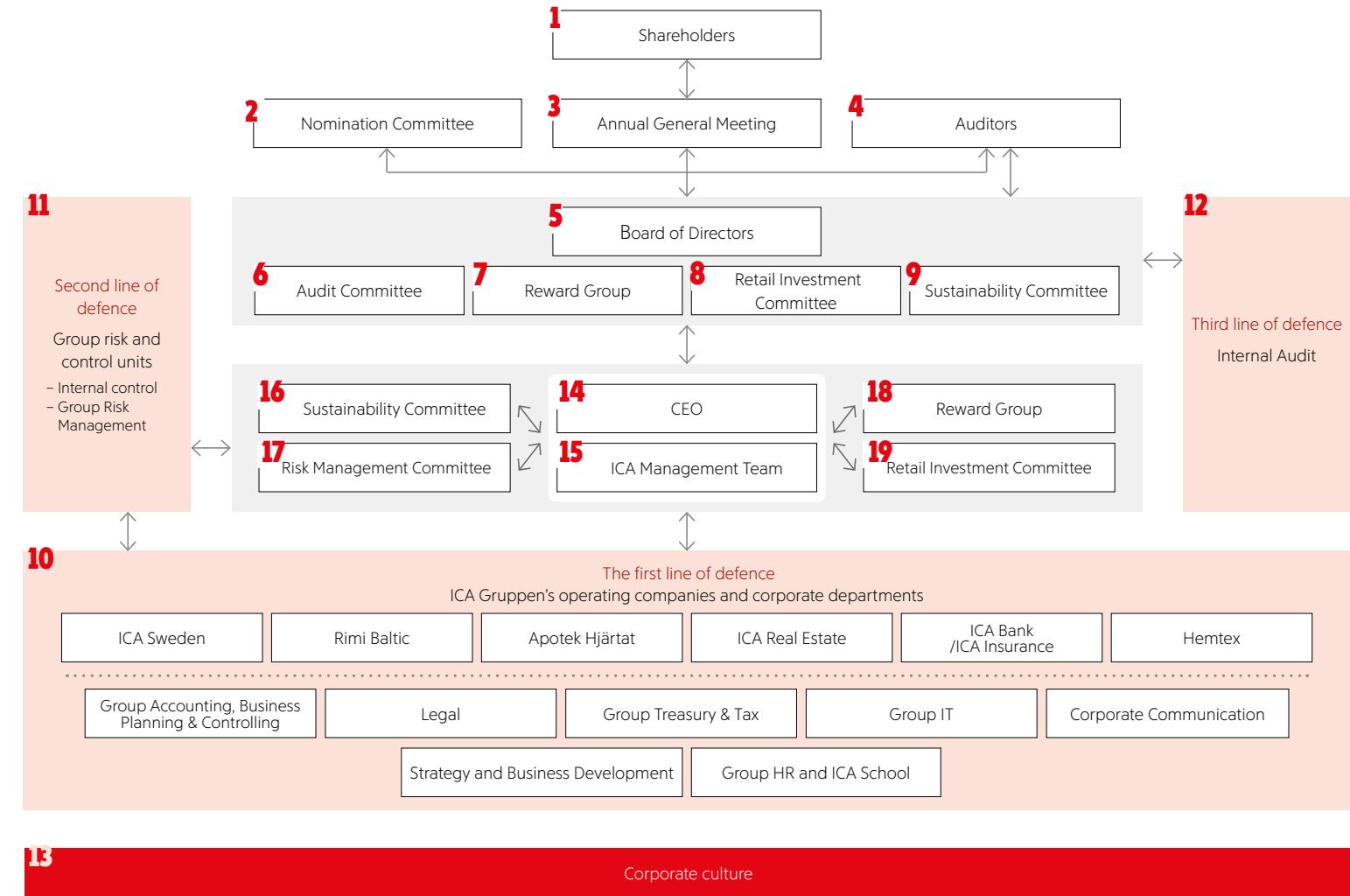
One of the Board's tasks is to support the ICA Gruppen Management Team (IMT) and critically evaluate its work. To succeed in this it is essential to have an open and constructive dialogue between the Board and the IMT. From the Board's perspective, our experience is that this is indeed the case. I would also like to express our appreciation for the commitment and go-ahead spirit that permeates our entire organisation. In times of sweeping change, this is exactly what is needed.

Stockholm, February 2019

Claes-Göran Sylven
Chairman of the Board

Governance for value creation

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



Shareholders

1. ICA Gruppen has been listed on Nasdaq Stockholm in the Large Cap segment since 8 December 2005. The largest shareholder is ICA-handlarnas Förbund with a holding of 54%. As of 31 December 2018 the second largest shareholder, AB Industriärven, owned 7% of the shares. The remaining shares were owned by 50,512 natural and legal persons. None of these shareholders held more than 10% of the shares in the Company, either directly or indirectly. The Company has one class of shares with equal voting rights and dividend entitlement. In voting at general meetings each share carries entitlement to one vote and

each person may vote for the full number of shares he/she represents. As of 31 December 2018 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 74–75 and on the Company's website, icagruppen.se/en.



- ICA-handlarnas Förbund
- AB Industriärven
- Other Swedish financial institutions
- Foreign financial institutions
- Swedish private individuals
- Other

Nomination Committee

2. The rules for ICA Gruppen's Nomination Committee were adopted at the 2018 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 Euro-clear Sweden AB as of the last trading day in August. If, during the Nomination Committee's mandate period, one or more of the shareholders that appointed members of the Nomination Committee is/are no longer among the three largest shareholders and the shareholder or shareholders now among the three largest shareholders so request(s), members appointed by the shareholder or shareholders no longer among the three largest shareholders shall resign and the shareholder or shareholders now among the three largest shareholders shall be entitled to appoint a member instead. The Nomination Committee will present proposals regarding the following matters prior to the 2019 Annual General Meeting:

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

The work of the Nomination Committee

The composition of the Nomination Committee was announced on 28 September 2018. It consists of representatives from the three largest shareholders: Tomas Emanuelz and Anna-Karin Liljeholm representing ICA-handlarnas Förbund, Annika Lundius representing AB Industriärven and Tommi Saukkoriipi 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 established that there are no conflicts of interest

that would affect their assignment. The Chairman of ICA Gruppen's Board, Claes-Göran Sylvén, was co-opted onto the Nomination Committee. The Nomination Committee met with CEO Per Strömberg and CFO Sven Lindskog who, along with Claes-Göran Sylvén, provided information on ICA Gruppen's operations, Board work and future focus areas. The Nomination Committee was also presented with the results of the 2018 evaluation of the Board. The chairman of the Audit Committee, Cecilia Daun Wennborg, informed the Nomination Committee about the work of the Audit Committee and cooperation with ICA Gruppen's Accounting department and the evaluation of the audit work carried out by the Audit Committee in 2018.

In preparing its proposal for the Board of Directors, the Nomination Committee applied rule 4.1 of the Code as a diversity policy, through which the Nomination Committee gave consideration to the fact that the Board of Directors shall, taking into account the nature of the Company's business, its stage of development and circumstances in general, have an appropriate composition characterised by diversity and breadth with respect to the expertise, experience and backgrounds of the members elected by the general

meeting. The Nomination Committee also focuses on meeting the goal of having gender balance on the Board. Based on the information received by the Nomination Committee regarding the work of the Board of Directors and the Audit Committee, as described above, the Nomination Committee has obtained a sound basis for determining whether the composition of the Board is satisfactory and whether the Board has satisfactory expertise, breadth and experience, and for making a proposal for the election of an auditor. Shareholders have been given the opportunity to submit suggestions and points of view on the work of the Nomination Committee prior to the 2019 Annual General Meeting. The Nomination Committee's proposals for the 2019 Annual General Meeting are presented in the notice of the meeting. More information on the work of the Nomination Committee will be presented in the Nomination Committee's report prior to the 2019 Annual General Meeting.

Annual General Meeting

3. The general meeting of shareholders is ICA Gruppen's highest decision-making body. The general meeting that is held within six months of the end of the financial year and that presents the income statement and balance sheet is known as the Annual General Meeting (AGM). ICA Gruppen's Annual General Meeting is normally held in the Stockholm area. In addition to decisions on the adoption of the income statement and balance sheet, the Annual General Meeting also decides on, among other things, the appropriation of earnings, the composition of ICA Gruppen's Board of Directors, fees for the Board and guidelines for remuneration to senior executives. The AGM also elects external auditors. General meetings are convened by being advertised in Post- och Inrikes Tidningar (the Official Swedish Gazette) and by posting the notice of the meeting on the Company's website, icagruppen.se/en. When a general meeting is convened this information is advertised in Svenska Dagbladet, Dagens Nyheter and Dagens Industri. Shareholders who are registered in the share register five working days prior to a general meeting and who have duly notified ICA Gruppen of their intention to attend are entitled to participate in the general meeting, in person or by proxy, to vote at the meeting for or against the proposals presented and to pose questions to

the Board of Directors and the CEO. Decisions at a general meeting are normally taken by simple majority. However, certain decisions, such as on amendments to the Articles of Association, must be approved by a qualified majority.

2018 Annual General Meeting

The 2018 Annual General Meeting was held on 12 April 2018 at Quality Hotel Friends in Solna. In addition to shareholders, the meeting was attended by ICA Gruppen's Board of Directors and Management Team, as well as employees, media representatives and a number of invited guests. The minutes from the Annual General Meeting and related documents are available on ICA Gruppen's website, icagruppen.se/en.

Annual General Meeting 2019

The 2019 Annual General Meeting will be held on Thursday 11 April 2019 at Quality Hotel Friends in Solna. Shareholders who, no later than Friday 5 April 2019, are registered in the share register (maintained by Euroclear Sweden AB) and have notified the Company of their intention to participate in the AGM are entitled to participate in the AGM, in person or by proxy.

Auditor

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

According to the Articles of Association the Annual General Meeting is to appoint at least one but no more than two auditors or one or two authorised accounting firms. The accounting firm KPMG AB was elected as auditor at the 2018 Annual General Meeting for a term of one year. KPMG AB has therefore audited the Company's accounts for 2018, with the authorised public accountant Thomas Forslund as the auditor in charge. In addition to ICA Gruppen, he has significant audit assignments with EQT AB, Höganäs AB and invido Sverige AB. Thomas Forslund has no assignments that impact his independence as auditor for ICA Gruppen.

The auditors attended one Board meeting to present KPMG AB's audit process for ICA Gruppen and to give Board members an opportunity to ask questions without the presence of the ICA Management Team. In addition, the auditors attended all

of the meetings of the Board's Audit Committee.

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

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

Board of Directors

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

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

According to the Articles of Association, ICA Gruppen's Board of Directors is to consist of between five and ten members elected by the Annual General Meeting. There are no other rules in the Articles of Association

concerning the appointment or dismissal of Board members. The CEO makes presentations at Board meetings and the Company's General Counsel is the secretary to the Board. In addition to the AGM-elected members, the Board has two employee representatives, each with a deputy.

At the 2018 Annual Meeting Claes-Göran Sylvén (Chairman), Göran Blomberg, Fredrik Häglund, Andrea Gisle Joosen, Jeanette Jäger, Bengt Kjell, Magnus Moberg, Cecilia Daun Wennborg and Anette Wiotti were re-elected. Jan Olofsson resigned from the Board and Fredrik Persson was elected as a new member. Four of the AGM-elected Board members are women and six are men. The Board is made up of individuals with extensive and solid expertise in ICA's affairs and in retail, business development, IT, corporate finance, corporate governance, sustainability and industry. The Board has ongoing professional development in areas that are relevant to ICA Gruppen. In 2018 Board members received training in the General Data Protection Regulation (GDPR) and digitalisation as they pertain to the Group's operations.

The CEO, CFO and secretary to the Board are not members of the Board of Directors. They do, however, attend Board meetings, except in matters where a conflict of interest

may exist or where it is otherwise not appropriate for them to attend. The composition of the Board is presented on pages 61-62.

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

Independence of Board members
Five of the Board's members – Cecilia Daun Wennborg, Andrea Gisle Joosen, Jeanette Jäger, Bengt Kjell and Fredrik Persson – are independent in relation to ICA Gruppen, its management and the principal shareholders. Fredrik Hägglund and Göran Blomberg are independent in relation to ICA Gruppen and its management, but not

in relation to its principal shareholders since they are employed by ICA-handlarnas Förbund. Magnus Moberg and Anette Wiotti are ICA retailers and members of the board of ICA-handlarnas Förbund, and are considered to be independent in relation to ICA Gruppen and its management, but not in relation to the principal shareholder ICA-handlarnas Förbund. Claes-Göran Sylvén is a ICA retailer and member of ICA-handlarnas Förbund and is considered to be independent in relation to ICA Gruppen and its management but not in relation to ICA-handlarnas Förbund.

The work of the Board

The main mission of the Board of Directors is to establish the Company's overall goals and strategy, and the Chairman oversees the work of the Board. The key issues for the Board to address are strategy work, monitoring and control of the Company's operations and risks, value creation and monitoring the Company's compliance with external and internal rules and regulations. The

processes for monitoring and control of the Company's risk are described in more detail in the section *Risks and risk management* on pages 50-54. One of the ways that the Board monitors the Company's compliance with internal and external rules and regulations is through the risk-based audits performed by the Internal Audit department; see the section *Internal Audit* below. The Board's work is regulated in the rules of procedure established by the Board each year, and by applicable laws and regulations. Every year the Board decides on instructions for the CEO and for the working committees, as well as other policy documents that provide guidance for ICA Gruppen's employees. The rules of procedure and instructions now in place were addressed and formally adopted at the Board meeting on 22 May 2018. The Board of Directors met 10 times in 2018.

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.

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

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

- Minutes of the previous meeting
- Information on matters addressed by the Board's committees

- CEO's report
- CFO's report
- Quarterly reports from internal audit scrutiny and any action plans
- Strategic themes
- Decisions on special matters

years' experience in various areas that are relevant to ICA Gruppen's operations.

Conflicts of interest

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

Remuneration to the Board of Directors

The Nomination Committee submits proposals to the Annual General Meeting for resolutions on Board fees. The 2018 Annual General Meeting voted in favour of the Nomination Committee's fee proposal. Information on Board fees in 2018 can be found in the Group notes, under Note 4; see page 91 and on pages 61-62. The Nomination Committee's remuneration proposals for the 2019 Annual General Meeting are presented in the notice of the meeting.

Annually recurring agenda items:

First quarter	Second quarter	Third quarter	Fourth quarter
• Year-end accounts	• Annual General Meeting	• Long-term plan (LTP)	• Annual target (AT)
• Annual Report	• Statutory board meeting	• Interim report (second quarter)	• Interim report (third quarter)
• Matters to discuss ahead of the AGM	• Appointment of committee members		• Evaluation of the Board of Directors
	• Corporate governance documents		• Evaluation of the CEO
	• Interim report (first quarter)		

Matters addressed in 2018 have included:

- Cooperation with Ocado Group PLC on opening a highly automated e-commerce warehouse.
- Opening a central warehouse for direct delivery of the ICA stores' online orders.
- Data protection within ICA Gruppen.
- The acquisition of Min Doktor and further development of the Minutkliniken healthcare offering.

Board committees

Audit Committee

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

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

Reward Group

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

Retail Investment Committee

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

Sustainability Committee

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



Board of Directors



Claes-Göran Sylvém



Göran Blomberg



Fredrik Hägglund



Andrea Gisle Joosen



Jeanette Jäger



Bengt Kjell

Born	1959	1962	1967	1964	1969	1954
Education	Various courses of study (finance, business management, leadership development etc.).	Master of Science in Business and Economics	Master of Laws	MSc International Business	Studies in business and finance	Master of Science in Business and Economics
Elected	2013	2013	2013	2010	2015	2013
Other significant assignments	Chairman of the Board MQ Holding AB. Board member Centrum Fastigheter i Norrtälje AB etc. ICA retailer, ICA Kvantum Flygfyren in Norrtälje.	Chairman of the Board Urbano AB, Expanda Modular AB and Retail Finance Europe AB. Board member Hakon Media AB etc. CFO, ICA-handlarnas Förbund.	Board member Svensk Handel (Swedish Trade Federation) and Independent Retail Europe etc. CEO ICA-handlarnas Förbund.	Chairman of the Board Acast AB (publ). Board member Dixons Carphone plc, BillerudKorsnäs Venture AB and James Hardie Industries plc.	CEO, Bankgirot.	Chairman of the Board Hemfosa Fastigheter AB, Nyfosa AB and SSAB. Board member AB Industrivärden, Indutrade AB and Pandox AB etc.
Previous significant positions	Chairman of the Board ICA AB. Board member Svensk Handel (Swedish Trade Federation). CEO Hakon Invest AB and ICA-handlarnas Förbund.	Board member ICA AB and Rindi Energi AB etc. CFO Hakon Invest AB, RNB Retail and Brands AB, Portwear AB and Pronyx AB.	Board member ICA AB, Swedish Anti-Corruption Institute and EuroCommerce. Vice President and General Counsel ICA-handlarnas Förbund. General Counsel Hakon Invest AB. Lawyer, Clifford Chance, Brussels. Assistant Lawyer, Linklaters.	Chairman of the Board Teknikmagasinet AB. Board member Lighthouse Group AB, Elektronikbranschen Sverige and Mr Green & Co AB etc. CEO Boxer TV Access AB, CEO Panasonic Nordic AB and Chantelle AB.	Head of Marketing and Communications Tieto, VP Financial Services Global Tieto, Capital Markets Global Tieto, Product and Market Director TDC. CEO Inne AB.	Chairman of the Board Kungsleden AB and Skånska Byggvaror Group AB. Board member Höganäs AB, Skanska AB, Munters AB, Össur Hf, Fermenta AB, Byggnadsfirman Wallenstam AB, Bonifazius AB, Gandalf AB, Helsingborgs Dagblad AB, AB Handel och Industri, Nordic Tankers Holding AB, Plastal Industri AB and Hoist International AB etc. Acting CEO AB Industrivärden, CEO AB Handel och Industri, Deputy CEO AB Industrivärden, Senior Partner Naver Affärsutveckling AB and Head of Corporate Finance Securum AB.
Total remuneration 2018/19, SEK	1,250,000	585,000	600,000	600,000	550,000	585,000
Independence	Independent in relation to the Company, 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 and its management, but not in relation to the Company's principal shareholders.	Independent in relation to the Company, its management and the Company's principal shareholders.	Independent in relation to the Company, its management and the Company's principal shareholders.	Independent in relation to the Company, its management and the Company's principal shareholders.
Shareholding	657,889 shares (incl. related parties).	12,625 shares (incl. related parties).	17,067 shares (incl. related parties).	2,000 shares (incl. related parties).	900 shares (incl. related parties).	1,000 shares (incl. related parties).
Committees	Member of the Reward Group (chairman) and the Retail Investment Committee (chairman).	Member of the Audit Committee.	Member of the Reward Group and the Sustainability Committee.	Member of the Reward Group and the Sustainability Committee.	Member of the Retail Investment Committee.	Member of the Audit Committee.
Attendance at meetings	Board meetings	10/10	10/10	10/10	9/10	8/10
	Audit Committee	—	4/4	—	—	3/4
	Reward Group	7/7	—	7/7	7/7	—
	Retail Investment Committee	14/14	—	—	—	12/14
	Sustainability Committee	—	—	4/5	5/5	—

Board of Directors, cont.



Magnus Moberg



Fredrik Persson



Cecilia Daun Wennborg



Anette Wiotti



Jonathon Clarke



Magnus Rehn

Ann Lindh

Deputy member
Employee representative
Unionen

Born: 1964
Education: Upper secondary education
Appointed: 2013
Previous significant positions: Employee representative, ICA AB.
Total remuneration 2018/19: –
Independence: –
Shareholding: 0 (incl. related parties).
Attendance at Board meetings: 7/10
Attendance at Audit Committee meetings: –
Attendance at Reward Group meetings: –
Attendance at Retail Investment Committee Meetings: –

Marcus Strandberg

Deputy member
Employee representative
Handelsanställdas Förbund

Born: 1966
Education: Upper secondary education
Appointed: 2013
Previous significant positions: Employee representative, ICA AB.
Total remuneration 2018/19: –
Independence: –
Shareholding: 0 (incl. related parties).
Attendance at Board meetings: 8/10
Attendance at Audit Committee meetings: –
Attendance at Reward Group meetings: –
Attendance at Retail Investment Committee Meetings: –

	Magnus Moberg	Fredrik Persson	Cecilia Daun Wennborg	Anette Wiotti	Jonathon Clarke	Magnus Rehn
Born	1966	1968	1963	1966	1968	1966
Education	Various courses of study (finance, business management, leadership development etc.)	Master of Science in Business and Economics	Master of Science in Business and Economics	Various courses of study (finance, business management, leadership development etc.)	Trained welder, studies in labour law	Upper secondary education
Elected	2008	2018	2005	2017	2013	2013
Other significant assignments	Chairman of the Board Nya Ulfmag AB, Storbutiken i Falköping AB and ICA-handlarnas Förbund. Board member Jomag AB etc. CEO Storbutiken i Falköping AB. ICA retailer, Maxi ICA Stor-marknad Falköping.	Chairman of the Board Confederation of Swedish Enterprise, JM and Svenska ICC. Board member AB Electrolux, AB Hufvudstaden, Ahlström Capital OY, Interogo Holding AG and Nalka Invest AB.	Board member Getinge AB, Loomis AB, Bravida Holding AB, Hoist Finance AB, Oncopetides AB, Sophiahemmet, Hotell Diplomat AB, Atvexa AB and others. Member Aktiemarknadsnämnden (the Swedish Securities Council).	Vice Chairman ICA-handlarnas Förbund. Elected representative on boards and committees within ICA-handlarnas Förbund and ICA Sweden. ICA retailer, ICA Kvantum Arvika.	–	–
Previous significant positions	Chairman of the Board Köpet i Sandered AB. Board member Moberg & Svensson i Sandared AB and Ulfmag AB.	CEO Axel Johnson, Chief Analyst Aros Securities, various positions within ABB Financial Services.	Vice President Ambea AB, CEO and CFO Carema Vård och Omsorg Aktiebolag. Acting CEO Skandianbanken, Head of Skandia Sweden and CEO SkandiaLink Livförsäkrings AB.	Various roles as elected representative within ICA-handlarnas Förbund and ICA Sverige AB.	Employee representative, Handelsanställdas Förbund.	Employee representative, Unionen.
Total remuneration 2018/19, SEK	550,000	550,000	745,000	585,000	–	–
Independence	Independent in relation to the Company and its management, but not in relation to the Company's principal shareholders.	Not 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	50,000 shares (incl. related parties).	1,500 shares (incl. related parties).	3,125 shares (incl. related parties).	6,455 shares (incl. related parties).	0 shares (incl. related parties).	250 shares (incl. related parties).
Committees	Member of the Retail Investment Committee.	Member of the Retail Investment Committee.	Member of the Audit Committee (chairman) and Sustainability Committee (chairman).	Member of the Audit Committee.		
Attendance at meetings	Board meetings	10/10	8/10 ¹	10/10	10/10	10/10
	Audit Committee	–	–	4/4	3/4	–
	Reward Group	–	–	–	–	–
	Retail Investment Committee	12/14	8/14 ²	–	–	–
	Sustainability Committee	–	–	5/5	–	–

1) Board member since 12 April 2018. 2) Member of the Retail Investment Committee since 12 April 2018.

Rules and regulations

External rules

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

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

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

Internal rules

ICA Gruppen has a number of internal rules which, together with the external rules, form the framework for its operations. The main rules are the Articles of Association, the rules of procedure for the Board of Directors, the instructions for the Board committees, the instructions for the CEO including instructions on financial reporting and policies.

The Company's internal rules are based on governing documents at four levels:

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

The Company has the following policies:

• Bill of Authority

The purpose of the Bill of Authority is to ensure that decisions on strategic and operational matters are made by those who are authorised to do so by the Board of Directors.

• Business Ethics Policy

The Business Ethics Policy states that the Company must be responsible and progressive in matters relating to ethics and social responsibility. The corporate culture is to be based on responsibility, trust and high standards of professional behaviour.

• Communication Policy

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

• Customer Policy

The Customer Policy describes how the Company is to approach customer relations in order to achieve the Company's vision of making every day a little easier.

• Data Protection Policy

The Data Protection Policy describes ICA Gruppen's objectives for data protection and establishes that ICA Gruppen must comply with the relevant data protection laws with a business perspective while retaining the trust of customers, employees, shareholders and other stakeholders. ICA Gruppen must also, throughout the organisation, have integrated, documented and continuous data protection processes for the purpose of being able to prove compliance with the relevant data protection legislation and internal rules.

• Financial Policy

The Financial Policy establishes the Board's financial risk level and defines objectives and guidelines for the Group's financial management. The policy defines the responsibility and routines for reporting and internal control that apply to financial management.

• Insider Policy

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

• Risk Management Policy

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

• Sustainability Policy

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

• Tax Policy

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

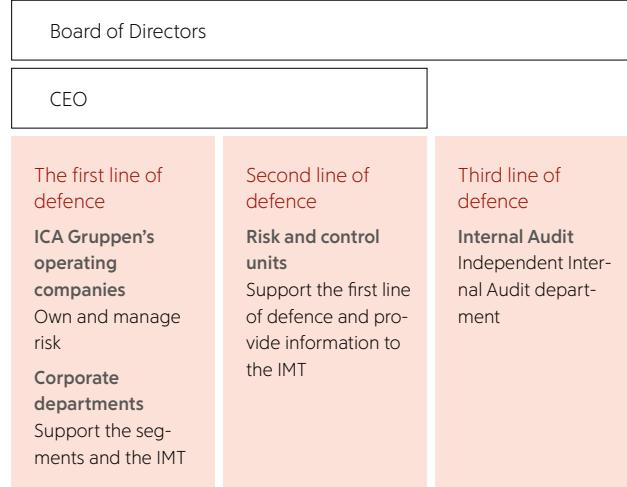


ICA Gruppen's model for internal control

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

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

The CEO is responsible for the day-to-day duty of maintaining efficient governance and control on an overall level. The CEOs of the Company's various operations are each responsible for maintaining good internal control within their segment.



The first line of defence

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

Corporate departments

Corporate Communication

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

Corporate Responsibility

ICA Gruppen's Corporate Responsibility (CR) department supports each of the operating companies in the implementation of the Company's

goals and sustainability targets and also assists the Sustainability Committee. The CR department monitors management systems, activities and KPIs relating to sustainability within the Group and prepares information and supporting documents for the Company's sustainability reporting.

Group Accounting, Business Planning & Controlling (GAC)

GAC is responsible for managing and controlling all processes relating to accounting, business planning and control within ICA Gruppen. GAC must also ensure that monthly, quarterly and annual reports are produced in a manner that provides an accurate depiction of the Company's financial situation and business activities, and that reporting processes are in compliance with laws and regulations.

Group HR and ICA School

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

Group IT

Group IT is responsible for developing group-wide capabilities and synergies within IT. The department is heading

the work with the group-wide IT-strategy and the follow up on the strategy – in the short and long term – and is responsible for the Group's IT framework.

Group Treasury & Tax

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

Legal

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

Privacy Office

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

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

Strategy and Business Development

The Strategy and Business Development department, in cooperation with the CEO and IMT, is responsible for developing the group-wide strategy – both the long-term strategic focus and the short-term strategic priorities. It also runs group-wide strategic projects and M&A activities. Also part of this department is the CDO (Chief Digital Officer) unit, who designs the Group's digital strategy and drives and supports group-wide digital development, e.g. through the ICAX innovation hub, e-commerce cooperation between ICA Gruppen's operating companies, and applications that involve automation, AI and big data.

The second line of defence

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

Internal Control

Within ICA Gruppen the Internal Control department is tasked with coordinating and supervising internal governance and control over financial reporting within the Group. Internal control over financial reporting is aimed at managing the risk of material errors in financial reporting with a reasonable degree of certainty and ensuring compliance with laws and regulations that are of significance for financial reporting. The department identifies business-critical processes and key controls within the Group that are to be evaluated regularly. The evaluation is based on periodic self-evaluation and selective quality review processes. The results are compiled in reports and submitted by Internal Control to the operating companies, ICA Management Team (IMT) and the Audit Committee. Read more about Internal Control and its procedures on page 73.

Group Risk Management (GRM)

The role of GRM is to create good conditions for long-term and efficient risk management and security activities within ICA Gruppen. GRM coordinates the Group's risk management work and monitors compliance with the Group's framework for risk management. It also supports the subsidiaries and strengthens the Group's risk management through training, by developing tools, by carrying out risk analysis for specific risk areas and by proposing measures to manage identified risks. Read more about GRM on pages 50–54.

The third line of defence

12. The third line of defence consists of the independent Internal Audit department. The Internal Audit department is tasked by the Board of Directors with examining the efficiency and reliability of the Group's internal governance and control.

Internal Audit examines corporate governance, risk management and the management and control of ICA Gruppen's business processes. The mandate of the Internal Audit department covers all operations within ICA Gruppen in Sweden and the Baltic countries. Each year the Audit Committee draws up a risk-based plan for Internal Audit's work to ensure that it focuses on the areas where the most value can be added to ICA Gruppen. In 2018 Internal Audit examined the ongoing change programmes within ICA Gruppen as well as information security, business continuity planning, e-commerce, sustainability, compliance with external regulations and management and control of personal data. Store audits constitute a special area within the review of business processes. The observations and recommendations made by Internal Audit aim to reduce the level of risk within a business area and to increase efficiency and improve ICA Gruppen's processes. It is the responsibility of the

respective management teams within ICA Gruppen's operating companies to put in place appropriate action plans based on the recommendations made by Internal Audit. An important aspect of the work of Internal Audit is to conduct a quarterly review of the established action plans.

Internal Audit conducts regular reviews of internal audit matters in separate meetings with the Management Team (IMT Audit Update) at which the ongoing audits are reviewed, the concluded audits are followed up on and future audits are discussed. 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.

Corporate culture

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

All employees have a responsibility for ensuring the Company complies with external and internal rules, and that it takes action if the Company is in any way non-compliant. To do this employees can contact their immediate superior, safety officer or the HR department. It is also possible

to anonymously report issues through the Company's online whistleblower service, or to the head of the Company's Internal Audit department.

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

ICA Gruppen's work on business ethics

ICA Gruppen takes active steps to maintain a high level of trust among customers, suppliers, employees, partners, shareholders and the community in general. This involves placing utmost importance on anti-corruption work and efforts to promote ethical behaviour.

Business ethics are an integrated aspect of the recurring risk assessments that are made. Routines and processes are in place to ensure that potential risks in this area are handled correctly.

Anti-corruption work

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

Internal and external framework for business ethics

Efforts to prevent business ethics risks are based on both external frameworks and internal rules and guidelines. The external frameworks include international and national laws, industry standards and practices, the UN Global Compact's fundamental principles for business ethics and the UN's Sustainable Development Goals.

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

ICA Gruppen's Business Ethics Policy specifies that the Group is to act and be perceived as a responsible and progressive actor. The policy includes guidelines and principles relating to business ethics, and these are to be followed by all employees. The basis for good business with and within ICA

Gruppen is defined in the Business Ethics Policy and the Sustainability Policy. The Group's suppliers and partners are expected to follow the intentions in these and act ethically and responsibly. Suppliers and partners undertake to meet ICA Gruppen's requirements set out in agreements.

Responsibility and governance

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

The members of the ICA Gruppen Management Team (IMT) have a responsibility to ensure that activities in their area of responsibility are conducted in accordance with the Group's Business Ethics Policy and guidelines.

Managers within the Group are responsible for ensuring that the poli-

cies and their guidelines are implemented within the organisation according to ICA Gruppen's internal rules framework.

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

Training and follow-up

ICA Gruppen has produced internal online training to ensure that all employees are familiar with and act in accordance with the Business Ethics Policy. The training is mandatory for all white-collar employees within the Group and is also available to other employees. The number of employees who have completed the online training is monitored and reported internally.

To complement the online training, classroom-based courses are provided to the groups of employees who are the most exposed to business ethics dilemmas. Additional information is also provided on an ongoing basis to spread awareness about business ethics within the Group.

Whistleblower service

ICA Gruppen's external, web-based whistleblower service allows employees to anonymously report any irregularities that they believe contravene laws, rules or important position statements in ICA Gruppen's steering documents. The whistleblower service has clear rules and procedures for how to handle any issues reported.

In 2018 the whistleblower service was available to employees in Sweden (except those working for Hemtex AB or individual store companies), in the Baltic states and in Asia.

CEO

ICA Management Team

14. CEO Per Strömberg is responsible for the day-to-day administration of the Company in accordance with the guidelines and instructions issued by the Board. In dialogue with the Chairman of the Board, the CEO also compiles an agenda for Board meetings and is responsible for providing the meetings with information documents and material as a basis for decisions. In addition, the CEO must ensure that the members of the Board receive information on ICA Gruppen's performance in order to make well-founded decisions. The Board has approved Per Strömberg's significant assignments and financial commitments outside the Company, such as his positions as industrial advisor to Segulah Advisor AB, member of the Steering Group for GEN-PEP and as board member of Byggmax AB, ICC Sweden and the Consumer Goods Forum. 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 2018 without the CEO and other members of management being present.

15. Alongside CEO Per Strömberg, the members of ICA Gruppen's Management Team (IMT) are the CFO, Chief HR Officer, Chief Strategy Officer, Chief Information Officer, 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. At the beginning of each financial year the IMT assesses its work, focusing on the quality of decisions, agendas, the meeting structure, effectiveness and the IMT's overall performance.

Committees supporting the IMT
In support of IMT's work, four committees have been established:

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

17. Group Risk Management Committee (GRMC)
The Group Risk Management Committee has overall responsibility for maintaining an overview of the Group's risk exposure by providing guidance and governance, and for reporting on significant changes in the risk profile. The Committee is headed by ICA Gruppen's CFO Sven Lindskog.

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

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

Remuneration to senior executives**Guidelines for 2018**

The Company's guidelines for remuneration to senior executives, adopted at the 2018 Annual General Meeting, state that it is important for the Company to provide competitive remuneration packages in line with market terms for senior executives in similar industries so that the Company can recruit, develop and retain senior executives with relevant experience and advanced leadership skills.

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

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

• Basic pay

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

• Pensions

For the CEO and other senior executives a defined contribution pension

plan is to be provided. The pension premiums are maximised at 35% of annual basic pay and holiday supplement. The premiums are paid as long as the individual is employed. The normal retirement age is 65.

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

• Bonus

The CEO and other senior executives in the Group, with the exception of the CEO of ICA Bank, are covered by two variable remuneration schemes in the form of a cash bonus, one of which runs for one year (annual bonus programme) and the other for three years (long-term bonus programme). The size of the aggregate bonus is maximised per person and year at the equivalent of 50% of annual salary (100% for the CEO). Bonus is not pensionable income.

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

Based on the rules that apply to variable remuneration schemes at credit institutions, the CEO of ICA Bank is not included in the bonus programmes that apply to other senior executives within the Group which were adopted after 31 December 2016. The loss of this bonus is taken into account when the total compensation packet is established for the CEO of ICA Bank, within the framework of applicable guidelines. The CEO of ICA Bank is still, however, covered by the bonus programmes adopted in 2015 and 2016.

- Annual bonus programme

Bonuses according to the 2018 annual bonus programme are not to exceed 50% of annual salary for the CEO of ICA Gruppen and 25% for other senior executives. The targets set in the bonus programme are to be based on financial performance targets, but performance may also be measured against non-financial targets linked to ICA Gruppen's strategies. The financial targets for the bonus programme are to be determined by the Board before the beginning of each financial year. Individual bonus agreements are to be entered into with each respective participant. The terms of these bonus agreements depend on the participant's position when the agreement is entered into. The bonus outcome is determined annually in connection with the publication of the year-end report for each financial year, based on an evaluation of the participants' performance in relation to the targets as described in the bonus agreements.

- Long-term bonus programme

Bonuses based on the long-term bonus programme are not to exceed 50% of annual salary for the CEO and 25% for other senior executives. The targets for the bonus programme must be objectively measurable 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 refers to (i) operating margin (EBIT margin) excluding items affecting comparability, (ii) return on capital employed (ROCE) for the Group excluding ICA Bank, (iii) net sales increase and, effective from 2018, (iv) decrease in greenhouse gas emissions (CO_2) excluding carbon offset. The relative performance criteria account for the remaining 40% of the maximum outcome for the long-term bonus programme and relate to the Company's position in a comparison group consisting of 10 other companies running similar operations. The outcome depends on where the Company ranks within this comparison group in terms of (i) net sales increase and (ii) EBIT margin.

• Terms relating to termination of employment and severance pay

A mutual notice period of six (6) months is to apply to senior executives. Severance pay corresponding to a maximum of 12 months of basic cash salary

may be payable to senior executives if the Company terminates the employment. Severance pay is deductible.

If a senior executive resigns, the Company may, if the Company chooses to invoke a non-competition clause, provide compensation during the non-competition period at a maximum of 60% of fixed salary. Severance pay and compensation paid during the non-competition period will not be pensionable.

• Terms for postings abroad

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

• Other remuneration and benefits

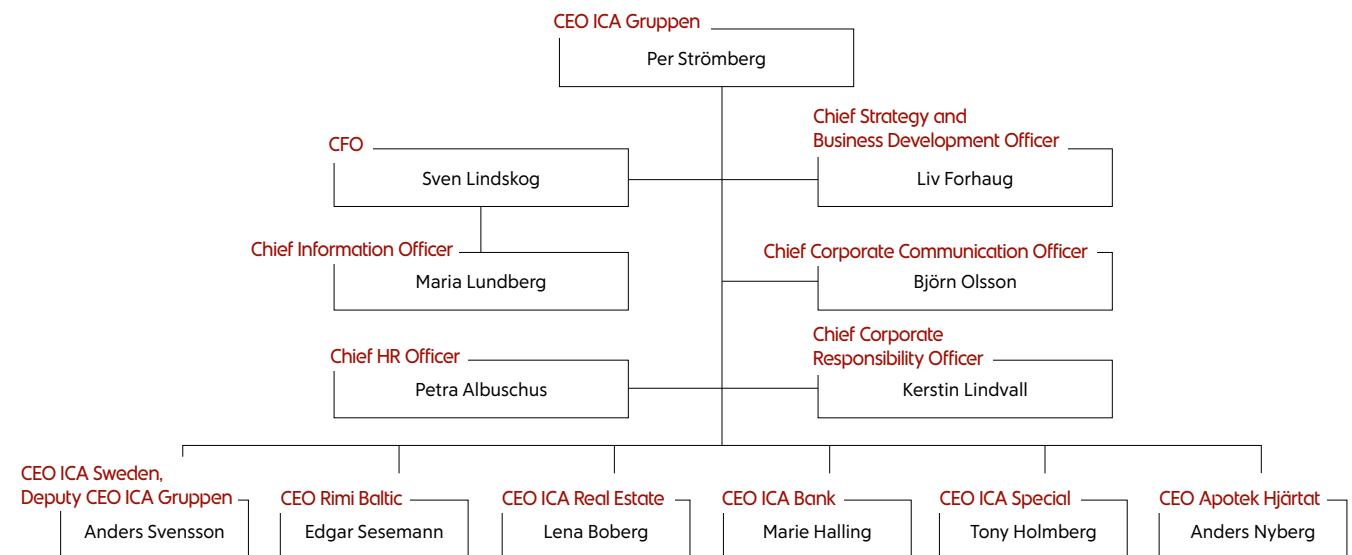
Other remuneration and benefits shall be of limited value in relation to the total remuneration package and in line with market practice.

• Deviating terms for certain senior executives

Under agreements entered into previously, a few senior executives have terms that deviate from the guidelines above:

- Two senior executives are covered only by ITP2 and one other senior executive has ITP1 pension benefits, and accordingly bonus is pensionable income for these senior executives.

- One senior executive is entitled to retire at the age of 62 and is covered by a defined benefit pension plan for the period until the normal retirement age of 65.
- Two senior executives have deviating terms regarding the notice period.

ICA Management Team**Proposal to the 2019 Annual General Meeting**

Preliminarily, the Board of Directors proposes to the 2019 Annual General Meeting that the guidelines above, with minor adjustments, be re-adopted. The Board's final proposal for guidelines is presented in the notice of the Annual General Meeting.

Further information

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

ICA Gruppen 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 & Business Development 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 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 and internally at ICA
Other assignments Board member Byggmax AB, The Consumer Goods Forum and ICC Sverige. Member of the Steering Group for GEN-PEP. Industrial advisor to Segulah Advisor AB.	Board member Electra Gruppen AB (publ).	Board member Rikshem AB (publ).	Board member Thule Group AB, Hufvudstaden AB and HUI Research AB.	—	—
Experience President and CEO Lantmännen (2007–2012) and Sardus AB (2006–2007), Kraft Foods (1988–2006), including as CEO Kraft Foods Sweden, CEO Kraft Foods Denmark, Business Development Director Kraft Foods International, London. Various managerial positions at Kraft Freia Marabou, Sweden.	SVP Logistics ICA Sweden (2008–2015). Procter & Gamble Nordic (1993–1998, 2005–2008), Procter & Gamble UK (1998–2001), Procter & Gamble ETC Belgium (2001–2005), including as Director of Logistics, Nordics.	CFO ICA Real Estate (2007–2011) and Skandrenting AB (1999–2007). Project Manager and Consultant Knowit AB (1999). Financial Manager Hagströmer & Qviberg Fondkommission AB (1996–1998), Financial Manager Nordien System AB (1995).	McKinsey & Company (1996–2013), Partner and head of the retail sector in Scandinavia (2006–2013) and previously Project Manager and Consultant (1996–2005), working in Sweden, elsewhere in Europe and in the US.	Swedbank (2005–2014), including as head of the Eastern region and member of Swedbank's Group Executive Committee, head of Retail Banking and Private Banking. FöreningsSparbanken (1996–2005), including as head of Corporate Banking FöreningsSparbanken Stockholm.	SVP Sales & Operations ICA Sweden (2010–2015), Country Manager for Rimi Lithuania (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).

ICA Gruppen Management Team (IMT), cont.



Sven Lindskog



Maria Lundberg



Kerstin Lindvall



Anders Nyberg



Björn Olsson



Edgar Sesemann



Anders Svensson

CFO ICA Gruppen. Employed at ICA and member of IMT since 2014.	Chief Information Officer (CIO) ICA Gruppen. Employed at ICA since 2015. Member of IMT since 2018.	Chief Corporate Responsibility Officer (CCRO) ICA Gruppen. Employed at ICA since 1997 and member of IMT since 2016.	CEO Apotek Hjärtat. Employed at ICA and member of IMT since 2015 (CEO of Apotek Hjärtat since 2009).	Chief Corporate Communication Officer (CCCO) ICA Gruppen. Employed at ICA since 2004 and member of IMT since 2009.	CEO Rimi Baltic. Employed at ICA since 1999 and member of IMT since 2008.	CEO ICA Sweden and Deputy CEO (DCEO) ICA Gruppen. Employed at ICA and member of IMT since 2009.	
Born	1963	1968	1971	1956	1971	1961	
Education	Master of Science in Business and Economics	Master of Science in Engineering	Agronomist	Studies in business and finance	Master's degree in Political Sci- ence, Economics and Commercial Law	Diploma in Market Economics	
Other assignments	—	—	Chief Corporate Responsibility Officer ICA Sverige AB. Board member KRAV and member of Monitoring Board of the Swedish Chemicals Agency.	Board member Swedish Pharmacy Association.	—	Board member Stockholm School of Economics in Riga Foundation (SSE Riga).	
Experience	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 Nether- lands (1996–1998). Unilever Hungary (1994–1996). Unilever Sweden (1989–1993).	CIO ICA Sweden (2015– 2017), Head of Development Axfood IT (2011–2015), SVP Tieto Sweden AB Head of Retail & Services (2008–2010), other senior roles within Tieto (1999–2008).	ICA Sweden (1997–), including as Chief Corporate Responsibility Officer (2010–), Head of Environ- ment & Social Responsibility (2002–2009), Quality Specialist (1999–2001) and Head of Environ- ment (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 Swedish Pharmacy Association (2012–2016).	Head of Media Relations/Acting Head of Communications, Svensk Handel (Swedish Trade Federa- tion) (2000–2003).	ICA, including as CEO Rimi Esto- nia (2008), Sourcing Director ICA AB, ICA Sverige AB and ICA Hand- larnas AB (1999–2008). Business Unit Director Grocery KF Stor- marknader (1992–1998). Category Director B&W Stormarknader (1990–1992). Departmental Man- ager B&W Falkenberg and B&W Täby (1986–1990).	Arla (2002–2009), including as SVP Arla Foods Consumer Nordic, Managing Director Arla Foods Sweden. Procter & Gamble Nordic and Procter & Gamble UK (1993– 2002) including as Director of Logistics, Nordic, and Sales Direc- tor, Sweden. Andersen Consulting (1988–1993), Consultant.
Shareholding	2,100 shares (incl. related parties).	0 shares (incl. related parties).	750 shares (incl. related parties).	12,035 shares (incl. related parties).	1,923 shares (incl. related parties).	3,100 shares (incl. related parties).	4,740 shares (incl. related parties).

Data protection within ICA Gruppen

On 25 May 2018 the new EU-wide General Data Protection Regulation (GDPR) became applicable. Increased control for individuals over their personal data is the ultimate goal of the GDPR. The new requirements cover almost all companies within ICA Gruppen. Several of the GDPR requirements are new, stricter and/or clarified, and a major process has been under way within all operating companies in the Group to adjust to the new requirements. In this work ICA Gruppen's aim has been to create trust

by always making personal privacy a top priority. Adjustment to the GDPR has involved efforts to change work methods and ways of thinking regarding how ICA Gruppen handles the personal data of both customers and employees. All employees have been provided with online training to ensure they are aware of and act according to the GDPR. The training is mandatory for all white-collar employees within ICA Gruppen.

Many new roles, functions, responsibilities, systems and work processes

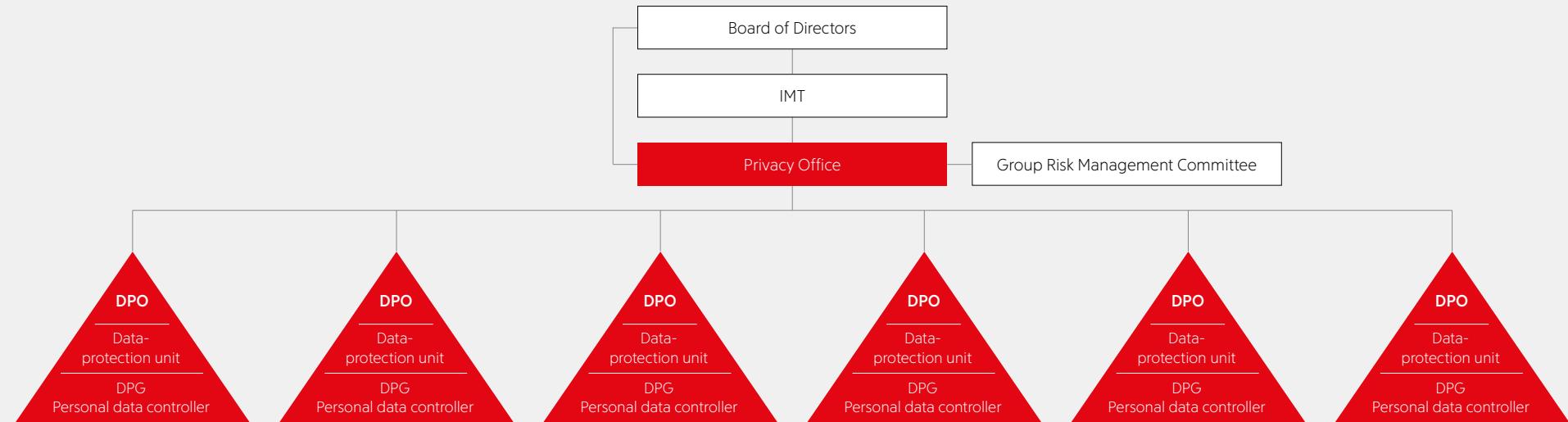
have been created and implemented so that ICA Gruppen can ensure compliance with current data protection legislation in the sectors where the Company operates. The newly established Head of Privacy Office reports on data protection work on a regular basis to the ICA Gruppen Management Team (IMT), the Board and the Group Risk Management Committee. The companies in the Group that process a not insignificant amount of personal data have a Data Protection Officer (DPO), a data protec-

tion unit, a personal data controller in the particular business area and a Data Protection Guardian (DPG). These are to ensure that the company in question handles personal data in compliance with the law and with ICA Gruppen's internal rules.

Managers within the Group are responsible for ensuring that the Company's Data Protection Policy and its guidelines and instructions are implemented in the organisation. All members of the IMT have a responsibility to

ensure that activities in their area of responsibility are conducted in accordance with the GDPR and the Data Protection Policy.

A personal data incident process, based on ISO 27035, has been established. ICA Gruppen's employees have been informed about and are constantly reminded of what a personal data incident is and of what is expected of the employees in terms of reporting.



Corporate governance within ICA Bank

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

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

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

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

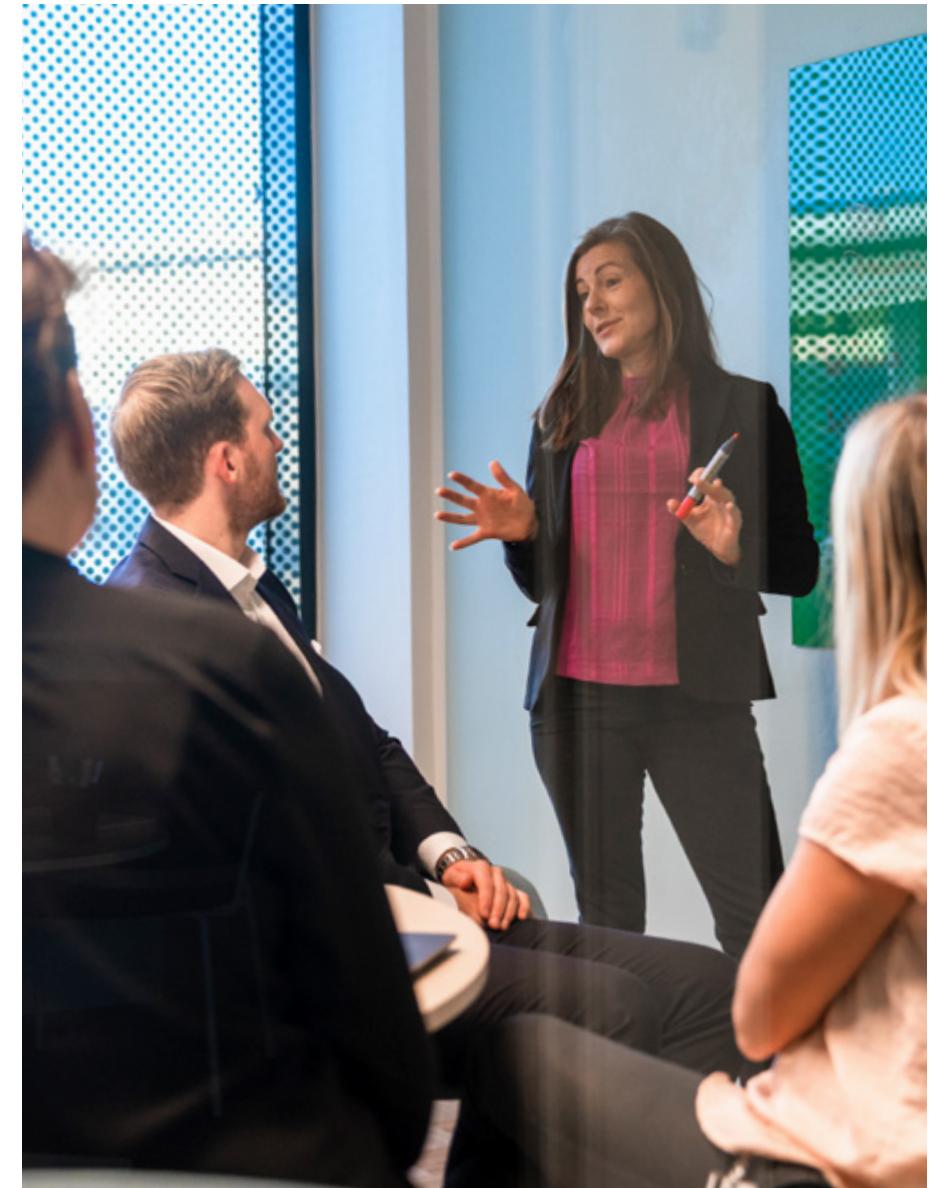
The second line of defence consists of the Risk Control unit and the Compliance unit which, among other things, oversee, control and report on the bank's risks and on the bank's compliance with internal and external rules. These units report to the bank's CEO and present reports on an ongoing basis to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

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

The Compliance unit is an independent unit that is responsible for identifying areas where there is a risk that the bank will not fulfil its obligations according to laws, regulations and other rules that govern the operations, and to verify that this risk is managed by the departments concerned. Compliance also provides advice and support to the bank's business operations and Board, and verifies that the internal rules and compliance routines are followed.

The third line of defence is Internal Audit. This is an independent auditing unit that supports ICA Bank's Board in its evaluation of management as well as risk management, governance and control within the operations. Internal Audit also reviews and evaluates the Risk Control and Compliance units.

For a more detailed description of ICA Bank's corporate governance, see the bank's website (icabanken.se) and the report entitled *Årlig information om kapitaltäckning och riskhantering* which is on the bank's website (Swedish only).



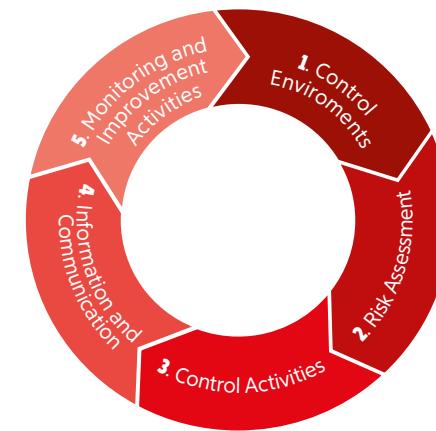
The Board's report on internal control of financial reporting

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

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

ICA Gruppen's work on internal control over financial reporting is defined by the Group's *Framework for internal control over financial reporting*. The framework is based on two components and five recurring activities. The first component is laws, rules and regulations and governing documents, and the second is roles and responsibilities. The recurring activities are Selection, Risk Assessment, Define and Implement Checks, Evaluate and Report Compliance and Improvement Activities. ICA Gruppen's framework is based on the framework for internal governance and control produced by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). This framework has five basic components:

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



1. Control Environment

A good control environment forms the foundation for an effective internal control system within a company. A good control environment is built on an organisation with clear decision paths, where authority and responsibilities are distributed based on governing documents and where there is a corporate culture with shared values. The control environment is also affected by the actions of management and individual employees based on these values. The Board's rules of procedure and the instructions for the CEO ensure a clear division of roles and responsibilities designed for effective control and management of operational risks. The Board has also adopted a number of basic policies and governing documents of significance for maintaining effective control, such as the Bill of Authority, Risk Management Policy, Financial Policy, Sustainability Policy, Business Ethics Policy and Communication Policy. Management has also established guidelines for financial reporting, for HR and for preventing and identifying irregularities.

2. Risk Assessment

The Audit Committee is responsible for ensuring that significant risks of errors in financial reporting are identified and managed. Within ICA Gruppen there is continuous dialogue with each operating company to ensure good internal control and awareness of operational risks. For a description of the Group's risks and risk management, see the section *Risks and risk management* on pages 50-54.

3. Control Activities

ICA Gruppen's internal control structure for financial reporting is based on established policies and guidelines. The point of departure for ICA Gruppen's internal control structure is the Group's business-critical processes, in which control activities have been implemented based on the assessed risk of errors. The Company mainly uses three types of controls:
1. Group-wide controls relating to adherence to the Group policies and guidelines.
2. Process controls for the Group's business-critical processes. Many different types of activities are included, such as approval, permits, reconciliation, scrutiny of business 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.
3. IT controls relating to IT processes, the IT platform and IT applications that are critical from a financial or commercial perspective.

4. Information and Communication

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

5. Monitoring and Improvement Activities

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

Shares and shareholders

The share price rose by just over 6% during the year and the Board of Directors is proposing an increased dividend of SEK 11.50 per share (11.00).

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 335.80 on 29 November 2018. The lowest price of SEK 264.30 was recorded on 16 August 2018. At the end of the year the share price was SEK 316.80, resulting in a share price increase of 6.3% in 2018. This is equivalent to a market capitalisation of around SEK 63,723 million.

Since 8 December 2005, when the Company was listed on the stock exchange, the share has provided a

total return of 603%. In the same period the SIX Return Index provided a return of 185%.

On Nasdaq Stockholm trading volume for ICA Gruppen shares in 2018 was just above 113 million shares for a value of SEK 33 billion, equivalent to an average daily trading volume of more than 450,000 shares. On average, shares were traded for almost SEK 133 million per day during the year. According to Fidessa, trading on Nasdaq Stockholm during the year accounted for 67% of all trading in ICA Gruppen shares. The remaining trading took place on Bats CXE (19%), Bats BXE (9%) and Turquoise (5%).

Shareholders

The number of shareholders as of 31 December 2018 was 50,514, an increase of 427 shareholders compared with the previous year. The largest shareholder on the same date was ICA-handlarnas Förbund with 54.0% of the shares and votes in ICA Gruppen. The second largest shareholder was AB Industrivärden with 7.0% of the shares and capital. The remaining 32.3% are owned by institutional investors and private individuals in Sweden and other countries. At the end of the year, 11.0% (10.1) of the shares were foreign-owned.

Share capital

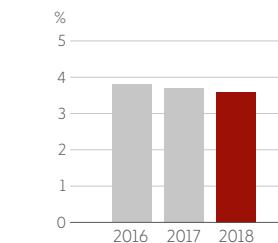
ICA Gruppen's share capital amounts to SEK 502,866,987.50 distributed among 201,146,795 shares with a quota value of SEK 2.50. All shares carry the same number of votes.

Dividends

The Board of ICA Gruppen proposes a dividend of SEK 11.50 per share for 2018, or a total of SEK 2,313 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 63% of the Group's profit for the year.

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

Dividend yield



Largest shareholders as of 31 December 2018

Shareholders	Number of shares	Share, %
ICA-handlarnas Förbund	108,643,330	54.0
Industrivärden	14,016,262	7.0
Blackrock	2,801,391	1.4
Vanguard	2,224,856	1.1
SEB Fonder	2,011,524	1.0
XACT Fonder	1,410,261	0.7
Swedbank Robur Fonder	1,321,979	0.7
L Jönsson	1,279,601	0.6
Spiltan Fonder	1,266,161	0.6
Avanza Pension	1,117,369	0.6
Ten largest shareholders, total	136,092,734	67.7
Other shareholders	65,054,061	32.3
Total	201,146,795	100.0
<i>Of which foreign shareholders in total</i>	<i>22,184,976</i>	<i>11.0</i>

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

Holdings

Holding, no. of shares	No. of shareholders	Capital and votes, %
1-500	43,369	2.1
501-1,000	2,999	1.2
1,001-5,000	2,912	3.3
5,001-10,000	490	1.8
10,001-15,000	211	1.3
15,001-20,000	106	0.9
20,001-	427	89.4
Total	50,514	100.0

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

SHARES AND SHAREHOLDERS

Analysts following ICA Gruppen

Company	Analyst	Tel. no.	email
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	niklas.ekman@carnegie.se
Danske Bank	Daniel Schmidt	+46 767 21 60 36	daniel.schmidt@danskebank.se
Handelsbanken	Nicklas Skogman	+46 8 701 31 28	nisk03@handelsbanken.se
Kepler Cheuvreux	Fredrik Ivarsson	+46 8 723 51 74	fivarsson@keplercheuvreux.com
Nordea	Stellan Hellström	+46 8 534 922 02	stellan.hellstrom@nordea.com
SEB	Gustav Sandström	+46 8 522 297 45	gustav.sandstrom@seb.se

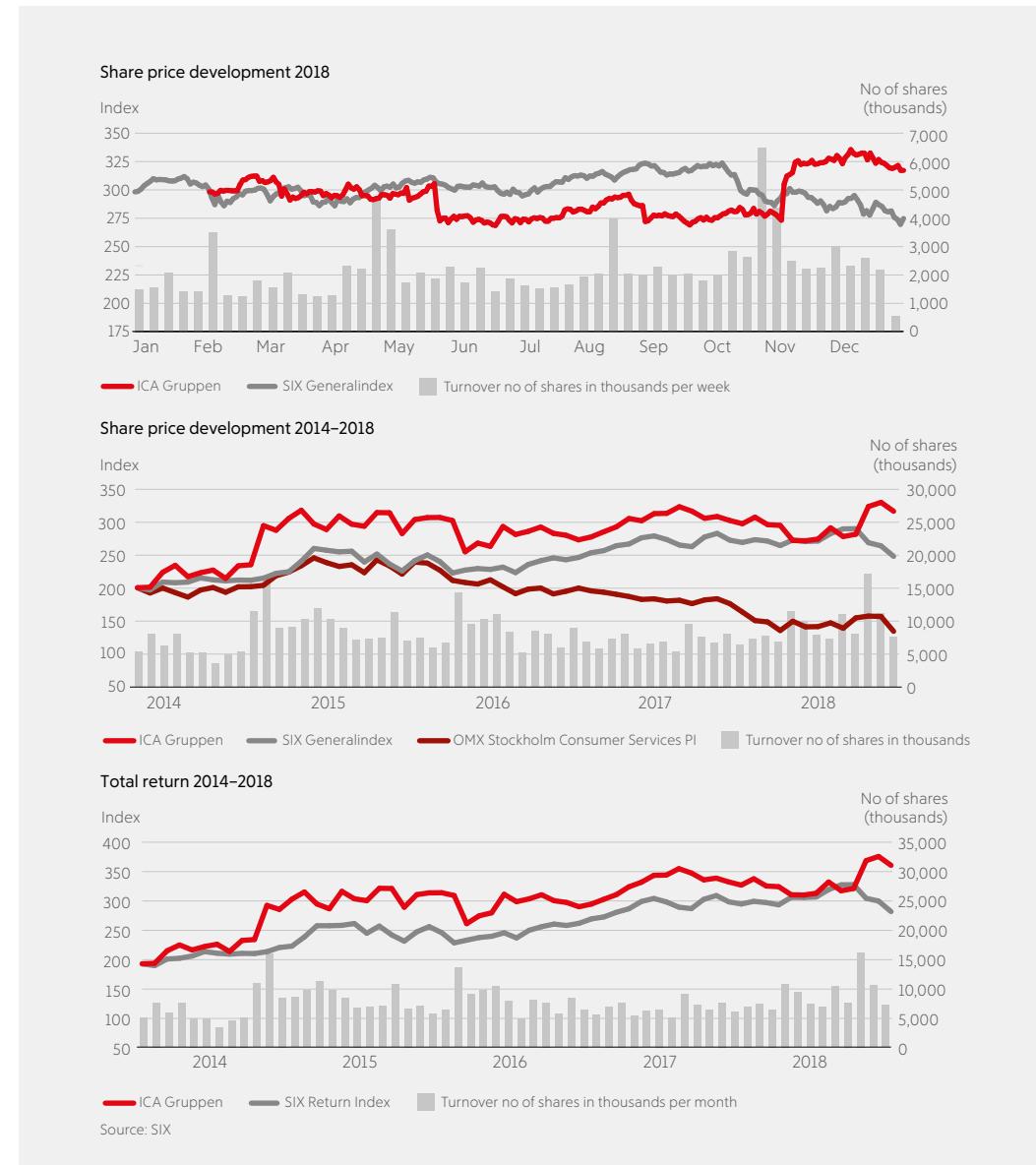
Share information

Marketplace: Nasdaq Stockholm,
Large Cap segment

Ticker	ICA
ICB code	5300
ISIN code	SE0000652216
Round lot	1
Market cap as of 31 December 2018, SEK m	63,723
Share price as of 31 December 2018, SEK	316.80
Change during the year, %	6.3
Highest price for the year, SEK	335.80
Lowest price for the year, SEK	264.30

Share data

	2018	2017
Earnings per share, SEK	18.05	20.53
Cash flow per share, SEK	33.82	22.87
Equity per share, SEK	163.98	157.70
Dividend per ordinary share, SEK	11.50	11.00
Dividend payout ratio, %	63	53
Share price at year-end, SEK	316.80	297.90
Dividend yield, %	3.6	3.7
P/E ratio	17.6	14.5
Share price/equity, %	164	187
Total no. of outstanding shares at end of year	201,146,795	201,146,795
Average no. of shares	201,146,795	201,146,795



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Financial key ratios

ICA Gruppen uses a number of financial key ratios in its annual report, some of which are not defined in IFRS but are so-called Alternative Performance Measures. The aim is to provide additional information that contributes to a more thorough comparison of year-on-year development and to give an indication of the Group's performance and financial position. The APMs used are considered to be ones that are generally accepted and applied in the industries in which ICA Gruppen operates. A description of and performance in relation to the financial targets set by the Board can be found on page 26. Measurement data and definitions are also available at icagruppen.se/en.

Definitions of key ratios

Business volume (ICA Bank)

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

Capital employed

Equity plus interest-bearing liabilities.

Cash flow from operating activities per share

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

C/I ratio (ICA Bank)

Total costs in relation to total income.

Common Equity Tier I ratio (ICA Bank)

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

Credit loss ratio (ICA Bank)

Credit losses in relation to average lending.

Divestments

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

Earnings per ordinary share

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

EBITDA

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

Equity/assets ratio

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

Equity per share

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

Gross profit/loss

Net sales less cost of goods sold.

Investments

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

Items affecting comparability

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

Like-for-like store sales

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

Loan loss ratio (ICA Bank)

Loan losses in relation to average lending.

Net debt

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

Net debt/EBITDA

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

Net interest (ICA Bank)

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

Net margin

Profit/loss for the period as a percentage of net sales.

Occupancy rate (ICA Real Estate)

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

Operating margin

Operating profit/loss as a percentage of net sales.

Operating profit/loss

Profit/loss before net financial items and tax.

Return on capital employed

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

Return on equity

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

Yield (ICA Real Estate)

Operating net in relation to average book value of properties.

For the glossary, see page 135.

Alternative performance measures

Reconciliation EBITDA

SEK m	2018	2017
Operating profit/loss (EBIT)	4,498	5,220
Depreciation/amortisation	1,602	1,523
Impairment losses (net)	202	13
Operating profit/loss before depreciation/amortisation (EBITDA)	6,302	6,756

Reconciliation Net debt, excluding ICA Bank

SEK m	2018	2017
Long-term bonds and non-current interest-bearing liabilities	-3,626	-3,913
Current bonds and current interest-bearing liabilities	-2,233	-3,975
Cash and cash equivalents	779	2,290
Net debt	-5,079	-5,598

Reconciliation Capital employed, excluding ICA Bank

SEK m	2018	2017
Equity	33,249	32,017
Provisions for pensions	3,072	2,619
Other provisions	32	11
Long-term bonds and non-current interest-bearing liabilities	3,626	3,913
Current bonds and current interest-bearing liabilities	2,233	3,975
Other non-current liabilities	45	56
Capital employed	42,256	42,591

For an explanation of why these key performance measures have been used, refer to page 26.

Five-year financial summary

SEK m	Actual 2018	Actual 2017	Actual 2016	Actual 2015	Actual 2014
Income statement					
Net sales ¹	115,354	109,408	106,643	104,081	90,062
Operating profit/loss before depreciation/amortisation (EBITDA)	6,302	6,756	6,238	6,191	5,819
Operating profit/loss (EBIT) excl. items affecting comparability	4,651	4,642	4,669	4,138	3,937
Operating profit/loss (EBIT)	4,498	5,220	4,518	4,594	4,097
Profit/loss before tax	4,227	4,853	4,154	4,225	3,727
Profit/loss for the year from continuing operations	3,647	4,145	3,397	3,721	3,105
Profit/loss for the year	3,647	4,145	3,418	4,913	2,667
Balance sheet					
Non-current assets	61,640	58,711	55,941	55,831	51,256
Cash and cash equivalents and short-term investments	3,206	4,499	3,974	4,611	6,091
Other current assets	15,805	14,790	16,208	14,474	15,087
Total assets	80,651	78,000	76,123	74,916	72,434
Equity	33,249	32,017	29,688	28,075	27,911
Non-current liabilities	11,022	11,140	14,538	14,945	16,995
Current liabilities	36,380	34,843	31,897	31,896	27,528
Total equity and liabilities	80,651	78,000	76,123	74,916	72,434
Cash flow					
From operating activities	6,802	4,601	5,422	5,845	3,612
From investing activities	-3,593	632	-1,694	-1,707	-563
From financing activities	-4,512	-4,693	-4,251	-5,867	-767
Cash flow for the year	-1,303	540	-523	-1,729	2,282
Cash flow for the year from operating activities, continuing operations	6,802	4,601	5,422	5,723	3,794

SEK m	Actual 2018	Actual 2017	Actual 2016	Actual 2015	Actual 2014
Key figures					
Operating margin excluding items affecting comparability, % ¹	4.0	4.2	4.4	4.0	4.4
Operating margin, % ¹	3.9	4.8	4.2	4.4	4.5
Net margin, % ¹	3.2	3.8	3.2	4.7	3.0
Return on capital employed, %	10.2	12.3	10.5	9.8	10.1
Return on equity, %	11.1	13.4	11.9	16.6	9.3
Equity/assets ratio, %	41.2	41.0	39.0	37.5	38.5
Capital employed excl. ICA Bank, average	42,648	41,938	43,050	43,609	39,479
Net debt	-5,079	-5,598	-9,758	-11,697	-7,058
Net debt/EBITDA	0.8	0.8	1.6	1.9	1.2
Share data					
Earnings per share for the year, continuing operations, SEK	18.05	20.53	16.87	18.21	14.71
Earnings per share for the year, SEK	18.05	20.53	16.97	24.14	12.53
Equity per share, SEK	163.98	157.70	147.48	139.41	122.91
Cash flow per share from operating activities, continuing operations, SEK	33.82	22.87	26.96	28.45	18.86
Cash flow per share from operating activities, SEK	33.82	22.87	26.96	29.06	17.97
Dividend per ordinary share, SEK	11.50	11.00	10.50	10.00	9.50
Dividend, SEK m	2,313	2,213	2,112	2,011	1,130
Dividend payout ratio, %	63	53	62	41	42
Share price at 31 December, SEK	316.80	297.90	277.90	307.40	305.80
Dividend yield, %	3.6	3.7	3.8	3.2	3.1
Number of outstanding shares					
Ordinary shares	201,146,795	201,146,795	201,146,795	119,078,903	118,937,248
C shares	-	-	-	82,067,892	82,067,892
Total number of shares	201,146,795	201,146,795	201,146,795	201,146,795	201,005,140
Total average number of shares	201,146,795	201,146,795	201,146,795	201,097,895	201,005,140

1) Earlier periods have been recalculated, see Note 1.

Definitions on page 77.

Consolidated statement of comprehensive income

SEK m	Note	2018	2017
Net sales ¹	2	115,354	109,408
Cost of goods and services sold ¹	3	-96,459	-91,081
Gross profit/loss		18,894	18,327
Selling expenses ¹	3	-11,640	-11,147
Administration expenses	3, 5	-2,995	-2,834
Other operating income ¹	6	346	288
Other operating expenses ¹	2, 3	-26	-54
Share of profits of associates and joint ventures	13	71	62
Operating profit/loss (EBIT) excl. items affecting comparability¹	2, 4, 5, 7	4,651	4,642
Capital gains/losses from sale of non-current assets (net) ¹		49	591
Impairment (net) ¹	3	-202	-13
Operating profit/loss	2	4,498	5,220
Financial income		11	7
Financial expense		-283	-374
Net financial items	8	-272	-367
Profit/loss before tax		4,227	4,853
Tax	9	-580	-708
PROFIT/LOSS FOR THE YEAR		3,647	4,145
Other comprehensive income, items that will not be reclassified to profit or loss, net after tax			
Remeasurement defined benefit pensions	9, 19	-236	-158
Other comprehensive income, items that may be reclassified to profit or loss, net after tax			
Change in translation reserve		130	188
Change in hedging reserve		75	-12
Share of other comprehensive income of joint ventures		16	23
Total items that may be reclassified to profit or loss	9, 18	221	199
COMPREHENSIVE INCOME FOR THE YEAR		3,632	4,186

SEK m	Note	2018	2017
Profit/loss for the year attributable to:			
Owners of the parent		3,630	4,130
Non-controlling interests		17	15
Comprehensive income for the year attributable to:			
Owners of the parent		3,609	4,166
Non-controlling interests		23	20
Earnings per share, SEK	10		
Earnings per share		18.05	20.53

1) 2017 periods have been recalculated, see Note 1.

Consolidated statement of financial position

Assets SEK m	Note	31 Dec. 2018	31 Dec. 2017
Non-current assets			
<i>Intangible non-current assets</i>			
Goodwill	11	16,301	16,301
Trademarks		13,413	13,377
IT systems		1,534	1,145
Other	38	35	
		31,285	30,858
<i>Property, plant and equipment</i>			
Buildings and land	12	11,951	11,341
Investment properties		1,180	989
Leasehold improvements		394	355
Equipment		2,385	2,194
Construction in progress		849	763
		16,759	15,642
<i>Financial non-current assets</i>			
Interests in joint ventures and associates	13	1,256	766
ICA Bank's investments	14	3,181	3,474
ICA Bank's lending	14	8,735	7,497
Other financial non-current assets		39	37
		13,212	11,774
Deferred tax assets	9	385	437
Total non-current assets		61,640	58,711

Assets SEK m	Note	31 Dec. 2018	31 Dec. 2017
Current assets			
<i>Inventories</i>			
	15	4,490	4,488
<i>Current receivables</i>			
Trade receivables		4,787	4,168
Tax assets		61	51
ICA Bank's lending	14	3,176	2,890
Receivables from related parties	16	111	113
Other current assets		55	52
Prepaid expenses and accrued income		3,118	3,019
Assets held for sale	17	6	9
		11,315	10,302
<i>Cash and cash equivalents</i>			
	22	3,206	4,499
Total current assets		19,011	19,289
TOTAL ASSETS		80,651	78,000

*Cont. Consolidated statement of financial position***Equity and liabilities**

SEK m	Note	31 Dec. 2018	31 Dec. 2017
Equity	18		
Share capital		503	503
Other capital contributed		7,694	7,694
Reserves		553	338
Retained earnings		24,234	23,185
Equity attributable to owners of the parent	32,984	31,720	
Non-controlling interests		265	297
Total equity	33,249	32,017	
<hr/>			
Non-current liabilities			
Provisions for pensions	19	3,082	2,627
Deferred tax liabilities	9	4,236	4,533
Bonds	20	1,200	1,497
Other interest-bearing liabilities	20	2,426	2,416
Other provisions		34	11
Other liabilities		45	56
Total non-current liabilities	11,022	11,140	
<hr/>			
Current liabilities			
Bonds	20	1,500	3,500
Other interest-bearing liabilities	20	733	475
Trade payables		14,891	13,084
Deposits ICA Bank	14	15,385	14,061
Liabilities to related parties	16	12	-
Tax liabilities		0	34
Other liabilities		822	792
Provisions		241	142
Accrued expenses and deferred income		2,797	2,755
Total current liabilities	36,380	34,843	
TOTAL EQUITY AND LIABILITIES	80,651	78,000	

Consolidated statement of changes in equity

Equity attributable to owners of the parent							Equity attributable to owners of the parent							Equity attributable to owners of the parent						
SEK m	Note	Share capital	Other capital contributed	Reserves	Retained earnings	Total	Non-controlling interests	Total equity	SEK m	Note	Share capital	Other capital contributed	Reserves	Retained earnings	Total	Non-controlling interests	Total equity			
Opening equity, 1 January 2017	503	7,694		144	21,325	29,666	22	29,688	Opening equity, 1 January 2018	503	7,694		338	23,185	31,720	297	32,017			
Profit/loss for the year					4,130	4,130	15	4,145	Effect of change to IFRS 9	1				-97	-97	-	-97			
Other comprehensive income				194	-158	36	5	41	Equity after change to IFRS 9	503	7,694		338	23,088	31,623	297	31,920			
Comprehensive income for the year				194	3,972	4,166	20	4,186	Profit/loss for the year					3,630	3,630	17	3,647			
Change in non-controlling interests						280		280	Other comprehensive income					-236	-21	6	-15			
Dividend					-2,112	-2,112	-25	-2,137	Comprehensive income for the year					3,394	3,609	23	3,632			
Closing equity, 31 December 2017	503	7,694		338	23,185	31,720	297	32,017	Change in non-controlling interests					-35	-35	0	-35			
									Dividend					-2,213	-2,213	-55	-2,268			
									Closing equity, 31 December 2018	503	7,694		553	24,234	32,984	265	33,249			

Consolidated statement of cash flows

SEK m	Note 22	2018	2017
Operating activities			
Operating profit/loss		4,498	5,220
Dividend from joint ventures	13	35	65
Adjustments for non-cash items		1,884	926
Income tax paid		-803	-856
Cash flow from operating activities before change in working capital		5,615	5,355
Change in working capital			
Inventories (increase - /decrease +)		32	-38
Current receivables (increase - /decrease +)		-694	-610
Current liabilities (increase + /decrease -)		1,865	1,111
ICA Bank's net of deposits, lending and investments		-16	-1,217
Cash flow from operating activities		6,802	4,601
Investing activities			
Purchase of property, plant and equipment and intangible assets		-3,507	-2,230
Sale of property, plant and equipment and intangible assets		302	1,063
Loans issued		-16	-50
Repayment of loans issued		1	259
Other financial non-current assets (increase - /decrease +)		5	0
Interest received		1	3
Investments in joint ventures and associates	13	-380	-366
Sales of subsidiaries	17	0	1,953
Cash flow from investing activities		-3,593	632
Financing activities			
Borrowings		1,205	5
Repayment of borrowings		-3,188	-2,588
Capital contributions, acquisitions and dividends relating to non-controlling interests		-87	264
Interest paid		-230	-262
Dividend paid to shareholders of ICA Gruppen AB		-2,213	-2,112
Cash flow from financing activities		-4,512	-4,693

SEK m	Note 22	2018	2017
Cash flow for the year			
Cash and cash equivalents at beginning of year		4,499	3,974
Exchange differences in cash and cash equivalents		10	-15
Cash and cash equivalents at end of year		3,206	4,499

Notes

Note 1 Accounting principles and general information

ICA Gruppen AB (publ) has corporate registration number 556048-2837 and its registered office is in Stockholm municipality, Sweden. The head office address is ICA Gruppen AB, SE-169 04 Solna, Sweden, the visiting address is Kolonvägen 20, Solna, and the website is icagruppen.se. ICA Gruppen AB is a subsidiary of ICA-handlarnas Förbund, corporate registration number 802001-5577.

ICA Gruppen AB (publ) is the Parent Company of ICA Gruppen, which is a leading retail company with a focus on food and health. The Group includes ICA Sweden and Rimi Baltic, which mainly conduct grocery retail operations, Apotek Hjärtat, which conducts pharmacy operations, ICA Real Estate, which owns and manages properties, and ICA Bank, which offers financial services and insurance. The Group also includes the home furnishing chain Hemtex. For more information see icagruppen.se.

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

The annual financial statements and consolidated financial statements were approved for publication by the Board of Directors on 6 February 2019. A decision will be made at the Annual General Meeting on 11 April 2019 on the adoption of the consolidated statement of comprehensive income, consolidated statement of financial position and the Parent Company's income statement and balance sheet.

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

Recalculation of earlier periods

In connection with application of IFRS 15 Revenue from Contracts with Customers as from 1 January 2018, net sales and the cost of goods sold have been recalculated for 2017. The reason for the recalculation is that under IFRS 15, ICA Gruppen acts as a principal, rather than as an agent in accordance with IAS 18 Revenue. See also below under New standards and statements applied from the beginning of 2018. The recalculation is presented in the column Change IFRS 15 in the table below.

The retail sector has undergone major changes in recent years. Customers are doing a greater share of their shopping online than previously. Sometimes customers choose to have their products delivered to their home or place of work, and sometimes they choose to collect them at a store or at the distributor's pick-up location. Previously ICA Gruppen recognised the costs incurred up until the product was displayed in a store as cost of goods sold, which was the natural option as long as sales to the consumer took place only in stores. A store that today offers its customers

sales both online and in a physical store displays products in two ways – both online and in stores. For this reason, ICA Gruppen believes that it creates a better picture of operations to only include costs until the product arrives at the sales outlet's receiving dock as a part of the cost of goods sold. The costs that the store incurs to display the product, either online or in the store, are recognised as a selling expense. As a result of this new assessment the cost of goods sold decreases and selling expenses increase by a corresponding amount, with higher gross profit and unchanged operating profit. The amounts for 2017 have been recalculated in accordance with this change. The recalculation is presented in the column "Other changes" and on the lines "Cost of goods and services sold" and "Selling expenses" in the table below.

ICA Gruppen has prepared an overview of the Consolidated statement of comprehensive income and included more lines to make it easier to read. Items that ICA Gruppen considers to be items affecting comparability, such as capital gains/losses on sale of non-current assets and impairment, are presented on separate lines in the report. These items were previously included in other operating income and other operating expenses. The amounts for 2017 have been recalculated in accordance with this change. The recalculation is presented in the column "Other changes" and on the lines "Other operating income", "Other operating expenses", "Capital gains/losses on sale of non-current assets" and "Impairment" in the table below.

Summary of effects on the Group's consolidated statement of comprehensive income, full-year 2017

SEK m	Reported	Change IFRS 15	Other changes	Recalculat- ed
Net sales	106,455	2,953		109,408
Cost of goods and services sold	-92,211	-2,953	4,083	-91,081
Gross profit/loss	14,244		4,083	18,327
Selling expenses	-7,064		-4,083	-11,147
Administrative expenses	-2,834			-2,834
Other operating income	879		-591	288
Other operating expenses	-67		13	-54
Share of profits of associates and joint ventures	62			62
Operating profit/loss (EBIT) excl. items affecting comparability	-		4,642	
Capital gains/losses on sale of non-current assets (net)	-		591	591
Impairment (net)	-		-13	-13
Operating profit/loss	5,220		-	5,220

New standards and statements applied from the beginning of 2018

Effective from 2018 ICA Gruppen is applying IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers.

IFRS 9 Financial Instruments was published in July 2014, endorsed by the EU in November 2016 and is effective from 1 January 2018. The standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

The introduction of IFRS 9 affects ICA Gruppen's financial statements through the application of different principles for testing for impairment of financial assets compared with IAS 39. Testing for impairment of financial assets according to IFRS 9 is based on expected credit losses. The effect on ICA Gruppen's financial statements is mainly in the ICA Bank segment and primarily relates to the calculation of expected credit losses on ICA Bank's lending. To calculate expected losses, statistical models are used that include both historical data and probability-weighted forward-looking scenarios. Initially, reservations are made for expected credit losses within 12 months. If there is a significant increase in the credit risk thereafter, the expected credit loss is calculated on the remaining expected term of the credit. ICA Bank's loan portfolios for personal and business customers consist of secured and unsecured loans as well as card and account credit, which are allocated to different stages for the calculation of expected credit losses. Allocation takes place according to set criteria which differ between ICA Bank's business areas. Overall, the new rules on credit loss reserves increased reserves by SEK 124 million on transition to IFRS 9. The recalculation according to IFRS 9 is attributable to ICA Bank's lending to the public, which under both IAS 39 and IFRS 9 is classified as measured at amortised cost. The effect on the opening balance of equity on 1 January 2018 is SEK 97 million after taking into account the effect of deferred tax.

For hedging relationships IFRS 9 is being applied with effect from 2018. Hedge accounting according to IAS 39 did not give rise to any transitional effect on transition to IFRS 9. However, on transition to IFRS 9 ICA Gruppen started to apply hedge accounting to the variability of fuel (diesel and HVO/biofuel) in transport costs. This will be applied prospectively with effect from 2018 and will thus not give rise to any transitional effect.

Classification and measurement are unaffected by the transition to IFRS 9. The analysis of business models and the tests required under IFRS 9 show that the financial assets which in IAS 39 are recognised and measured at fair value through profit and loss and the amortised cost are recognised in the same way under IFRS 9.

IFRS 15 Revenue from Contracts with Customers was published in May 2014, with an amendment published in April 2016. IFRS 15 was endorsed by the EU in October 2016 and the amendment in November 2017. It entered into force on 1 January 2018.

Cont. Note 1 Accounting principles and general information

ICA Gruppen's main source of revenue is from the sale of goods where the performance obligation, the date on which the customer takes control of the goods and payment are clearly distinguishable. The transition to IFRS 15 has therefore had no material effect on ICA Gruppen other than the assessment of whether ICA Gruppen acts as principal or as agent. IFRS 15 has more detailed rules than IAS 18 for assessing whether a company is acting as a principal or as an agent in an agreement or a business arrangement. Based on the new rules in IFRS 15, this assessment has changed in the case of a few agreements within the ICA Sweden segment, where it has been concluded that ICA Gruppen's role is that of principal rather than agent. ICA Gruppen has introduced IFRS 15 retrospectively and 2017 figures have been recalculated. Based on the recalculation for 2017, net sales for ICA Gruppen and in the ICA Sweden segment will increase by SEK 2,953 million, with unchanged operating profit/loss and an operating margin reduced by 0.1% for ICA Gruppen and 0.2% for ICA Sweden. See also the table in the section on the recalculation of earlier periods.

IFRIC 22 Foreign Currency Transactions and Advance Consideration was endorsed for application in March 2018, taking effect from 1 January 2018. It clarifies when a transaction is to be reported and the exchange rate to be applied to advance payments in foreign currency. IFRIC 22 has had no effect on the financial statements.

New standards from IASB applied from 2019 and onwards that are relevant to ICA Gruppen

IFRS 16 Leases was published in January 2016, was endorsed by the EU in November 2017 and takes effect for financial years beginning on or after 1 January 2019. IFRS 16 mainly concerns new rules for lessees' reporting. Reporting by lessors corresponds to the rules that apply under IAS 17 Leases, except in cases of subleasing, where an asset is leased in and thereafter leased out. 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 a liability and a right-of-use asset for all leases in the balance sheet unless the lease term is 12 months or less or the underlying asset is of low value. The liability reflects the present value of the lease payments, usually discounted by the incremental borrowing rate. Variable lease payments based on e.g. sales are not included in the discounted liability. The asset is depreciated over its useful life, which in most cases corresponds to the lease term. Lease payments are broken down into interest and repayment of the liability.

In 2018 preparations were made for the introduction of IFRS 16. Agreements were assessed to decide whether they constitute a lease or a service. In most cases, rental of properties and premises constitutes a lease. These agreements are the main leases within ICA Gruppen in terms of value. ICA Gruppen leases properties both for its own use and to rent out to non-consolidated ICA retailers. Agreements on transportation involving trucks are in some cases a lease and in other cases an agreement for transportation services. Agreements concerning the use of forklifts and cars are usually considered to be leases falling under IFRS 16.

In some cases ICA Gruppen leases properties and premises in order to then rent these out to non-consolidated ICA retailers. The aim is to have control over important

business locations. Having control over the business location is important for the business model. Control over the business location via the right-of-use asset is the basis for such lease arrangements existing at all. The right-of-use asset is an asset of ICA Gruppen that is not transferred by subleasing. All leasing out of properties, including subleases, is therefore classified as operating leases in accordance with IFRS 16.

After the initial lease term a lease can be cancelled in full, renegotiated or extended. If it is not reasonably certain that a lease will be extended, the extension is not included in the calculation of the lease liability.

The segments within ICA Gruppen will continue to report all rentals as operating leases. Reporting according to IFRS 16 is carried out only for ICA Gruppen as a whole and the segment reporting for 2019 will therefore be the same as in 2018.

IFRS 16 offers alternative rules on transition. The transitional rule chosen by ICA Gruppen means that any effects of the transition are recognised as an adjustment to opening equity as of 1 January 2019. As of 1 January 2019 a lease liability is recognised that equals the present value of the remaining payments for all leases. The payments are discounted at ICA Gruppen's incremental borrowing rate on the date of transition using the interest rate that corresponds to the remaining term of the lease in question. ICA Gruppen has also elected to use the transitional rule whereby a right-of-use asset is recognised at the same value as the present value of the lease liability on the date of transition. Since lease payments are made in advance, however, the lease liability is lower than the right-of-use asset on the date of transition since the first payment for 2019 is made at the end of 2018. The transitional rule selected involves a prospective application of IFRS 16. To facilitate comparability with 2019, ICA Gruppen will provide recalculated figures for 2018 that take into account the effects of IFRS 16.

According to a rough calculation as of 1 January 2018, the lease liability under IFRS 16 amounts to around SEK 15.5 billion based on the leases in effect at that time. If IFRS 16 had been applied in 2018, operating profit in 2018 would have been increased by approximately SEK 0.2 billion. In addition, EBITDA would have increased by around SEK 3.6 billion and net financial items would have decreased by around SEK 0.3 billion. Cash flow from operations would have increased by around SEK 3.6 billion and cash flow from net financing would have decreased by the same amount. As of 1 January 2019, the provisional lease liability will be higher than the lease liability as of 1 January 2018. See also Note 7 Leases.

IFRIC 23 Uncertainty over Income Tax Treatments was endorsed in October 2018 for application from 1 January 2019. IFRIC 23 clarifies how the rules in IAS 12 Income Taxes are to be applied where there is uncertainty regarding a tax position. At present IFRIC 23 is not expected to have any effect on ICA Gruppen.

New standards from IASB not endorsed by the EU with relevance for ICA Gruppen
IFRS 17 Insurance Contracts was published in May 2017 and takes effect for financial years beginning on or after 1 January 2021. IFRS 17 sets principles for reporting, measurement and disclosures relating to issued insurance contracts. It is too early to quantify the effects of the introduction of IFRS 17 on ICA Gruppen's financial statements.

Accounting principles applied**Basis of accounting**

The consolidated financial statements are based on historical acquisition costs, with the exception of financial derivatives and available-for-sale financial assets, which are recognised at fair value. The Parent Company's functional currency is Swedish kronor (SEK) and this is also the reporting currency for the Parent Company and the Group. All amounts in the financial statements are in millions of Swedish kronor unless indicated otherwise.

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

Consolidated financial statements

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

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

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

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

Holdings in joint arrangements

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

Interests in associates

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

*Cont. Note 1 Accounting principles and general information***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 closing date monetary items in foreign currency are translated at the exchange rate on the balance sheet date. Non-monetary items measured at historic cost in a foreign currency are not translated.

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

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

Revenue

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

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

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

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

Rental income is recognised as it is earned.

Gains or losses on real estate sales are recognised when the buyer has taken control of the property, which is usually on the occupancy date. Where ICA Gruppen sells a property that is subsequently leased back, a determination is made as to whether

the property has been sold according to IFRS 15. If the property has been sold, the gain or loss on the sale is recognised when the buyer has taken control of the property and the leaseback is classified as an operating or finance lease. If it is determined that the buyer has not taken control of the property, then from an accounting perspective a sale will not have taken place. In such a case the asset will remain on ICA Gruppen's balance sheet and the payment received will be recognised as a liability. The future lease payments to the legal owner of the property will be recognised as a repayment, and interest on the loan and the property will continue to be depreciated.

Commission from banking operations is recognised as it is earned, i.e. when the services are provided. Premiums from insurance operations are recognised as they are earned, i.e. when the insurance is provided.

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

Leases

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

ICA Gruppen as lessee

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

ICA Gruppen as lessor

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

Income tax

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

Deferred tax is recognised in accordance with the balance sheet method.

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

Goodwill

Goodwill arising from company acquisitions is attributed to the cash-generating units that benefit from the acquisition. Its 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 and 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 constitute at least one segment.

Depreciation and amortisation

Depreciation and amortisation are calculated on the asset's cost, estimated useful life and residual value. The estimated useful life is continually reviewed.

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.

*Cont. Note 1 Accounting principles and general information***Inventories**

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

Financial instruments

Financial instruments are initially recognised at fair value, which is normally the amount paid or received taking into account transaction costs. Derivatives are measured excluding transaction costs. Subsequent recognition depends on which category the financial instrument belongs to. Financial assets are classified in three categories: financial assets measured at amortised cost, financial assets measured at fair value through profit or loss and financial assets measured through other comprehensive income. As a general rule, financial liabilities are measured at amortised cost. Derivatives that constitute a liability are recognised at fair value through profit or loss.

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 the descriptions in Note 14 in the case of ICA Bank and Note 20 for the rest of ICA Gruppen.

Liabilities to credit institutions and other loan liabilities

All loan liabilities are recognised at amortised cost according to the effective interest method. 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 and changes in value are recognised through profit or loss. The exception is derivative instruments that meet the criteria for cash flow hedging, where the effective portion of the value change is recognised in other comprehensive income until the hedged item is recognised through profit or loss. The ineffective portion of the change in value is recognised through profit or loss.

ICA Bank's receivables and liabilities

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

Interest

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

Cash and cash equivalents

Cash and cash equivalents consist of cash, bank balances and short-term investments with an original maturity of no more than three months. Cash and bank balances are recognised at amortised cost. Short-term investments are recognised at fair value with changes in value recognised through profit or loss.

Bonus programmes

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

Provisions and contingent liabilities

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

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

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

Pensions and other post-employment benefit obligations

The Group has both defined contribution and defined benefit pension plans. Calculation of the present value of defined benefit pension plans is based on a number of assumptions. 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. Revaluation of pension liabilities is recognised in other comprehensive income.

Important assumptions and estimates

The preparation of the financial statements in accordance with IFRS requires management to make assessments, estimates and assumptions that affect the application of the accounting principles and the carrying amounts in the income statement and balance sheet. Estimates and assumptions are based on historical experience and a number of factors that are considered reasonable based on the circumstances. The results of these estimates and assumptions are then used to assess the carrying amounts of assets and liabilities that are not clearly apparent from other sources. Actual results may differ from these estimates and assessments. The assumption and estimate that management considers the most important are the following:

Valuation of goodwill and trademarks

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

Note 2 Segment reporting

Segments are defined based on how ICA Gruppen's management monitors and oversees operations. ICA Gruppen is engaged in wholesale and retail operations in Sweden, in retail operations in the Baltic countries and in pharmacy operations in Sweden. ICA Sweden constitutes one segment and the Baltic countries together form another segment. Apotek Hjärtat, which operates pharmacies in Sweden, is reported in the segment Apotek Hjärtat. The ICA Real Estate segment consists of properties located in Sweden. Properties located in the Baltic countries are accounted for together with the retail operations in the Baltic countries and are included in the Rimi

Baltic segment. Banking operations, including insurance operations, are reported in the segment ICA Bank. The Hemtex segment covers a chain of home furnishing stores. Other consists of items that are not included in identified segments and mainly comprises group-wide functions.

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

SEK m	ICA Sweden		Rimi Baltic		Apotek Hjärtat		ICA Real Estate		ICA Bank		Hemtex		Total reported segments		Other		Eliminations		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
External net sales ¹	82,181	79,132	15,255	14,008	14,110	12,876	1,416	1,345	1,311	921	1,020	1,077	115,293	109,359	61	49			115,354	109,408
Internal net sales	230	221	-	-	0	0	1,175	1,123	42	44	0	1	1,448	1,389	981	860	-2,429	-2,249		
Depreciation/amortisation	456	434	336	321	157	143	514	483	27	33	22	23	1,511	1,437	91	86			1,602	1,523
Share of profits of associates and joint ventures	-	-	-	-	-10	-	81	62	-	-	0	0	71	62	-	-			71	62
Operating profit/loss excluding items affecting comparability ²	3,332	3,507	631	557	533	461	417	429	170	71	13	31	5,095	5,056	-444	-414			4,651	4,642
Items affecting comparability																			-152	578
Net financial items																			-272	-367
Profit/loss after financial items																			4,227	4,853
Other segment information																				
Assets	41,032	39,857	6,047	5,816	8,927	8,233	13,700	12,647	18,170	16,752	955	947	88,831	84,252	68,370	68,616	-76,551	-74,868	80,651	78,000
Liabilities	20,522	19,087	3,040	2,785	5,865	5,176	9,787	8,797	16,197	14,819	515	526	55,927	51,190	20,543	22,169	-29,068	-27,376	47,402	45,983
Investments in property, plant and equipment and intangible assets	868	660	362	358	193	128	1,845	937	10	15	27	19	3,306	2,117	201	113			3,507	2,230
Investments in associates and joint ventures	-	-	-	-	-350	-	-30	160	-	-	-	-	-380	160	-	-			-380	160
Other non-cash flow items	79	2	33	6	-41	0	19	-648	-8	-	0	0	81	-640	1	0			81	-640

1) 2017 periods have been recalculated, see Note 1.

2) Operating profit excluding items affecting comparability includes structural costs of SEK 110 million in ICA Sweden associated with the ongoing organisational change.

*Cont. Note 2 Segment reporting***Items affecting comparability**

SEK m	2018	2017
Operating profit/loss excluding items affecting comparability¹	4,651	4,642
Capital gains/losses on sale of non-current assets		
ICA Real Estate	-11	578
Rimi Baltic	1	15
ICA Bank	8	-
Apotek Hjärtat	51	-
Other	0	-2
Total capital gains/losses	49	591
Impairment		
ICA Sweden	-79	-
ICA Real Estate	-89	8
Rimi Baltic	-34	-21
Total items affecting comparability	-153	578
Operating profit/loss	4,498	5,220
Acquisition and integration costs IKI (recognised in Other operating expenses)	-26	-54

1) 2017 periods have been recalculated, see Note 1.

External net sales by revenue source

SEK m	2018	2017
Wholesale sales ¹	64,029	61,366
Retail sales	42,498	39,882
Rental income and lease-related services	2,822	2,673
Net interest income, commissions and insurance premiums, ICA Bank	1,311	921
Other services for ICA retailers	4,694	4,566
Net sales¹	115,354	109,408

1) 2017 periods have been recalculated, see Note 1.

Geographical information

SEK m	Net sales		Property, plant and equipment and intangible non-current assets	
	2018	2017	2018	2017
Country				
Sweden ¹	99,961	95,253	44,304	42,925
Norway	-	19	-	-
Baltic countries	15,279	14,030	3,734	3,573
Other countries	114	106	5	2
Total	115,354	109,408	48,044	46,500

1) Net sales for 2017 have been recalculated, see Note 1.

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

Note 3 Expenses by type of expense

SEK m	2018	2017
Cost of materials ¹	87,464	82,989
Personnel expenses	10,772	9,942
Administrative expenses	1,976	1,852
Cost of premises	5,229	4,928
Depreciation, amortisation and impairment	1,804	1,536
Other expenses	4,077	3,881
Total expenses	111,322	105,128

1) 2017 periods have been recalculated, see Note 1.

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.

	2018		2017			
	Women	Men	Total	Women	Men	Total
Sweden	7,043	5,468	12,511	6,964	5,355	12,319
Finland	52	0	52	60	0	60
Baltic countries	8,067	1,524	9,591	8,197	1,456	9,653
Asia	54	64	118	48	57	105
Total	15,216	7,056	22,272	15,269	6,868	22,137

Salaries, other remuneration and social security contributions

SEK m	2018	2017
Group		
Salaries and other remuneration	6,830	6,349
Social security contributions	2,349	2,189
Pension costs	526	453
Total	9,705	8,991

Board of Directors and CEO

- Salaries and other remuneration	141	132
- of which variable component	16	17
- Pension costs	24	23
Other employees	7,191	6,647
Total	7,355	6,802

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

Of the Board members and CEOs within the Group, 412 are men (388) and 353 are women (327). The data refers to all board assignments within ICA Gruppen and an individual may sit on more than one board. The amounts exclude social security contributions.

Remuneration to the Board of Directors

The Chairman of the Board and Board members receive fees based on decisions made at the Annual General Meeting held in April 2018. The amounts stated refer to the remuneration approved for the 12-month period for which the Board member in question was elected. Remuneration to Board members is reported in thousands of kronor (SEK 000s). See also the Corporate Governance Report.

Fees to members of the Board of ICA Gruppen AB:	2018			2017		
	Board fees	Committee work	Total fees	Board fees	Committee work	Total fees
Claes Göran Sylvén	1,100	150	1,250	1,025	150	1,175
Fredrik Hägglund	500	100	600	425	100	525
Göran Blomberg	500	85	585	425	85	510
Anette Wiotti	500	85	585	425	85	510
Magnus Moberg	500	50	550	425	50	475
Bengt Kjell	500	85	585	425	85	510
Cecilia Daun Wennborg	500	245	745	425	245	670
Jan Olofsson	-	-	-	425	50	475
Andrea Gisle Joosen	500	100	600	425	100	525
Jeanette Jäger	500	50	550	425	50	475
Fredrik Persson	500	50	550	-	-	-
Total	5,600	1,000	6,600	4,850	1,000	5,850

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

Remuneration to senior executives consists of basic pay, pension benefits, variable remuneration in the form of a cash bonus, other remuneration and benefits and severance pay. Other senior executives are individuals who, together with the CEO, make up the ICA Gruppen Management Team (IMT). The number of senior executives in 2018 excluding the CEO of ICA Gruppen AB was 12 (11), 6 (5) of which are women.

ICA Management Team

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

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

1) The stated pension costs for other senior executives include SEK 336 (346) of variable remuneration where salary has been sacrificed for pension premiums.

Comments on the table

The amounts given are the amounts expensed during the respective years and exclude social security contributions. Reported pension costs do not include special employer's contribution or its foreign equivalents.

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

Variable compensation systems for the CEO and other senior executives

The CEO of ICA Gruppen AB and other senior executives are covered by two variable compensation systems taking the form of a cash bonus, one of which runs for one year and the other for three years. The combined annual bonus per person is maximised at an amount equivalent to 50% (57.5) of annual salary and 100% (115) for the CEO of ICA Gruppen AB. The bonus is not pensionable except in the case of the three senior executives who are covered by ITP1 and defined benefit ITP2 plans. The current CEO of ICA Banken AB is not included in bonus programmes launched after 31 December 2016. Variable remuneration that the CEO of ICA Banken AB has already earned is handled according to the Swedish Financial Supervisory Authority's regulations on remuneration systems for credit institutions.

Annual bonus programme

A cash-based bonus programme maximised at 25% (27.5) of annual salary and 50% (55) for the CEO of ICA Gruppen AB. The performance criteria for the bonus programme are to be objectively quantifiable and mainly consist of financial performance targets, but performance can also be measured against non-financial targets linked to ICA Gruppen's strategic themes. The financial targets for the bonus pro-

gramme are to be determined by the Board of Directors ahead of each financial year and individual bonus agreements are to be signed with each participant. The terms of these bonus agreements depend on the participant's position when the agreement is entered into. Payment of bonus is to be contingent upon the participants' employment not being terminated during the term of the programme. If the executive retires during the vesting period, the bonus is paid out pro rata. The Board of Directors has the right to adjust the bonus system in the case of, for example, extraordinary increases or decreases in the Group's earnings.

Long-term bonus programme

A cash-based three-year bonus programme maximised at 25% (30) of annual salary and 50% (60) for the CEO of ICA Gruppen AB. In the case of current programmes that began prior to 2017 the maximum potential bonus is 32% and 64% respectively. The targets in the bonus programme, which must be objectively quantifiable, are to be determined by the Board and must be linked to both absolute and relative performance criteria. In the long-term bonus programme, fulfilment of the absolute performance criteria accounts for 60% of the maximum outcome and refers to (i) EBIT margin excluding items affecting comparability, (ii) return on capital employed (ROCE) for the Group excluding ICA Bank, (iii) net sales increase and, effective from 2018, iv) decrease in greenhouse gases excluding carbon offset. The relative performance criteria account for the remaining 40% of the maximum outcome and relate to the Company's position in a comparison group consisting of 10 other companies running similar operations. The outcome depends on where the Company ranks within this comparison group in terms of (i) net sales increase and (ii) EBIT margin. Payment of bonus is contingent upon the participant's employment not ending during the term of the programme. If the executive retires during the vesting period, the bonus is paid out pro rata and on condition that at least 2/3 of the programme has been earned. The Board of Directors has the right to adjust the bonus system in the case of, for example, extraordinary increases or decreases in the Group's earnings.

Notice periods and severance pay for other senior executives

A mutual notice period of six months applies to other senior executives. If termination of employment is initiated by the Company, the senior executives are entitled to severance pay of up to 12 months' basic pay. Severance pay is deductible. There are a few exceptions to the terms relating to the notice period and to severance pay and the deduction clause for other senior executives whose agreements were entered into before the 2018 Annual General Meeting.

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

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

Pension benefits for other senior executives

Other senior executives have a combined defined contribution and defined benefit pension plan. Total pension premiums for these other senior executives are maximised at 35% of pensionable salary. Two of the other senior executives are instead covered by traditional IPT2 arrangements, while one is covered by IPT1.

One senior executive with an earlier contract is entitled to retire at the age of 62 with a defined benefit pension plan for the period until the normal retirement age of 65.

Employment terms for the CEO of ICA Gruppen AB

The CEO of ICA Gruppen AB had an agreed basic annual salary for 2018 of SEK 9.2 million. The mutual notice period agreed upon is six months. If notice of termination is given by the Company, severance pay of one year's salary is payable. The retirement age is 65. The Company covers its pension obligations through annual payments of pension premiums to insurance companies corresponding to 35% of basic salary.

Note 5 Audit expenses

SEK m	2018	2017
KPMG:		
Audit assignments	14	12
Other auditing activities	1	1
Total	16	13
Ernst & Young:		
Audit assignments	7	8
Other auditing activities	1	0
Other services	6	8
Total	13	16

Ernst & Young is the auditor for the store subsidiaries.

Note 6 Other operating income

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

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. After the initial lease term a lease can be cancelled in full, renegotiated or extended. When a lease is extended it is normally for three to five years; in some cases with new terms after renegotiation, and in other cases with unchanged terms. Rents are largely fixed, but there are also some sales-based variable rents. Fixed rents are changed in line with contractual index clauses based on changes in the consumer price index.

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

SEK m	2018	2017
Lease expense for the year	3,992	3,620
Of which minimum lease fees	3,891	3,525
Of which variable fees	101	95
The year's lease revenue from subleased assets	-1,554	-1,504
Future contractual minimum lease fees:		
Maturity date within 1 year	3,485	3,273
Maturity date between 1–5 years	9,847	8,920
Maturity date later than 5 years	5,914	5,163
Total	19,247	17,356
Future minimum lease fees incoming for subleased assets	5,906	5,857

Of the SEK 19.2 billion in the table above, SEK 1.7 billion are assets that have not been taken over as of the year-end; under IFRS 16 these would not be included in the carrying amount of the lease liability.

ICA Gruppen as lessor

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

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

SEK m	2018	2017
Future contractual minimum lease fees:		
Maturity date within 1 year	2,027	1,903
Maturity date between 1–5 years	4,648	4,527
Maturity date later than 5 years	1,644	1,375
Total	8,319	7,805
Variable fees included in profits	778	707

Note 8 Net financial items

SEK m	2018	2017
Financial income		
Interest income	1	3
Change in fair value of financial instruments	1	-
Other financial income	1	-
Exchange differences	8	4
Financial income	11	7
Financial expense		
Interest expense	-283	-339
Change in fair value of financial instruments	-	-35
Financial expense	-283	-374

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

Note 9 Taxes

Current tax	2018	2017
Current tax on profit for the year	-746	-772
Deferred tax on temporary differences	168	64
Reported tax expense	-580	-708
Reconciliation of effective tax expense		
Profit/loss before tax	4,227	4,853
Tax as per the current tax rate in Sweden, 22% (22%)	-930	-1,068
Capital gains/losses	14	181
Share of profit and share dividends	76	63
Non-deductible expenses/non-taxable income	-39	-44
Profit share according to the equity method	17	14
Effect of other tax rates for foreign subsidiaries	80	50
Effect of changed tax rate ¹	194	99
Other	8	-3
Reported tax expense	-580	-708
Effective tax rate, Group	14%	15%
Weighted average nominal tax rate, Group	22%	21%

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

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

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

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

In Estonia the corporate income tax rate is 0%, while companies are taxed on any dividends distributed. In 2018 the tax rate on dividends in Estonia was gradually lowered from 20% to 14%.

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

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

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

SEK m	31 Dec. 2018	31 Dec. 2017
Reported deferred tax assets and tax liabilities		
Non-current assets	-3,171	-3,435
Inventories	11	13
Provisions	435	361
Tax loss carryforwards	364	387
Untaxed reserves	-1,491	-1,430
Financial derivatives	0	8
Total deferred tax assets (+) / deferred tax liabilities (-), net	-3,851	-4,096

As reported in balance sheet:

Deferred tax assets	385	437
Deferred tax liabilities	-4,236	-4,533

SEK 306 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 as of 1 Jan. 2018	Recognised in income statement	Recognised in other comprehensive income	Divestment of assets	Balance as of 31 Dec. 2018
Non-current assets	-3,435	259	0	5	-3,171
Inventories	13	-2			11
Provisions	361	-17	63	28	435
Tax loss carryforwards	387	-25		2	364
Untaxed reserves	-1,430	-61			-1,491
Financial derivatives	8	13	-21		0
Total	-4,096	168	42	34	-3,851

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

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

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

Cont. Note 9 Taxes

Tax in other comprehensive income

SEK m	2018		
	Before tax	Tax	After tax
Remeasurement of defined benefit pensions	-299	63	-236
Translation differences in foreign operations	130		130
Cash flow hedges:			
– change in value for the year	87	-19	68
Items reclassified to profit or loss	9	-2	7
Share of other comprehensive income of joint ventures	16		16
Other comprehensive income	-57	42	-15
2017			
SEK m	Before tax	Tax	After tax
Remeasurement of defined benefit pensions	-201	43	-158
Translation differences in foreign operations	188		188
Cash flow hedges:			
– change in value for the year	-65	14	-51
Items reclassified to profit or loss	50	-11	39
Share of other comprehensive income of joint ventures	23		23
Other comprehensive income	-5	46	41

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	2018	2017
Profit/loss for the year attributable to owners of the parent	3,630	4,130
Weighted average number of shares, thousands	201,147	201,147

See also Note 18.

Note 11 Intangible non-current assets

SEK m	Goodwill		Trademarks		IT systems		Other		Total intangible non-current assets	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Accumulated cost	16,689	16,689	13,413	13,377	3,229	2,486	127	109	33,458	32,661
Accumulated amortisation			–	–	-1,616	-1,341	-90	-74	-1,706	-1,415
Accumulated impairment	-388	-388	–	–	-79	–	0	0	-466	-388
Book value	16,301	16,301	13,413	13,377	1,534	1,145	38	35	31,285	30,858
Opening balance	16,301	16,301	13,377	13,353	1,145	871	35	32	30,858	30,557
Investments	–	–	–	–	742	523	18	20	760	543
Amortisation for the year	–	–	–	–	-275	-249	-16	-17	-291	-266
Impairment for the year	–	–	–	–	-79	–	–	–	-79	–
Translation differences for the year	–	–	36	24	0	0	1	0	37	24
Book value	16,301	16,301	13,413	13,377	1,534	1,145	38	35	31,285	30,858

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

SEK m	2018	2017
Selling expenses	-16	-17
Administrative expenses	-275	-249
Total	-291	-266

SEK m	31 Dec. 2018	31 Dec. 2017
Goodwill		
ICA Sweden	11,545	11,545
Apotek Hjärtat	4,756	4,756
Total goodwill	16,301	16,301

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

Cont. Note 11 Intangible non-current assets

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

SEK m	31 Dec. 2018	31 Dec. 2017
ICA Sweden	11,500	11,500
Apotek Hjärtat	550	550
Rimi Baltic	863	827
Hemtex	500	500
Total trademarks	13,413	13,377

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

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

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

Impairment testing of goodwill and trademarks

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

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

Impairment testing of other intangible assets

For intangible assets other than goodwill and trademarks a recoverable amount is determined when there is an indication of impairment of the asset.

During the year no circumstances occurred that indicate impairment.

Key variables	Method of estimating value
EBITDA	Earnings before net financial items, tax and depreciation/amortisation (EBITDA) are estimated based on business plans and forecasts for a period of five years. The EBITDA margin in business plans and forecasts is based on previous experience and external estimates. After the end of the forecast period the long-term EBITDA margin is estimated at 5.2% (5.2) for ICA Sweden, 5.3% (5.4) for Apotek Hjärtat, 6.5% (6.6) for Rimi Baltic and 9.0% (8.0) for Hemtex. In no case does this indicate an increased EBITDA margin compared with the five-year forecast period.
Sales growth	Sales growth is assessed based on business plans and forecasts over a period of five years. Growth in business plans and forecasts is based on previous experience and external estimates. After the end of the forecast period the long-term annual sales growth is estimated at 1.5% (1.5) for ICA Sweden, 1.5% (1.5) for Apotek Hjärtat, 1.5% (1.5) for Rimi Baltic and 1.5% (1.5) for Hemtex. In no case does this indicate an increased growth rate compared with the five-year forecast period.
Investments	An assessment is made of the level of maintenance investments needed to keep the assets in their present condition.
Working capital	It has been determined that the need for working capital is at the same level as at the end of the forecast period.
Discount rate	The discount rate is set taking into account current interest rate levels and specific risk factors for each unit. The discount rate corresponds to the unit's average cost of capital and is stated before tax. ICA Sweden 7.4% (7.3) Apotek Hjärtat 7.6% (7.4) Rimi Baltic 8.7% (8.4) Hemtex 12.0% (11.7)

Sensitivity analysis

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

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

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

For Hemtex a 1 percentage point increase in the discount rate does not indicate an impairment (no impairment), a decrease in the EBITDA margin of 1 percentage point during the forecast period indicates an impairment of 53 (9) and a 1 percentage point reduction in sales growth indicates an impairment of 193 (197).

Note 12 Property, plant and equipment

SEK m	Buildings and land		Investment properties		Leasehold improvements		Equipment		Construction in progress		Total property, plant and equipment	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Accumulated cost	14,834	13,686	1,304	1,080	946	762	5,865	5,001	849	763	23,797	21,292
Accumulated depreciation	-2,811	-2,307	-96	-77	-549	-405	-3,381	-2,737	-	-	-6,836	-5,526
Accumulated impairment	-72	-38	-28	-14	-3	-2	-99	-70	0	-	-202	-124
Book value	11,951	11,341	1,180	989	394	355	2,385	2,194	849	763	16,759	15,642
Opening balance	11,341	11,099	989	970	355	404	2,194	2,089	763	647	15,642	15,209
Investments	1,227	181	404	59	186	31	897	712	87	754	2,800	1,737
Divestments, transferred to assets held for sale and disposals	-98	-44	-185	-19	-3	0	-66	-49	-11	-	-363	-112
Reclassifications	-5	530	3	1	-3	48	3	62	2	-641	0	0
Depreciation for the year	-504	-485	-19	-24	-144	-130	-644	-618	-	-	-1,311	-1,257
Impairment for the year	-78	0	-14	0	-1	-1	-29	-20	0	-	-123	-21
Impairment reversed during the year	0	8	-	0	-	-	-	-	-	-	0	8
Translation differences for the year	69	52	2	2	4	3	30	18	8	3	114	78
Book value	11,951	11,341	1,180	989	394	355	2,385	2,194	849	763	16,759	15,642

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 626 (377). According to IFRS 13 these properties are measured at level 3.

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

SEK m	2018	2017
Rental income	44	42
Direct costs	33	30

Construction in progress

Construction in progress amounts to 849 (763). Expenses paid during the year include capitalised interest expense of 3 (3) calculated based on an interest rate of 1.45% (2.0).

Note 13 Interests in joint ventures and associates

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

Joint ventures

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

Secore Fastigheter AB is a joint arrangement between Första AP-fonden (First Swedish National Pension Fund) and ICA Gruppen. The parties each own 50% of the company. All significant decisions concerning Secore Fastigheter AB must be made in agreement between the two owners. In the beginning of the year Secore Fastigheter AB owned and managed 25 properties in Sweden containing ICA stores where the stores are operated by non-consolidated ICA retailers. In February 2018, 15 store properties were acquired from KPA Pension, which means that following the acquisition, Secore Fastigheter AB owns a total of 40 properties. Based on all relevant facts relating to the joint arrangement, Secore Fastigheter AB is classified as a joint venture. It is consolidated according to the equity method.

Associates

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

Cont. Note 13 Interests in joint ventures and associates

Joint ventures and associates

SEK m	2018	2017
Carrying amount, joint ventures and associates		
Carrying amount, opening balance	766	740
New investments	438	160
Dividends	-35	-65
Share of profits	71	62
Intra-Group profit on transfer of properties	-	-154
Items in other comprehensive income	16	23
Carrying amount, closing balance	1,256	766

Min Doktor was acquired for SEK 408 million after acquisition expenses and intra-Group profit. The cash consideration is SEK 350 million. Secore Fastigheter AB received a capital contribution totalling SEK 55 million. Half of this amount, SEK 27.5 million, came from ICA Gruppen. Secore Fastigheter AB paid dividends totalling SEK 70 million, of which SEK 35 million was paid to ICA Gruppen. Fastighetsaktiebolaget Postgården AB received a capital contribution totalling SEK 5 million, of which ICA Gruppen's share amounts to SEK 2.5 million.

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

SEK m	Share, % ¹⁾		Book value		Share of profits	
	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
Ancore Fastigheter AB, 556817-8858, Stockholm	50	50	719	649	54	41
Secore Fastigheter AB, 559018-9451, Stockholm	50	50	132	113	26	21
Fastighetsaktiebolaget Postgården AB, 559016-8885, Stockholm	50	50	7	4	0	0
MD International AB (Min Doktor), 556934-0580, Malmö	42.7	-	398	-	-10	-
Total	1,256	740	71	62		

1) Ownership percentages are consistent with share of capital.

Summary of joint ventures and associates

SEK m	Joint ventures		Associates	
	Ancore Fastigheter AB	Secore Fastigheter AB	MD International AB (Min Doktor)	
Reconciliation of reported share of profits				
Profit/loss for the year	108	84	27	22

Share of profits	54	42	14	11	-10
Elimination of intra-Group profits and depreciation of surplus value	1	-1	13	10	0
Reported share of profits	54	41	26	21	-10

SEK m	Ancore Fastigheter AB		Secore Fastigheter AB		MD International AB (Min Doktor)
	2018	2017	2018	2017	
Reconciliation of book value					
Share of equity	687	618	406	400	178
Surplus values	95	96	-	-	220
Intra-Group profit	-63	-65	-275	-287	-
Book value	719	649	132	113	398

Condensed income statement and balance sheet

SEK m	Ancore Fastigheter AB		Secore Fastigheter AB	
	2018	2017	2018	2017
Rental income	435	407	174	119
Depreciation/amortisation	-103	-105	-57	-37
Expenses	-84	-64	-51	-30
Operating profit/loss	248	238	65	52
Financial income	0	0	0	0
Financial expense	-103	-116	-26	-18
Profit/loss before tax	145	122	39	34
Tax	-37	-38	-12	-12
Profit/loss for the year	108	84	27	22
Other comprehensive income	31	45	-	-
Comprehensive income for the year	139	129	27	22
Non-current assets	4,944	4,993	2,365	2,105
Current assets	16	11	8	9
Cash and cash equivalents	290	84	41	64
Total assets	5,250	5,088	2,414	2,178
Equity	1,374	1,235	813	800
Deferred tax liabilities	127	114	138	106
Non-current liabilities to credit institutions	3,557	3,490	1,424	1,213
Current liabilities	192	249	39	59
Total equity and liabilities	5,250	5,088	2,414	2,178

Fastighetsaktiebolaget Postgården AB is a joint arrangement with Veidekke for the construction of residential units above the commercial development that ICA Real Estate is going to build in Årsta. The preliminary construction start date is in 2021. The company did not conduct any operations in 2018. It is consolidated according to the equity method.

Note 14 ICA Bank

ICA Bank offers a wide range of services to private individuals in the areas of payments, borrowing, saving and insurance. ICA Bank also offers services in the corporate segment, including lending and leasing to ICA retailers, ATMs, payment terminals with associated transaction capture, and payment services for the public sector.

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

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

SEK m	31 Dec. 2018	31 Dec. 2017
No longer than 3 months	1,784	1,700
Longer than 3 months but not more than 1 year	1,392	1,190
Longer than 1 year but not more than 5 years	5,687	4,865
Longer than 5 years	3,048	2,632
Total lending	11,911	10,387
Of which lending to companies	1,204	730

Impairment according to IFRS 9

Impairment testing according to IFRS 9 is based on expected credit losses; in other words, it is a forward-looking approach. In addition, all relevant macroeconomic factors must be taken into account. For all loan receivables an initial loss allowance is applied which corresponds to expected credit losses within a period of 12 months (stage 1). If the credit risk has increased significantly since initial recognition but the asset is not yet considered credit-impaired, the asset is moved to stage 2. In stage 2 credit losses are recognised based on losses expected to occur over the full anticipated lifetime of the asset. Stage 3 is default, where the receivable is considered to be a bad debt. Bad debts within personal banking are sold to an external party once the receivable has remained unsettled for around 120 days. Reserves are also made for loans approved but not yet paid out, unutilised card credit and overdrafts, and guarantees given. ICA Bank's loan portfolios for personal and business customers consist of secured and unsecured loans as well as card credit and overdrafts. These are allocated to stages according to set criteria which differ between ICA Bank's business areas. See also Note 1 Accounting principles for a description of the effect of the transition to IFRS 9.

Breakdown of loans by stage and allowances, according to IFRS 9**Lending to the public**

SEK m	31 Dec. 2018
Carrying amount gross, stage 1	10,852
Carrying amount gross, stage 2	1,068
Carrying amount gross, stage 3	97
Total carrying amount gross	12,017
Allowances, stage 1	-34
Allowances, stage 2	-52
Allowances, stage 3	-20
Total allowances	-106
Total carrying amount	11,911

Bad debts according to IAS 39 for the comparative year 2017

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

Until 2018 ICA Bank's principle was to classify a receivable as a bad debt when payment of interest or principal was more than 60 days overdue. Net credit losses amount to SEK 45 million (61), which is equivalent to 0.38% (0.64) of average lending to the public.

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

Note 15 Inventories

SEK m	31 Dec. 2018	31 Dec. 2017
Inventories of goods for resale	4,606	4,608
Deduction for obsolescence in inventories	-116	-120
Total inventories	4,490	4,488

Note 16 Related party transactions

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

In 2018 ICA Gruppen, has through Apotek Hjärtat AB, invested in Min Doktor, which is an associate of ICA Gruppen. No properties were sold to either of ICA Gruppen's jointly-owned property companies in 2018. (In 2017 ICA Gruppen sold 12 store properties to Secore Fastigheter AB.) See also Note 13 Interests in joint ventures and associates.

2018, SEK m	Sales to related parties	Purchases from related parties	Receivables from related parties	Liabilities to related parties
Joint ventures	24	574	111	12
2017, SEK m	Sales to related parties	Purchases from related parties	Receivables from related parties	Liabilities to related parties
Joint ventures	17	487	113	0

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 Norwegian real estate operations, which were part of the ICA Norway segment, were divested on 1 February 2017 for a purchase price and cash flow effect of SEK 1.9 billion, representing a capital gain of SEK 400 million.

Assets held for sale consist of properties in Sweden and in the Baltic countries.

Impairment of SEK 46 million (0) were recognised in connection with classification as assets held for sale.

Note 18 Equity

Share data (number)	31 Dec. 2018	31 Dec. 2017
Total outstanding shares	201,146,795	201,146,795
Number of registered shares	201,146,795	201,146,795

The quota value is SEK 2.50 per share.

Specification of the equity item reserves

SEK m	31 Dec. 2018	31 Dec. 2017
Translation reserve:		
Translation reserve, opening balance	421	233
Reclassified to profit or loss	-	104
Translation differences for the year	130	84
Translation reserve, closing balance	551	421
Hedging reserve:		
Hedging reserve, opening balance	-97	-108
Reclassified to profit or loss	9	-39
Change in value during the year	82	50
Hedging reserve, closing balance	-6	-97
Total reserves:		
Reserves, opening balance	323	124
Change in reserves during the year:		
Translation reserve	130	188
Hedging reserve	91	11
Reserves, closing balance	543	323
Non-controlling interests in hedging reserve	9	15
Reserves attributable to the parent, closing balance	553	338

Translation reserve

The translation reserve includes all exchange differences that arise in translating financial reports of foreign operations prepared in a currency other than the Group's presentation currency for financial reports.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of a cash flow hedging instrument attributable to hedging transactions that have not yet occurred.

Other capital contributed

Other capital contributed essentially consists of the contributions, over and above share capital, that are provided by the owners.

Non-controlling interests

Refers to Längeberga Logistik AB and store subsidiaries within the ICA Sweden segment.

No capital contributions were made to Längeberga Logistik AB in 2018. In 2017 capital contributions totalled SEK 578 million, half of which was from the other co-owner Alecta, thereby increasing non-controlling interests.

Dividends totalling SEK 110 million (50) were paid out during the year by Längeberga Logistik AB, half of which was paid to Alecta, thereby reducing non-controlling interests.

The entire outstanding non-controlling interests in Minutkliniken AB was acquired during the year for SEK 35 million. Of this, SEK 32 million was paid in 2018 and the remaining SEK 3 million will be paid in 2019.

Within the Norwegian real estate operations divested in 2017 were some minor non-controlling interests.

Asset management

ICA Gruppen's managed assets consist of the Group's recognised equity. The Group's asset management goal is to ensure long-term value creation for the shareholders and to reflect the Group's focus on stable grocery retail sales. The Board of Directors has adopted the following long-term financial targets for ICA Gruppen:

- Grow faster than the market (Grow faster than the market)
- An operating margin of 4.5% (An operating margin of 4.5%)
- Return on capital employed of 10% (Return on capital employed of 10%)
- Net debt/EBITDA <2.0 (Net debt/EBITDA <2.0)
- Dividend of at least 50% of net profit for the year (Dividend of at least 50% of net profit for the year)

For information on performance in relation to these targets, refer to the Board of Directors' Report.

On 23 May 2018 ICA Gruppen published new long-term financial targets effective from 2019; see also page 26.

Paid and proposed dividends	SEK m
Dividends paid during the year	
Dividend for 2017: SEK 11.00/share	2,213
Dividend proposal for the 2019 Annual General Meeting	
Dividend for 2018: SEK 11.50/share	2,313

The Board of Directors of ICA Gruppen AB has decided to propose to the Annual General Meeting to be held on 11 April 2019 an ordinary dividend amounting to SEK 2,313,188,143 (SEK 2,212,614,745).

ICA Bank has capital adequacy requirements under the rules that apply to banks and insurance companies. The capital adequacy requirements guarantee that ICA Bank is able to meet its obligations to its customers. The requirements stipulate that ICA Bank must maintain a specific amount of equity in relation to its lending and revenues. Compliance with capital adequacy requirements is monitored by the Swedish Financial Supervisory Authority. These requirements were fully met during the year. Under the legal requirements for banks, the bank's cash and cash equivalents are not available to the Group.

Note 19 Pensions

Employees in Sweden receive pension benefits in accordance with collective agreements. Salaried employees therefore receive either defined contribution (ITP1) or defined benefit (ITP2) pensions according to the ITP plan. Employees with a defined benefit pension plan receive pension based on their final salary. The defined benefit pensions are reported as a provision in the balance sheet. The defined contribution pension premiums are paid to Alecta/Collectum on an ongoing basis. A small portion of the defined benefit pension is paid to Alecta in the form of risk insurance. To guarantee the provision in the balance sheet, a credit insurance policy has been taken out with PRI Pensionsgaranti. PRI Pensionsgaranti performs continuous credit checks on ICA Gruppen to ensure the Group's ability to meet its pension promises. If PRI Pensionsgaranti should deem ICA Gruppen's credit rating to be too low, PRI has the authority to require either additional guarantees for the Group's undertakings, or that all or parts of the pension undertaking are redeemed with Alecta through the purchase of credit insurance. A cost may then arise for ICA Gruppen depending on which undertaking and requirements Alecta has with respect to redemption at that point. Unionised employees receive defined contribution pension plans according to the SAF/LO Collective Pension Insurance.

In the Baltic countries collective pension insurance occurs only in exceptional cases and in these cases they are defined contribution plans.

There are no significant healthcare benefits in the Group's plans.

For Swedish companies, if a difference arises between the pension debt established according to Swedish rules and the pension debt established according to IFRS, a provision or receivable is recognised for the special employer's contribution based on this difference. The amount is included in pension provisions.

Cost of defined benefit pension plans

SEK m	2018	2017
Cost of vested benefits during the period	135	110
Interest expense	68	64
Pension cost for defined benefit pension plans in profit for the year	203	174
Pension cost for defined contribution pension plans	391	343
Pension cost in profit for the year	594	517
Remeasurements recognised in other comprehensive income, gains (-) / losses (+)	299	201
Pension cost in comprehensive income for the year	893	718

The following disclosures relate only to the defined benefit plans.

Change in obligations

SEK m	2018	2017
Opening balance	2,627	2,299
Cost of vested benefits during the period	135	110
Interest expense	68	64
Remeasurements, gains (-) / losses (+)	299	201
Pension disbursements	-47	-47
Closing balance	3,082	2,627

Important actuarial assumptions

	31 Dec. 2018	31 Dec. 2017
Discount rate	2.50%	2.75%
Inflation	1.75%	1.5%
Rate of salary increase	3.5%	3.5%
Mortality rate	DUS 14	DUS 14

Remeasurements relate only to financial undertakings. There is no remeasurement based on demographic assumptions. Remeasurement due to a lower discount rate compared with the previous year amounted to SEK 181 million (137) and remeasurement as a result of a higher inflation assumption amounted to SEK 143 million. In addition, there was a remeasurement amounting to SEK -25 million due to a somewhat lower salary increase compared with the assumption. Last year there was a remeasurement of SEK 64 million, mainly as a result of a lower income base amount and a higher salary increase compared with the assumptions.

The duration of the pension liability is 22 years (22 years).

Sensitivity analysis

An increase in the discount rate of one half of a percentage point would reduce the obligation by SEK 350 million (294). A reduction in the discount rate of one half of a percentage point would increase the obligation by SEK 405 million (342).

Expected disbursements

Over the next five years the expected disbursements from the defined benefit plans amount to a total of SEK 265 million, broken down as SEK 48 million in 2019 and SEK 54 million for each of the next four years. The disbursements over the subsequent five years will amount to a total of SEK 305 million.

Note 20 Financial risks, financial risk management and financial instruments

ICA Gruppen has a central function for financial management whose primary task is to ensure that the Group has secured financing through loans and lines of credit to handle cash management and to actively manage and control financial exposure in line with the Group's financial policy.

Financial policy and financial targets

The financial policy applies to all companies in the Group. The financial policy of ICA Gruppen determines which financial risks the Group is prepared to take and defines risk management targets and guidelines. It describes the division of responsibilities as well as reporting and internal control 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 is to provide a dividend of at least 50% of net profit for the year and that net debt/EBITDA is to be less than 2x. From 2019 onwards, when the introduction of IFRS 15 and IFRS 16 affects both EBITDA and the calculation of net debt, the latter target is being adjusted to less than 3x.

Interest rate risk

Interest rate risk is the risk that changes in market interest rates will affect ICA Gruppen's earnings and cash flow or the fair value of financial assets and liabilities.

The financial policy states that interest rate risk is to be limited by having an average fixed interest rate period for all interest-bearing debt (including derivatives) of between 12 and 36 months. At year-end the fixed interest rate period was 22 (22) months. In addition to the fixed interest rate periods for the actual loans, interest rate swaps are used to adjust interest rate exposure. In 2015 interest options with a base rate floor were also purchased in order to maintain fixed interest rates when the STIBOR rate became negative.

A one percentage point increase in the interest rate as of 31 December 2018 would increase the annual interest expense for the entire debt by SEK 1 million (14).

Interest rate derivatives match existing loans and cash flow hedging is used for these in accordance with IFRS 9. As of the balance sheet date, 31 December 2018, a negative market value of SEK -25 million (-68) was recognised from hedging. Of this, SEK -27 million (-74) related to interest rate swaps and SEK 2 million (6) to base rate floor options.

Refinancing and liquidity risk

Refinancing risk is the risk of ICA Gruppen being unable to finance or refinance its capital requirement on reasonable terms. The Group aims to diversify financing to various sources and to have a balanced maturity profile for loans and credit facilities.

In May ICA Gruppen issued two bonds totalling SEK 1.2 billion. In June two bonds totalling SEK 3.5 billion matured, which were refinanced using the two new bonds combined with short-term bank borrowing. 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 a further year in 2018, with the amount reduced to a total of SEK 2 billion.

Liquidity risk is the risk that ICA Gruppen will not meet its short-term payment obligations. ICA Gruppen's financial policy states that the liquidity reserve is to be sufficient to handle the fluctuations that may be expected over a 12-month period, including maturing loans. In addition to a reserve for expected negative fluctuations in cash flow, there must always be a liquidity reserve equal to 3–5% of the Group's net sales. Positive expected cash flows are not included in the liquidity reserve. To ensure this, the Group has bank overdraft facilities and confirmed credit facilities. According to banking laws, ICA Bank's surplus liquidity is not available to the Group.

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*Cont. Note 20 Financial risks, financial risk management and financial instruments***ICA Gruppen's interest-bearing liabilities and investments, plus credit facilities**

Specification	Carrying amount 31 Dec. 2018	Carrying amount 31 Dec. 2017	Interest rate on 31 Dec. 2018 incl. derivatives	Type of interest excl. derivatives
Non-current liabilities				
<i>Bonds¹</i>				
Bond MTN Sweden 2018–2021	600	–	0.47%	floating
Bond MTN Sweden 2018–2021	600	–	0.47%	fixed
Bond MTN Sweden 2014–2019	–	1,300	2.53%	floating
Bond MTN Sweden 2014–2019	–	200	2.50%	fixed
Total	1,200	1,500		
Pre-paid loan fees	–	–3		
Total bonds as per the balance sheet	1,200	1,497		
<i>Other interest-bearing liabilities</i>				
Bilateral loan MTN Svensk Exportkredit 2014–2021 ¹	500	500	2.62%	floating
Bilateral loan Svensk Exportkredit 2013–2020 ¹	1,000	1,000	3.89%	fixed
Property financing Helsingborg 2013–2020	913	913	3.55%	floating
Other loans in subsidiaries	14	13	n/a	
Total	2,427	2,426		
Pre-paid loan fees ¹	–1	–10		
Total other interest-bearing liabilities as per balance sheet	2,426	2,416		
Total long-term bonds and non-current interest-bearing liabilities	3,626	3,913		
Current liabilities				
<i>Bonds¹</i>				
Bond MTN Sweden 2014–2019	1,300	–	2.53%	floating
Bond MTN Sweden 2014–2019	200	–	2.50%	fixed
Bond MTN Sweden 2013–2018	–	2,000	3.57%	fixed
Bond MTN Sweden 2013–2018	–	1,500	3.66%	floating
Total bonds as per the balance sheet	1,500	3,500		
<i>Other interest-bearing liabilities</i>				
Bank loans ¹	218	–	n/a	n.d.
Store deposits ¹	515	475	n/a	floating
Total	733	475		
Pre-paid loan fees	0	0		
Total other interest-bearing liabilities as per balance sheet	733	475		
Total short-term bonds and current interest-bearing liabilities	2,233	3,975		
Total bonds and interest-bearing liabilities	5,859	7,888		
Cash excluding ICA Bank	–779	–2,290		
Total net debt	5,079	5,598		

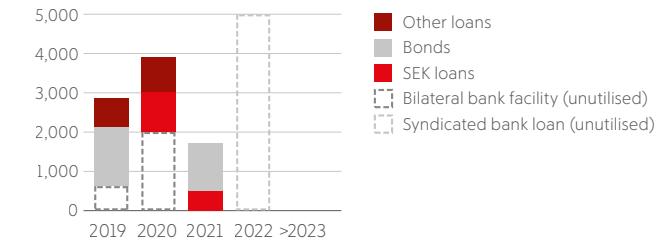
¹⁾ Refers to ICA Gruppen AB.

Unutilised confirmed facilities¹	31 Dec. 2018	31 Dec. 2017
Bilateral bank facility	2,000	3,000
Syndicated bank loan	5,000	5,000
Total unutilised facilities	7,000	8,000

¹⁾ Refers to ICA Gruppen AB.**Maturity structure of long-term bonds and non-current interest-bearing liabilities**

SEK m	
2020	1,926
2021	1,700
Total	3,626

Current liabilities are mainly trade payables of SEK 14,891 million (13,084) and deposits with ICA Bank of SEK 15,385 million (14,061), as well as short-term bank loans and deposits from ICA stores totalling SEK 733 million (475) which mature in January 2019. ICA Bank deposits are payable upon demand and trade payables generally have a maturity of no more than three months. Interest is generally paid quarterly. With the current financing costs and debt portfolio, annual interest expense amounts to around SEK 216 million for ICA Gruppen excluding ICA Bank.

Maturity profile for interest-bearing liabilities and long-term confirmed credit facilities (excluding interest payments)**Credit risk**

Credit risk is the risk that a counterparty in a transaction will not fulfil its contractual obligations and that any security provided will not cover the Company's claim. The banks and financial institutions the Group works with must have a credit rating corresponding to at least an "A" from Standard & Poor's or "A2" from Moody's Investor Service. For commercial counterparties with which the Group has a high exposure, individual credit assessments are made. The credit risk arising from ICA Bank's lending to the public is managed by performing credit checks for all loan applications before they are granted.

ICA Gruppen has netting agreements – so-called ISDA master agreements – with counterparties for derivatives. This means that receivables and liabilities from or to an individual counterparty can be offset in the event, for example, of insolvency.

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Cont. Note 20 Financial risks, financial risk management and financial instruments

Flows between ICA Gruppen and individual ICA retailers are offset on a daily basis through the Group's own netting system, ICA Konto.

Other than those within ICA Bank, the receivables mainly consist of account credit granted to independent ICA retailers. The receivables are continually assessed for expected losses. The provision for expected losses is based on an assessment over the entire lifetime of the receivable and is based on both macroeconomic and individual factors. The reserve for bad debts does not amount to a material sum. Collateral for the credit is mainly provided through floating charges. See also Note 14 ICA Bank.

Foreign currency risk

Transaction exposure is the risk that changes in exchange rates will affect the income statement and cash flow. For ICA Gruppen this foreign currency exposure is mainly related to the importing of goods paid for in foreign currencies (commercial currency risk). It also includes lending and deposits within the Group to subsidiaries in the Baltic countries (financial currency risk). A very significant proportion of the Group's purchasing takes place in Swedish kronor. According to the financial policy, the effect on earnings of a 5% change in exchange rates must not exceed SEK 10 million. As of 31 December 2018 the amount was SEK 2 million (2).

Translation exposure is the risk that changes in exchange rates will affect the translation to Swedish kronor of the consolidated income statements and balance sheets for the operations that report in a currency other than Swedish kronor. There is no currency hedging for this translation risk.

Hedging policy

ICA Gruppen's commercial currency exposure varies between the different units, in so far as the units may change the prices customers pay with different periodicity based on the exchange rate. According to the financial policy, 80–100% of the forecast cash flows are hedged during the period the customer price is fixed, and 80–100% of the actual cash flows are hedged. At present the hedge horizon is between three and 12 months, with an average of around six months.

ICA Gruppen's financial currency exposure in the form of lending and deposits within the Group to subsidiaries in the Baltic countries is hedged by obtaining a corresponding liability or asset in euros, mainly through currency swaps.

Currency ¹	Commercial currency derivatives (SEK m)					Nominal amount	Fair value
	1–3 months	3–6 months	6–12 months	12–24 months	>24 months		
DKK/SEK	-13	-1	-4			-17	0
EUR/SEK	-1,808	-104	-132	-16	-3	-2,062	-5
EUR/USD	16					16	0
CNY/SEK	-18	-6	-36			-61	0
CNY/HKD	-9	-7	-11			-27	0
GBP/SEK		-32	-75	-11		-118	-6
HKD/SEK	-15	-7	-19			-41	0
NOK/SEK	-100					-100	-5
USD/SEK	-343	-113	-325			-781	24
As of 31 Dec. 2018	-2,291	-269	-602	-27	-3	-3,192	9
As of 31 Dec. 2017	-2,179	-284	-575	-36	-19	-3,094	11

Currency ¹	Financial currency derivatives (SEK m)				Nominal amount	Fair value
	1–3 months	3–6 months				
EUR/SEK		-77			-77	1
As of 31 Dec. 2018		-77	0	-77	1	
As of 31 Dec. 2017		-130	0	-130	2	

1) Example: EUR/SEK means purchase in EUR hedged against SEK.

Financial currency derivatives are all entered into by ICA Gruppen AB.

Hedge accounting

ICA Gruppen uses cash flow hedges according to IFRS 9 for the portion of the currency exposure that is based on forecasts, except in the case of the Baltic states and some purchasing of fruit and vegetables. Of the total fair value amounting to SEK 9 million (11), earnings of SEK 10 million (18) were hedged as of the balance sheet date.

Sensitivity analysis

If ICA Gruppen did not hedge the commercial transaction exposure during the period when no price adjustment can be made for customers, the total effect on earnings in the case of an unfavourable 5% exchange rate change for ICA Gruppen in the respective currency pair would be SEK -75 million (-71). Under the financial policy the effect may not exceed SEK -10 million in losses. As of 31 December 2018 the amount was SEK -2 million. At the same time equity would be negatively affected in the amount of SEK -83 million (-82).

Commodity price risk

Of the commodity price risks identified by ICA Gruppen, energy price risk relating to fuel (diesel and HVO) is the risk that is considered material and is therefore hedged. Electricity price risk can also have a relatively large impact on ICA Gruppen's earnings and, to the extent possible, the Group uses fixed price energy contracts.

Hedging policy

ICA Gruppen hedges energy price risk relating to fuel. In accordance with ICA Gruppen's financial policy, this price risk is hedged for a period of up to 36 months. This is done using financial future contracts.

In 2018 ICA Gruppen purchased 7,200 (23,400) MT (metric tons) of diesel, which also covers the HVO (biofuel) price risk.

Fuel hedging

	Maturity analysis			Nominal amount, SEK m 31 Dec. 2018	Fair value, SEK m 31 Dec. 2018
	2019	2020	2021		
Total metric tons	18,000	6,000	0	204	19
Total litres (1,000s)	22,594	7,531	0		
Forecast litres (1,000s)	28,550	20,000	16,149		
Hedge ratio as of 31 Dec. 2018	79.14%	37.66%	0.00%		
As of 31 Dec. 2017	96.51%	47.84%	26.34%	161	12

Hedge accounting

ICA Gruppen uses hedges according to IFRS 9 for forecast fuel consumption (HVO or diesel) and the associated currency flows (USD). Of the total fair value amounting to SEK 19 million (11), earnings of SEK 19 million (18) were hedged as of the balance sheet date.

Sensitivity analysis

If ICA Gruppen did not hedge against fuel price exposure, the total effect on annual earnings, based on the 2018 forecast, in the case of a 20% negative price change would amount to around SEK -35 million (20). Taking into account the existing hedging shown in the table, the effect would instead be SEK -2 million in 2018.

Cont. Note 20 Financial risks, financial risk management and financial instruments

Financial assets and liabilities		
SEK m	31 Dec. 2018	31 Dec. 2017
Financial assets		
<i>Financial assets measured at fair value through profit or loss</i>		
Investments	3,181	3,474
Other financial assets	64	63
Total	3,245	3,537
<i>Financial assets measured at amortised cost</i>		
ICA Bank's lending	11,911	10,387
Receivables	8,047	7,326
Cash and cash equivalents	3,206	4,499
Total	23,165	22,212
Total financial assets	26,410	25,749
Financial liabilities		
<i>Financial liabilities measured at fair value through profit or loss</i>		
Other financial liabilities	76	155
Total	76	155
<i>Financial liabilities measured at amortised cost</i>		
Bonds	2,700	4,997
Other interest-bearing liabilities	3,159	2,891
Deposits, ICA Bank	15,385	14,061
Other financial liabilities	18,490	16,532
Total	39,734	38,481
Total financial liabilities	39,810	38,636

The carrying amount is a reasonable approximation of the fair value for all financial assets and liabilities except bonds, where the fair value exceeds the carrying amount by SEK 59 million (167).

Fair value measurement of financial instruments is based on the most reliable data available. Depending on the input data used for measurement, fair value is classified at three levels: level 1 refers to the most objective prices for input data, while level 3 is based on the company's own data and assessments.

In the fair value hierarchy, SEK 3,245 million (3,473) of investments and other financial assets are classified at level 1 and SEK 0 million (64) at level 2. Other financial assets and financial liabilities measured at fair value are all classified at level 2. Instruments for which a fair value is provided for information are classified at level 2. Level 2 assets and liabilities have been calculated according to generally accepted price models, which are based on discounted cash flows. The input data used consists of the most reliable market prices available.

Net profit/loss attributable to financial instruments

The table below indicates how the net profit/loss and interest income/interest expense pertaining to financial instruments have affected ICA Gruppen's earnings for the different categories of financial instruments.

SEK m	2018	2017
Financial assets and liabilities measured at fair value through profit or loss	1	-35
Financial assets and liabilities measured at amortised cost	-61	-75
Interest from financial liabilities and assets measured at amortised cost:		
Interest income from financial assets	520	459
Interest expense from financial liabilities	-315	-385
Profit/loss	146	-36

ICA Bank's interest income and interest expense are included in consolidated operating profit/loss. In interest income and interest expense in the table above they are provided as disclosures concerning profit/loss on financial items.

Note 21 Pledged assets and contingent liabilities

SEK m	31 Dec. 2018	31 Dec. 2017
Pledged assets		
Property mortgages	913	913
Floating charge	0	0
Registered assets of ICA Försäkring AB	223	93
Total	1,136	1,006
Contingent liabilities		
Loan commitments for unsecured loans, ICA Bank	613	530
Guarantees and contingent liabilities ¹	347	324
Total	960	854

1) Guarantee for MasterCard amounting to SEK 269 million (247). The rest of this item is divided between numerous counterparties.

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Note 22 Statement of cash flows and cash and cash equivalents

SEK m	2018	2017
Adjustments for non-cash items		
Depreciation/amortisation	1,602	1,523
Impairment/impairment reversed	202	13
Share of profits from joint ventures and associates	-71	-62
Capital gains/losses	-49	-591
Provisions	201	43
Total non-cash items	1,884	926
SEK m	2018	2017
ICA Bank: cash flow net deposits, lending and investments		
Deposits with ICA Bank (increase + / decrease -)	1,324	1,164
Short-term lending (increase - / decrease +)	-318	-290
Long-term lending (increase - / decrease +)	-1,314	-1,897
Investments (increase - / decrease +)	293	-194
Total	-16	-1,217
SEK m	31 Dec. 2018	31 Dec. 2017
Composition of cash and cash equivalents		
Cash and bank balances ¹	3,206	4,499
Short-term investments ¹	0	-
Total cash and cash equivalents	3,206	4,499
 1 Of which ICA Bank		
Cash and bank balances	2,427	2,209
Short-term investments	-	-
Total cash and cash equivalents ICA Bank	2,427	2,209
Total cash and cash equivalents excluding ICA Bank	779	2,290

According to banking laws, ICA Bank's cash and cash equivalents are not available to the Group.

There are no other significant changes in financial liabilities recognised under financing activities in the Statement of cash flows other than items relating to payments for taking out and repaying loans within the company's financing activities.

SEK m	Group 2018	ICA Bank 2018	Group excl. ICA Bank
Cash flow from operating activities before change in working capital			
	5,615	184	5,430
 Change in working capital			
Inventories	32	-	32
Current receivables	-694	94	-788
Current liabilities	1,865	-16	1,881
ICA Bank's net of deposits, lending and investments	-16	-16	-
Cash flow from operating activities	6,802	247	6,555
Cash flow from investing activities	-3,593	-16	-3,577
Cash flow from financing activities	-4,512	-12	-4,500
Cash flow for the period	-1,303	219	-1,521
Cash and cash equivalents at beginning of period	4,499	2,209	2,290
Exchange differences in cash and cash equivalents	10	-	10
Cash and cash equivalents at end of period	3,206	2,427	779

SEK m	Group 2017	ICA Bank 2017	Group excl. ICA Bank
Cash flow from operating activities before change in working capital			
	5,355	80	5,275
 Change in working capital			
Inventories	-38	-	-38
Current receivables	-610	-210	-400
Current liabilities	1,111	132	979
ICA Bank's net of deposits, lending and investments	-1,217	-1,217	-
Cash flow from operating activities	4,601	-1,215	5,816
Cash flow from investing activities	632	-15	647
Cash flow from financing activities	-4,693	170	-4,863
Cash flow for the period	540	-1,060	1,600
Cash and cash equivalents at beginning of period	3,974	3,269	705
Exchange differences in cash and cash equivalents	-15	-	-15
Cash and cash equivalents at end of period	4,499	2,209	2,290

Note **23** Business combinations

On 23 December 2016 ICA Gruppen communicated that an agreement had been reached to acquire all of the shares in UAB Palink, which operates the IKI grocery store chain in Lithuania, for EUR 213 million on a cash and debt-free basis. In October 2017 the Lithuanian Competition Council approved ICA Gruppen's acquisition subject to the divestment of 17 designated stores prior to completion. On 18 April 2018 the Council announced its decision not to approve the store sale agreement proposed by ICA Gruppen. As a result of this decision, ICA Gruppen is unable to complete the acquisition of UAB Palink.

Note **24** Events after the balance sheet date

No significant events have taken place after the year end.

Income statement, Parent Company

SEK m	Note	2018	2017
Net sales	2	972	838
Cost of services sold		-933	-768
Gross profit/loss	39	70	
Administrative expenses	2, 3, 4, 5	-443	-475
Operating profit/loss		-404	-405
Profit/loss from financial items	6		
Profit/loss from interests in Group companies		3,690	5,904
Interest income and similar profit/loss items		221	199
Interest expense and similar profit/loss items		-204	-270
Total profit/loss from financial items		3,707	5,833
Profit/loss after financial items		3,303	5,428
Appropriations			
Group contribution received		393	446
Total appropriations		393	446
Profit/loss before tax		3,696	5,874
Tax on profit for the year	7	-10	5
PROFIT/LOSS FOR THE YEAR		3,687	5,879

Other comprehensive income, Parent Company

SEK m	2018	2017
Profit/loss for the year	3,687	5,879
Other comprehensive income	-	0
COMPREHENSIVE INCOME FOR THE YEAR	3,687	5,879

Balance sheet, Parent Company

Assets

SEK m	Note	31 Dec. 2018	31 Dec. 2017
Non-current assets			
<i>Intangible non-current assets</i>			
IT systems	8	108	108
<i>Property, plant and equipment</i>			
Equipment	9	161	90
<i>Financial non-current assets</i>			
Interests in Group companies	10	30,142	30,092
Deferred tax assets	7	223	233
Non-current receivables from Group companies		639	-
Non-current receivables	16	16	
Total non-current assets		31,288	30,539
Current assets			
<i>Current receivables</i>	15		
Trade receivables		5	12
Receivables from Group companies		11,889	11,253
Other receivables		85	97
Prepaid expenses and accrued income	11	114	93
		12,093	11,455
<i>Cash and bank balances</i>	72	1,484	
Total current assets		12,165	12,939
TOTAL ASSETS		43,453	43,478

Equity and liabilities

SEK m	Note	31 Dec. 2018	31 Dec. 2017
Equity			
<i>Restricted equity</i>			
Share capital		503	503
Statutory reserve		2,772	2,772
Reserve for development expenses		-	-
<i>Non-restricted equity</i>			
Share premium reserve		4,916	4,916
Retained earnings		16,998	13,345
Profit/loss for the year		3,687	5,879
Total equity		28,889	27,415
Provisions			
Provisions for pensions	13	400	374
Other provisions		4	12
Total provisions		404	386
Non-current liabilities			
Bonds		1,200	1,497
Liabilities to credit institutions		1,500	1,490
Other non-current liabilities		21	57
Total non-current liabilities		2,721	3,044
Current liabilities			
Bonds	15		
Liabilities to credit institutions		733	475
Trade payables		149	127
Liabilities to Group companies		8,796	8,227
Other liabilities		92	114
Accrued expenses and deferred income	11	169	190
Total current liabilities		11,439	12,633
TOTAL EQUITY, PROVISIONS AND LIABILITIES		43,453	43,478

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/loss for the year	
Opening equity, 1 January 2017	503	2,772	18	4,916	12,636	2,803	23,648
Profit/loss for previous year					2,803	-2,803	0
Dividend					-2,112		-2,112
Comprehensive income for the year			-18		18	5,879	5,879
Closing equity, 31 December 2017	503	2,772	0	4,916	13,345	5,879	27,415
Opening equity, 1 January 2018	503	2,772	0	4,916	13,345	5,879	27,415
Profit/loss for previous year					5,879	-5,879	0
Dividend					-2,213		-2,213
Comprehensive income for the year			13		-13	3,687	3,687
Closing equity, 31 December 2018	503	2,772	13	4,916	16,998	3,687	28,889

Statement of cash flows, Parent Company

SEK m	Note	2018	2017
Operating activities			
Operating profit/loss			
Dividend received		-404	-405
Adjustments for non-cash items	16	3,690	6,035
Income tax paid		90	95
Cash flow from operating activities before change in working capital		0	0
Change in working capital			
Current receivables (increase - /decrease +)		3,376	5,725
Current liabilities (increase + /decrease -)		-51	-66
Cash flow from operating activities		30	18
Investing activities			
Purchase of property, plant and equipment and intangible assets		-158	-111
Investments in subsidiaries		-51	-170
Loans to Group companies		-645	-
Interest received		1	2
Interest received Group companies		163	149
Cash flow from investing activities		-689	-130
Financing activities			
Borrowings		1,429	58
Repayment of borrowings		-3,500	-2,295
Change in intra-Group loans		405	354
Dividend paid		-2,213	-2,112
Interest paid		-200	-230
Cash flow from financing activities		-4,078	-4,225
Cash flow for the year			
Cash and cash equivalents at beginning of year		-1,412	1,322
Cash and cash equivalents at end of year		72	1,484

Notes

Note 1 Accounting principles and supplementary disclosures

ACCOUNTING PRINCIPLES

Accounting principles applied

The Parent Company has prepared its annual accounts in accordance with the Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities. According to RFR 2, in preparing the annual accounts for the legal entity parent companies are to apply all EU-adopted IFRS/IAS – including interpretations – as far as possible within the framework of the Annual Accounts Act and taking into account the connection between reporting and taxation. RFR 2 specifies the exemptions from and supplements to the standards that are to be made according to IFRS. Altogether this results in the following differences between the Group's and the Parent Company's accounting principles.

Subsidiaries

Interests in subsidiaries are recognised according to the cost method.

Classification and measurement of financial instruments

The Parent Company applies IFRS 9 except in the case of financial guarantees, where the exception according to RFR 2 applies.

Taxes

Untaxed reserves are recognised including deferred tax liabilities. In the consolidated accounts, on the other hand, untaxed reserves are divided between deferred tax liabilities and equity.

Leases

All leases are recognised according to the rules for operating leases.

Defined benefit pension plans

The Parent Company uses a different basis to calculate defined benefit pension plans than in IAS 19. The calculations by the Parent Company comply with the Act on Safeguarding Pension Benefits and the Swedish Financial Supervisory Authority's regulations, as this is required for tax deductibility. The main differences compared with IAS 19 are the way in which the discount rate is determined and that the calculation is based on current salary levels rather than on expected future salary.

Group contributions

Group contributions (received and provided) are recognised as appropriations.

Capitalised development expenditures

Development expenditures capitalised in 2018, for development work performed within ICA Gruppen on intangible assets, are transferred from non-restricted equity to a reserve for development expenditures pertaining to restricted equity.

Note 2 Intra-Group purchases and sales

The Parent Company's net sales amounted to SEK 972 million (838), of which 96% (96) consisted of sales to Group companies. Purchases from Group companies amounted to SEK 58 million (44).

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.

	2018	2017
Women	160	142
Men	161	161
Total	321	303

Salaries, other remuneration and social security contributions

SEK m	2018	2017
Salaries and remuneration		
<i>Board of Directors and CEO</i>		
Salaries and other remuneration	24	23
– of which variable component	8	8
Other senior executives	22	19
Other employees	214	211
Total	260	253
 Social security contributions		
Pension costs	100	94
– of which pension costs for the Board of Directors and CEO	54	42
	3	3
Total	154	136
 Total salaries, other remuneration, social security contributions and pension costs		
	414	389

Cont. Note 3 Average number of employees, salaries and other remuneration

Gender distribution on the Board and among senior executives

	31 Dec. 2018	31 Dec. 2017
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Board of Directors		
Men	8	8
Women	4	4
Total	12	12

CEO and other senior executives

Men	3	3
Women	3	2
Total	6	5

ICA Gruppen Management Team

2018, SEK 000s	Salaries	Variable remuneration	Benefits	Pension costs	Total
CEO	9,345	7,710	209	3,282	20,546
Other senior executives	15,233	6,423	518	4,388	26,562
Total	24,578	14,132	727	7,670	47,107

2017, SEK 000s	Salaries	Variable remuneration	Benefits	Pension costs	Total
CEO	9,129	7,640	237	3,198	20,204
Other senior executives	12,821	5,850	380	3,849	22,900
Total	21,950	13,490	617	7,047	43,104

Comments on the table

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

Remuneration to the Board of Directors and CEO of ICA Gruppen AB

Remuneration to ICA Gruppen AB's Board members at the individual level and remuneration and terms for the CEO of ICA Gruppen AB are described in Group notes, Note 4.

Remuneration to other senior executives

Remuneration to other senior executives consists of basic pay, pension benefits, variable compensation in the form of a cash bonus, other remuneration and benefits, and severance pay. Other senior executives refers to the individuals who, together with the CEO, make up the ICA Gruppen Management Team (IMT) and are employed by ICA Gruppen AB.

Variable compensation system

See Group notes, Note 4.

Notice periods and severance pay for other senior executives

A mutual notice period of six months applies for senior executives. If termination of employment is initiated by the company, the senior executive is entitled to severance pay of up to 12 months' basic pay. Severance pay is deductible.

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

Pension benefits for other senior executives

Other senior executives, with one exception, have a combined defined contribution and defined benefit pension plan. As a result, pension premiums – which are payable as long as the individual is employed – amount to up to 30% of pensionable salary. One senior executive is instead covered by a defined benefit ITP2 plan.w

Note 4 Audit expenses

SEK m	2018	2017
KPMG:		
Audit assignments	3	3
Total	3	3

Note 5 Operating leases

SEK m	2018	2017
Lease expense for the year	39	18
Future contractual lease fees:		
Maturity date within 1 year	16	1
Maturity date between 1–5 years	12	1
Maturity date later than 5 years	0	0
Total	27	2

FINANCIAL INFORMATION | PARENT COMPANY

Note 6 Profit/loss from financial items

SEK m	2018	2017
Profit/loss from interests in Group companies		
Dividends:		
ICA AB	3,690	4,000
ICA Fastigheter Holding AB	-	1,900
Expediera Intressenter AB	-	5
Hemtex AB	-	130
Impairment	0	-131
Total	3,690	5,904
Other interest income and similar items		
Interest income, Group companies	170	159
Exchange differences	8	4
Other interest income and similar items	1	1
Change in fair value of financial instruments	43	35
Total	221	199
Other interest expense and similar items		
Interest expense, Group companies	-4	-11
Other interest expense and similar items	-200	-259
Total	-204	-270
Total profit/loss from financial items	3,707	5,833

Note 7 Taxes

SEK m	2018	2017
Current tax		
Current tax on profit for the year	0	0
Deferred tax on temporary differences	-10	5
Reported tax	-10	5
Reconciliation of effective tax expense		
Profit/loss before tax	3,696	5,874
Tax as per the current tax rate in Sweden, 22% (22)	-813	-1,292
Dividend	812	1,328
Write-down of shares	0	-29
Non-deductible expenses/non-taxable income	-2	-2
Effect of changed tax rate	-7	-
Reported tax	-10	5
Effective tax rate	0.3%	-0.1%

As reported in the balance sheet:

Deferred tax assets	223	233
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The Parent Company's tax loss carryforwards as of 31 December 2018 amounted to 921 (921). Deferred tax assets of 197 (203) are recognised in the balance sheet for these tax loss carryforwards. The tax loss carryforwards are blocked against Group contributions until 2018 as a result of the changes in ownership that took place in 2013 when ICA Gruppen AB acquired ICA AB from Ahold.

Change in deferred tax in temporary differences and tax loss carryforwards

SEK m	Balance as of 1 Jan. 2018	Recognised through profit or loss	Balance as of 31 Dec. 2018
Tax loss carryforwards	203	-6	197
Other	30	-5	25
Total	233	-10	223

SEK m	Balance as of 1 Jan. 2017	Recognised through profit or loss	Balance as of 31 Dec. 2017
Tax loss carryforwards	203	-	203
Other	25	5	30
Total	228	5	233

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

FINANCIAL INFORMATION | PARENT COMPANY

Note 8 Intangible non-current assets

SEK m	2018	2017
IT systems		
Accumulated cost	239	213
Accumulated amortisation	-131	-105
Book value	108	108
Opening balance	108	86
Investments	28	50
Amortisation for the year	-28	-28
Book value	108	108

Amortisation of intangible non-current assets is included in the line "Administrative expenses" in the income statement.

Note 9 Property, plant and equipment

SEK m	2018	2017
Equipment		
Accumulated cost	521	398
Accumulated depreciation	-360	-308
Book value	161	90
Opening balance	90	94
Investments	132	53
Depreciation for the year	-61	-57
Book value	161	90

Depreciation of property, plant and equipment is included in the line "Administrative expenses" in the income statement.

Note 10 Interests in Group companies

SEK m	2018	2017
Interests in subsidiaries		
Cost, opening balance	31,604	31,434
Shareholder contributions ¹	51	170
Accumulated cost, closing balance	31,655	31,604
Impairment, opening balance	-1,512	-1,381
Impairment for the year ¹	0	-131
Accumulated impairment, closing balance	-1,512	-1,512
Residual value according to plan, closing balance	30,142	30,092

1) In 2018 shareholder contributions were provided to ICA Banken AB in the amount of SEK 50 million. In addition, there was a new issue of shares in ICA Spara AB totalling SEK 0.5 million. In 2017 shareholder contributions were provided to ICA Banken AB in the amount of SEK 170 million.

2) No impairment was applied in 2018. In 2017 the interests in Hemtex AB were written down by SEK -130 million, corresponding to dividends received during the year. Interests in BlackClub Intressenter AB were written down by SEK -1 million.

Specification of important indirect holdings as of 31 December 2018

	Corporate reg. no.	Registered office	Capital and votes, %
Subsidiaries of Hemtex AB			
Hemtex Oy	16,502,515	Finland	100
Subsidiaries of ICA AB			
Rimi Baltic AB	556042-7410	Stockholm	100
Hakonlita UAB	125,018,861	Lithuania	100
Kinnisvaravaldduse AS	10,434,202	Estonia	100
Plesko Real Estate SIA	40,003,516,351	Latvia	100
Rimi Eesti Food AS	10,263,574	Estonia	100
Rimi Latvia SIA	40,003,053,029	Latvia	100
Rimi Lietuva UAB	123,715,317	Lithuania	100
Apotek Hjärtat AB	556791-1010	Stockholm	100
Apotek Hjärtat Retail AB	556773-8249	Stockholm	100
Apotek Hjärtat Logistik AB	556874-7827	Stockholm	100
ICA Global Sourcing Ltd	1,155,948	Hong Kong	100
ICA Sverige AB	556021-0261	Stockholm	100
Subsidiaries of ICA Banken AB			
ICA Försäkring AB	556966-2975	Stockholm	100
Subsidiaries of ICA Fastigheter Holding AB			
ICA Fastigheter AB	556033-8518	Västerås	100
Längeberga Logistik AB ¹	556928-2840	Stockholm	50

1) Längeberga Logistik AB is a company owned 50% by Alecta and 50% by ICA Gruppen. Längeberga Logistik AB owns ICA Gruppen's warehouse property in Helsingborg. Based on the fact that ICA Gruppen uses the property for its own operations and that through the rent payments for the property, ICA Gruppen is responsible for the cash flows that Längeberga Logistik AB needs in order to meet its commitments, ICA Gruppen has control over the company. Längeberga Logistik AB is thus a subsidiary within ICA Gruppen.

FINANCIAL INFORMATION | PARENT COMPANY

*Cont. Note 10 Interests in Group companies***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. 2018, SEK m	Book value 31 Dec. 2017, SEK m
Expediera Intressenter AB	556720-9563	Solna	1,000	100	SEK 100	1	1
Forma Holding AB	556586-2363	Stockholm	1,000	100	SEK 1,000	1	1
Hemtex AB	556132-7056	Borås	9,090,910	100	SEK 1.10	589	589
ICA AB	556582-1559	Stockholm	5,000,000	100	SEK 100	23,035	23,035
ICA Banken AB	516401-0190	Stockholm	1,000,000	100	SEK 100	1,704	1,654
ICA Fastigheter Holding AB	556604-5471	Stockholm	1,000	100	SEK 100	4,812	4,812
ICA Spara AB	559086-0531	Solna	2,000	100	SEK 100	0	0
BläckClub Intressenter AB	556720-3467	Solna	1,000	100	SEK 100	0	0
Höga Blåica AB	556703-2924	Solna	1,000	100	SEK 100	0	0
Total						30,142	30,092

Note 11 Accruals

SEK m	31 Dec. 2018	31 Dec. 2017
Prepaid expenses and accrued income		
Other prepaid expenses	114	93
Total	114	93
SEK m		
31 Dec. 2018		
Accrued expenses and deferred income		
Accrued salaries, holiday pay and social security expenses	89	80
Accrued interest expense	10	44
Other accrued expenses	71	66
Total	169	190

Note 12 Equity and appropriation of earnings

As of 31 December 2018, the share capital consisted of 201,146,795 shares (201,146,795), each with a quota value of SEK 2.50 per share. There are no holdings of treasury shares.

Proposed appropriation of earnings

The Board of Directors and the Chief Executive Officer propose that the earnings be distributed as follows:

SEK	
To the shareholders, a dividend of	2,313,188,143
To the share premium reserve	4,915,938,770
Carried forward	18,372,153,702
Total	25,601,280,614

FINANCIAL INFORMATION | PARENT COMPANY

Note 13 Provisions for pensions

All employees receive pension benefits according to collective agreements. Salaried employees therefore receive either defined contribution (ITP1) or defined benefit (ITP2) pensions according to the ITP plan. Employees with a defined benefit pension plan receive pension based on their final salary. The defined benefit pensions are reported as a provision in the balance sheet. The defined contribution pension premiums are paid to Alecta/Collectum on an ongoing basis. To guarantee the provision in the balance sheet, a credit insurance policy has been taken out with PRI Pensionsgaranti. The full amount is covered by the Pension Obligations Vesting Act.

	31 Dec. 2018	31 Dec. 2017
Reconciliation of carrying amount for self-managed pensions		
Opening balance, capital value of pension obligations	374	353
Costs charged against profit	19	13
Interest expense	15	15
Pension disbursements	-8	-7
Closing balance, capital value of pension obligations	400	374

Note 14 Non-current liabilities

	31 Dec. 2018	31 Dec. 2017
Bonds ¹	1,200	1,497
Liabilities to credit institutions	1,500	1,490
Total	2,700	2,987

1) Bonds amount to 1,200 (1,500) and prepaid credit charges to 0 (3).

No liabilities have a maturity date later than five years after the balance sheet date.

For more information see Group notes, Note 20.

Note 15 Financial risk management and financial instruments

ICA Gruppen's financial risks are handled at the Group level. For more information see Group notes, Note 20. The Parent Company ICA Gruppen AB has no significant net positions in commercial currency or fuel derivatives. For information on the Parent Company's financial currency derivatives see Group notes, Note 20.

Financial assets and liabilities by category

SEK m	31 Dec. 2018	31 Dec. 2017
Financial assets		
<i>Financial assets measured at fair value through profit or loss</i>		
Other financial assets	85	97
<i>Financial assets measured at amortised cost</i>		
Trade receivables	5	12
Current receivables from Group companies	11,889	11,253
Cash and cash equivalents and other receivables	842	1,593
Total financial assets	12,821	12,955

Financial liabilities

SEK m	31 Dec. 2018	31 Dec. 2017
Guarantees and contingent liabilities		
<i>Guarantees for subsidiaries</i>		
Bonds	2,700	4,997
Liabilities to credit institutions	2,233	1,965
Trade payables	149	127
Current liabilities to Group companies	8,796	8,227
Other current liabilities	176	199
Total financial liabilities	14,160	15,677

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 59 (167).

Note 16 Statement of cash flows

Adjustments for non-cash items

SEK m	2018	2017
Depreciation/amortisation	90	86
Provisions for pensions	11	6
Other provisions	-11	3
Total	90	95

There are no other significant changes in financial liabilities recognised under financing activities in the Statement of cash flows other than items relating to payments for taking out and repaying loans within the Company's financing activities.

Note 17 Pledged assets and contingent liabilities

SEK m	31 Dec. 2018	31 Dec. 2017
<i>Guarantees and contingent liabilities</i>		
<i>Guarantees for subsidiaries</i>		
Total	277	254

This item is mainly for a guarantee pledge to Mastercard for the subsidiary ICA Banken AB.

Statement by the Board of Directors concerning the dividend

This statement has been drawn up pursuant to Chapter 18 Section 4 of the Swedish Companies Act (2005:551) and represents the Board's assessment as to whether the proposed dividend is justifiable in view of what is stated in Chapter 17 Section 3 second and third paragraphs of the Swedish Companies Act.

The Board of Directors of ICA Gruppen AB proposes an ordinary dividend of SEK 11.50 per share (11.00). The total dividend amounts to SEK 2,313 million (2,213), which is 62.7% (37.6) of the Parent Company's profit. The proposed dividend will reduce the Parent Company's equity/assets ratio from 66.5% to 61.2%, and the Group's equity/assets ratio from 41.2% to 38.4%. The equity/assets ratio is adequate for both the long and short term. The dividend amount corresponds to 63.4% of the Group's profit for the year. The Company's equity would have been SEK 16 million, or approximately 0.1%, higher had assets and liabilities not been measured at fair value in accordance with Chapter 4 Section 14 a of the Annual Accounts Act.

The dividend proposal is in line with the goal of paying a good and stable dividend over time. ICA Gruppen's dividend target over time is to pay a dividend to shareholders of at least 50% of profit for the year. In the Board's opinion, the proposed dividend is justifiable taking into account the requirements that the nature and scope of the business, as well as the risks associated with it, place on the Group's equity and financial position.

In view of the aforementioned and taking it into account, the Board believes that the proposed dividend is justifiable in terms of the requirements set out in Chapter 17 Section 3 second and third paragraphs of the Swedish Companies Act, which state that the dividend must be justifiable considering the requirements that the nature and extent of the business and its risks impose on the level of equity and on the Company's and the Group's consolidation requirements, liquidity and position in general.

Proposed appropriation of earnings

The following funds are at the disposal of the general meeting (SEK):

Share premium reserve	4,915,938,770
Retained earnings	16,998,838,777
Profit/loss for the year	3,686,503,067
Total	25,601,280,614

The Board of Directors and the Chief Executive Officer propose that the earnings be distributed as follows:

To the shareholders, a dividend of	2,313,188,143
To the share premium reserve	4,915,938,770
Carried forward	18,372,153,702
Total	25,601,280,614

The undersigned hereby provide an assurance that the annual accounts and consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU, and according to sound accounting practices, and provide a true and fair presentation of the Group's and the Parent Company's financial position and results, and that the Board of Directors'

Report provides a true and fair overview of the development of the Group's and the Parent Company's operations, financial position and results, and describes material risks and uncertainties faced by the companies in the Group. The statutory Sustainability Report, constituting the parts of the ICA Gruppen AB (publ) Annual Report stated as such on page 4, has been approved for publication by the Board of Directors.

Stockholm, 6 February 2019

Claes-Göran Sylvén
Chairman

Göran Blomberg

Cecilia Daun Wennborg

Andrea Gisle Joosen

Jeanette Jäger

Fredrik Hägglund

Bengt Kjell

Magnus Moberg

Fredrik Persson

Anette Wiotti

Jonathon Clarke

Magnus Rehn

Per Strömberg
Chief Executive Officer

Our audit report was submitted on 6 February 2019
KPMG AB

Thomas Forslund
Authorised Public Accountant

Auditor's Report

To the general meeting of the shareholders of ICA Gruppen AB (publ), corp. id 556048-2837

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of ICA Gruppen AB (publ) for the year 2018, except for the corporate governance statement on pages 55–73. The annual accounts and consolidated accounts of the company are included on pages 3–4, 12–27 and 40–117 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 2018 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 2018 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 55–73. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the statement of comprehensive income and statement of financial position for the group.

Our opinions in this report on the the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

IT systems and related IT controls

Description of key audit matter	Response in the audit
The company is relying on well-functioning IT-systems and IT-controls in order to run its operations. If these are not operating effectively, there is a risk that errors may occur which could impact the financial reporting. Critical IT-systems and related controls are therefore considered a key audit matter for the purposes of our audit.	We have, with support of our IT-audit specialists, evaluated and tested the operating effectiveness of the IT-systems and the IT-controls that are considered relevant for the financial reporting. Our audit has included evaluation of processes and testing of controls related to program changes, access management and IT-operations. We have also reviewed the organisational structure, segregation of duties and governance of the IT-organisation, and assessed the company's incident management and monitoring processes as well as testing any compensating controls where applicable.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–2, 5–11, 28–39 and 118–136. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances,

FINANCIAL INFORMATION

but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's, use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of ICA Gruppen AB (publ) for the year 2018 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 annual report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.

The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden

will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 55–73 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16. The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

KPMG AB, Box 382, 101 27, Stockholm, was appointed auditor of ICA Gruppen AB (publ) by the general meeting of the shareholders on the 12th of April 2018. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 2017.

Stockholm 6 February 2019

KPMG AB

Thomas Forslund
Authorised Public Accountant

SUSTAINABILITY INFORMATION

Sustainability information

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. 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 2018 has been reviewed by a third party. ICA Gruppen's accounting principles can be found on page 130.

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SUSTAINABILITY AREA	Page	External Assurance	Global Compact	SDG
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About the Sustainability Report

ICA Gruppen's Sustainability Report describes the Group's work relating to the environment, ethical trading, quality, health, diversity and community engagement.

Governance of ICA Gruppen's sustainability work

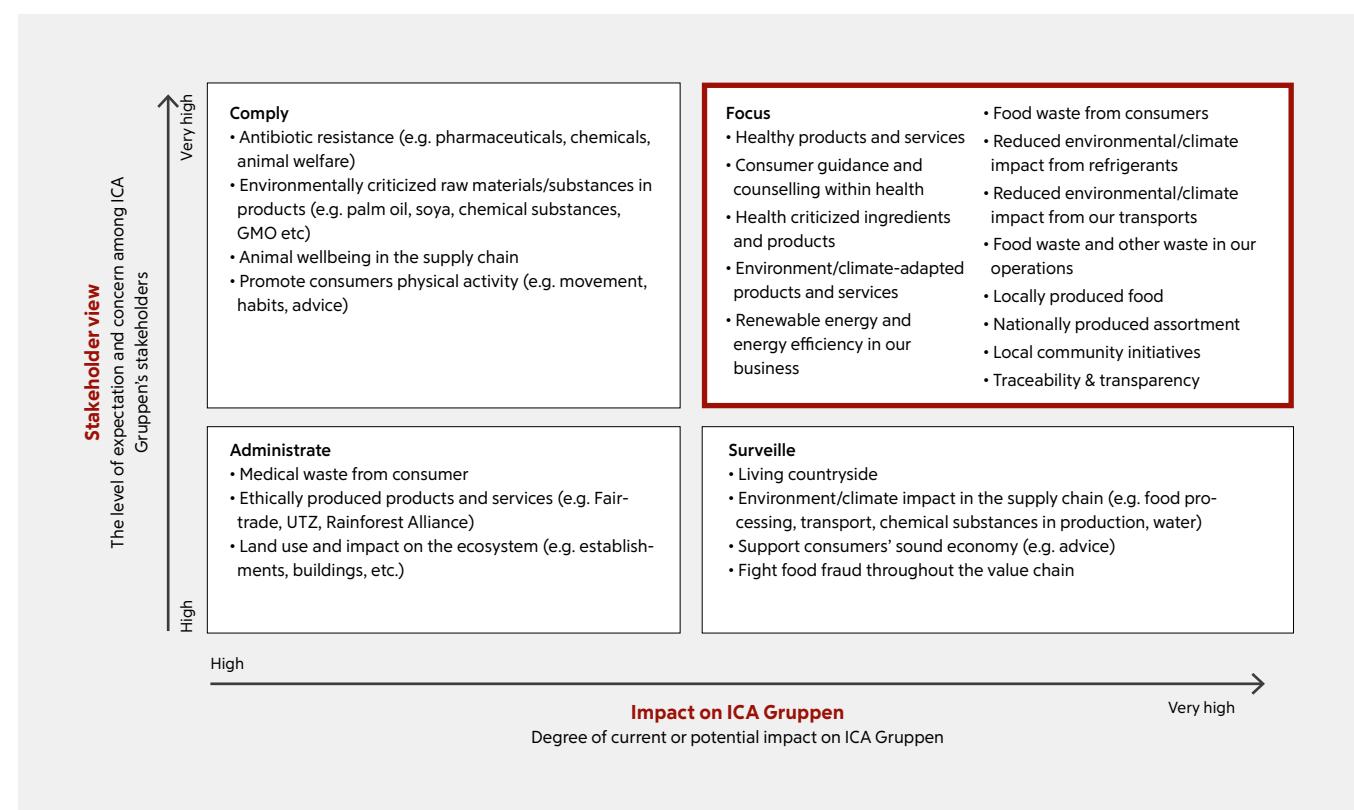
The strategic focus of ICA Gruppen's sustainability work is set by the Board of Directors through the Sustainability Committee and is managed through strategic planning and business planning processes. The Sustainability Committee's mandate is based on the Code's rules on the responsibility of the Board of Directors to establish guidelines for how the Group should behave in society. The Committee's duties include preparing policies on business ethics and sustainability, preparing sustainability reports (annually and quarterly) and monitoring business ethics and sustainability issues. In addition, the Board of Directors reviews the Group's sustainability work annually. The review covers risk analysis, ethical dilemmas and in-depth training in specifically identified areas. Although the CEO has ultimate responsibility for sustainability issues within the Group, the management of the day-to-day sustainability work has been delegated to the Chief Corporate Responsibility Officer, who is part of the ICA Gruppen Management Team (IMT).

The IMT, under the leadership of the Chief Corporate Responsibility Officer, is tasked with developing and, if need be, monitoring the Group's application of the Sustainability Policy. To support the IMT and the Chief Corporate Responsibility Officer, ICA Gruppen has established a Sustainability Work Group. The Sustainability Work Group is cross-functional and addresses matters relating to sustainability and business ethics. The IMT suggests sustainability priorities to the Board and monitors ethical dilemmas, risks and public opinion. The IMT is also tasked with proposing policies to the Board and revising existing policies. For a number of years the operating companies in ICA Gruppen have been using selected key indicators in the areas of the environment, health, equality, corporate social responsibility and quality. ICA Gruppen publishes quarterly reports on its sustainability work showing ongoing progress during the year. The report covers all operating companies within the Group. In addition, ICA Gruppen publishes an annual sustainability report to provide an overall picture of its sustainability work. Read more about ICA Gruppen's sustainability work from page 28 onwards and on the Group's website, icagruppen.se/en.

Basis of the report

Since 1995 an annual environmental and sustainability report has been published. Between 2004 and 2017 it reported in accordance with the GRI reporting standard. As of 2018 ICA Gruppen is using the Group's own accounting principles for sustain-

ICA Gruppen's materiality analysis



SUSTAINABILITY INFORMATION

ability reporting. Since 2008 the Sustainability Report has been reviewed by a third party, following a decision by the ICA Gruppen Management Team. The Sustainability Report follows ICA Gruppen's financial year, and as such covers the period 1 January 2018 to 31 December 2018. The previous report was published in March 2018.

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. Starting from the UN Sustainable Development Goals, the ten principles of the UN Global Compact and ICA Gruppen's policies, 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. In addition to the areas in the materiality analysis, the Group has a continuous focus on socially and environmentally responsible sourcing and on product safety and quality.

Boundaries

The report covers all companies within ICA Gruppen. The report mainly comprises operations that have a significant, direct impact from a sustainability perspective, i.e. ICA Gruppen's own operations. In Sweden ICA collaborates with approximately 1,300 independent ICA retailers through agreements. Information on these is presented when relevant to the overview of ICA Gruppen's sustainability work, for example in respect of:

- Emissions
- Electricity consumption
- Refrigerants
- Waste collected in connection with deliveries of goods to stores
- Sales data from stores
- The number of stores that are certified according to the Swedish standard for food handling in stores, are Swan eco-labelled or have introduced ICA Retailers for the Environment

Operations outside ICA Gruppen's direct control, such as suppliers and customers, are not included in the report. Information on suppliers of ICA Gruppen's corporate brands is included in the report where appropriate.

Framework for sustainability work

To contribute to and work towards global responsibility within sustainability, since 2004 ICA Gruppen has been a signatory of the UN Global Compact and is thereby committed to its ten principles covering human rights, labour conditions, the environment and anti-corruption. This is being implemented through ICA Gruppen's policies, which have been adopted by ICA Gruppen's Board and serve as a foundation for the Group's sustainability work. Governing bodies and employees are trained in ICA Gruppen's policies, through both online courses and special initiatives. Guidelines are linked to each policy, explaining how each is to be put into practice.

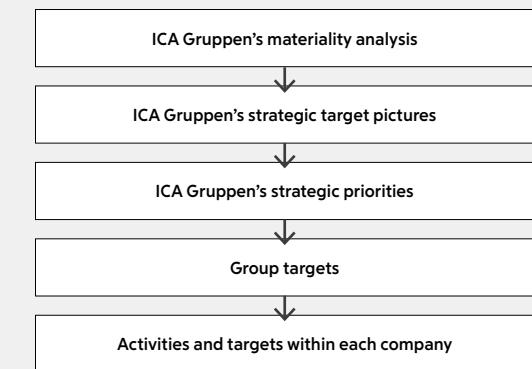
ICA Gruppen is also a signatory to the UN's Caring for Climate initiative (2007) and has undertaken to follow the sustainability programme of the Consumer Goods Forum, a global industry organisation. ICA Gruppen supports and follows the OECD's guidelines for multinational enterprises, the Business Charter for Sustainable Development from the International Chamber of Commerce (ICC) and the ICC's anti-corruption and anti-bribery principles. ICA Gruppen is also a signatory to Science Based Targets (2015) and the ERRT Position Paper on Circular Economy (2015). Since 2015 ICA Sweden has been taking part in the government initiative Fossil Free Sweden.

The UN Global Compact, UN Sustainable Development Goals and ICA Gruppen's policies form a framework for all operations within ICA Gruppen. These provide a basis for the annual materiality analysis, which is then used to elaborate strategies, targets and activities.

Contact

Kerstin Lindvall, Chief Corporate Responsibility Officer, ICA Gruppen
+46 8 561 500 00, kerstin.lindvall@ica.se

Framework: UN Sustainable Development Goals, UN Global Compact, ICA Gruppen's policies



SUSTAINABILITY INFORMATION

Sustainability work based on tools and standards

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

One element of this is certification of large parts of the sourcing, logistics and store processes to relevant standards for quality and the environment.

Certification and standards for quality and the environment

	ISO 14001	ISO 9001	ISO 22000	BRC S&D
ICA Sweden, logistics operations ^{1,2}	1998	–	2017	2012
ICA Real Estate ¹	1999	–	–	–
ICA Sweden, sourcing operations ¹	2012	2012	–	–
ICA Special, sourcing operations ¹	2012	2012	–	–
Rimi Baltic, sourcing operations ¹	2015	2015	–	–
Rimi Baltic, warehouse in Riga ¹	–	–	–	2014

1) Year first certified.

2) ICA Sweden's logistics operations were certified to BRC S&D in the years 2012–2016.

Swan eco-label	ICA Retailers for the Environment	Swedish standard for food handling in stores
Swedish ICA stores, number	115	157

Environmental certification and standards

The environmental standard ISO 14001 is used to certify operations, and in the stores the Swan eco-label is used along with the Group's own environmental support tool ICA Retailers for the Environment. ICA Real Estate's target is for all fully owned new store establishments to be certified according to the Swedish Green Building Council's environmental certification Miljöbyggnad at the Gold level. In 2018, ICA Real Estate completed two new store projects: ICA Kvantum Teleborg in Växjö and ICA Maxi Uppbarp in Ulricehamn. Certification has been completed on both projects, both of which have achieved Miljöbyggnad Guld.

Suppliers to ICA Gruppen must be active in their own internal environmental work, including establishing an environmental policy, environmental targets and plans to reduce environmental impact from production and other activities. Suppliers must regularly monitor the environmental impact of their business. ICA Gruppen ensures its requirements are met through agreements, follow-up and by recommending established systems of environmental certification.

During 2016 the ICA Social Audit – ICA Gruppen's own tool for social auditing of suppliers – was supplemented with additional parts relating to the supplier's environmental work. The aim was to be able to monitor the suppliers' environmental performance even more effectively. The new parts focus on waste disposal, chemicals and water treatment, among other things.

Quality certification and standards

The quality standards ISO 9001, ISO 22000 and BRC S&D are used to certify operations, while stores use the Swedish standard for food handling in stores. ICA Sweden's quality coaches carry out an annual internal audit of practically all ICA stores. The internal audit is an extensive review of all food handling by the store and takes around four hours per store. The goal is that 90% of ICA stores will be internally audited each year. In 2018, ICA Sweden achieved 95%. Rimi Baltic uses its own standard for food handling, which is based on the Swedish standard and covers all of the store formats in Estonia, Latvia and Lithuania.

ICA Gruppen requires its corporate brand food suppliers to be third-party certified to a product safety standard approved by the Global Food Safety Initiative (GFSI). These standards cover food safety management systems, Hazard Analysis and Critical Control Points (HACCP), and good manufacturing practices. Local suppliers of ICA Gruppen's corporate brands can also be certified to local standards (in addition to GFSI-approved standards), allowing small suppliers to safely supply products. This system promotes local production and facilitates ICA Gruppen's local adaptation.

Suppliers of corporate brand cosmetics and hygiene products are required to be certified to BRC Global Standard Consumer Products (BRC CP) or an equivalent standard. For other suppliers of corporate brand non-food products to ICA Gruppen, the goal is to be certified to BRC CP, ISO 9001 or an equivalent standard.

The quality system at the individual pharmacies, the so-called self-monitoring programme, is regulated by legislation from the Medical Products Agency (MPA). All pharmacies have a responsible pharmacist who must ensure compliance with the requirements and who also reports to the MPA if there are serious deficiencies in the operations. In addition, the responsible pharmacist carries out annual self-monitoring at the pharmacy. Apotek Hjärtat has quality assurance specialists who conduct regular internal inspections to ensure that its pharmacies maintain a high level of quality and follow the self-monitoring programme. Suppliers of medicines are approved by the MPA, and all pharmacies have an obligation to provide approved prescription drugs.

Quality assurance of products

ICA Gruppen is working on several fronts to prevent future food fraud, including through a long-term investment at ICA Sweden to expand country-of-origin labelling to more corporate brand products. ICA Gruppen is also engaged in a continuous dialogue with the food industry and relevant authorities, and monitors the work of the GFSI in this area. ICA Gruppen has also performed an internal vulnerability analysis in accordance with GFSI requirements and has its own action plan to counter food fraud.

Quality tests and follow-up inspections are carried out regularly by ICA Gruppen's suppliers as part of their quality programmes. In addition, ICA 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 sells products from all over the world and needs to be aware of where the products come from and the conditions in which they were produced. ICA Gruppen does not accept discrimination, any lack of the right to freedom of association and collective bargaining, child labour, forced labour, young workers being exposed to risky work or any other failure to comply with human rights.

ICA Gruppen has produced its own tool for social auditing of corporate brand suppliers in high-risk countries: the ICA Social Audit. The requirements are based on similar criteria to the Business Social Compliance Initiative (BSCI). The combination of the ICA Social Audit, carried out by the Group's own employees or consultants, and third-party audits, such as BSCI, ETI or SA8000, has successfully shortened the often time-consuming process of obtaining a social audit. The ICA Social Audit helps suppliers to improve working conditions in production more quickly. In a long-term perspective, ICA Gruppen works to ensure that all suppliers of corporate brand products in high-risk countries use a third-party system, which also benefits the suppliers in their other customer relationships.

If ICA Gruppen's own auditors or third-party auditors detect irregularities at a production facility used by the Group, a concrete action plan is established and followed up in

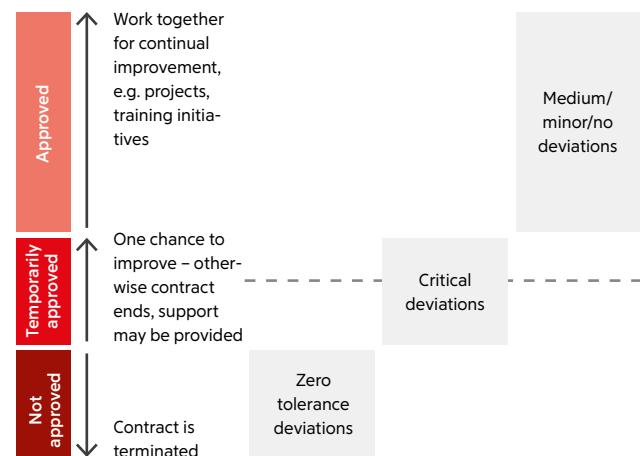
SUSTAINABILITY INFORMATION

a re-audit. The first time a supplier violates the contractual requirements, it generally gets a chance to correct the problem; meanwhile, it gets temporary approval. If the supplier corrects the problem to the Group's satisfaction, ICA Gruppen will keep working with it. If a critical deviation is repeated, the agreement with the supplier will be terminated. In 2018 ICA Gruppen decided to terminate agreements with 13 (13) suppliers because they did not adequately meet the Group's requirements on human rights or they had not made the necessary improvements since the first audit.

Combating child labour

ICA Gruppen's basic rule when it comes to child labour is that individuals younger than 15 may not work for any of the Group's suppliers. If national laws have stricter limits, these apply. In China, for example, the minimum legal working age is 16. ICA Gruppen also requires its suppliers to give special consideration to young workers (younger than 18) in matters such as the right to limited working hours.

If ICA Gruppen detects or suspects that a worker has not reached the minimum legal working age, the contract with the supplier obliges the supplier to take measures to protect the best interests of that person. Together with the supplier, ICA Gruppen tries to find the best possible solution in light of the child's age, education and social situation.

Approval for social responsibility at ICA Gruppen

Partnerships and memberships

ICA Gruppen cooperates with a number of organisations and participates in various networks focused on social responsibility, the environment, health and food quality/ food safety. Maintaining a continuous dialogue with consumer and environmental organisations, trade organisations and other local, national and international stakeholders is an important part of ICA Gruppen's sustainability work and enables the Group to compare and improve the way it works and thus promote positive development.

ICA Gruppen's Chief Corporate Responsibility Officer is the Group's representative in the UN Global Compact, including its Nordic network.

ICA Gruppen's Chief Corporate Responsibility Officer is a member of the Monitoring Board of the Swedish Chemicals Agency and is also a member of the board of KRAV, which develops organic standards and promotes the KRAV label in Sweden. 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.

Examples of additional memberships and initiatives in which ICA Gruppen participates

- Accord on Fire and Building Safety in Bangladesh (Bangladesh Accord)
- Better Cotton Initiative (BCI)
- BoTryggt2030, Foundation Safer Sweden
- Business Social Compliance Initiative (BSCI)
- Consumer Goods Forum
- Swedish Soy Dialogue
- Global Food Safety Initiative (GFSI)
- In-Depth Cooperation Programme
- Swerea IVF's Chemical Group
- REAP (Retailers' Environmental Action Programme)
- Round Table on Responsible Soy (RTRS)
- Roundtable on Sustainable Palm Oil (RSPO)
- The SWI Group on water and food
- Supply Chain Initiative
- Sweden Green Building Council
- Sweden Textile Water Initiative (STWI)
- Swedish Textile Importers
- Swedish Trade Federation (Svensk Handel)
- Swedish Leadership for Sustainable Development (Sida)
- T4RI, Textiles for Recycling Initiative, Swedish Trade Federation

In Lithuania, Rimi is a permanent member of the initiative Baltoji Banga (transparent wave), which promotes transparency in Lithuanian business. In Latvia, Rimi is one of the founders of the Latvian Food Retailers' Association, which was established in 2010.

ICA Bank has joined forces with Ecpat, other financial institutions and the police to combat online child pornography. Ecpat is a global network of organisations working to eliminate child prostitution, child pornography and human trafficking.

ICA Sweden is a member of the government initiative Fossil Free Sweden and supports the strategy for fossil-free and recyclable plastic packaging by 2030 that was produced by the members of the Swedish Food Retailers Federation within the framework of Fossil Free Sweden. ICA Sweden is also a member of the Sustainable Food Chain initiative. ICA Sweden is an active partner in Arena for Growth, a public-private partnership to promote local and regional growth through collaboration and growth-promoting processes.

Additional examples of dialogue partners

In addition to trade organisations in each market, ICA Gruppen's most important dialogue partners in the area of sustainability include:

- Swedish Asthma and Allergy Association
- Swedish Coeliac Society
- Fairtrade
- Public Health Agency of Sweden
- Forest Stewardship Council (FSC)
- Swedish Board of Agriculture
- Federation of Swedish Farmers (LRF)
- Swedish National Food Agency
- Marine Stewardship Council (MSC)
- Swedish Society for Nature Conservation
- Swedish Environmental Protection Agency
- Swedish Consumers' Association
- Textile Exchange
- WWF

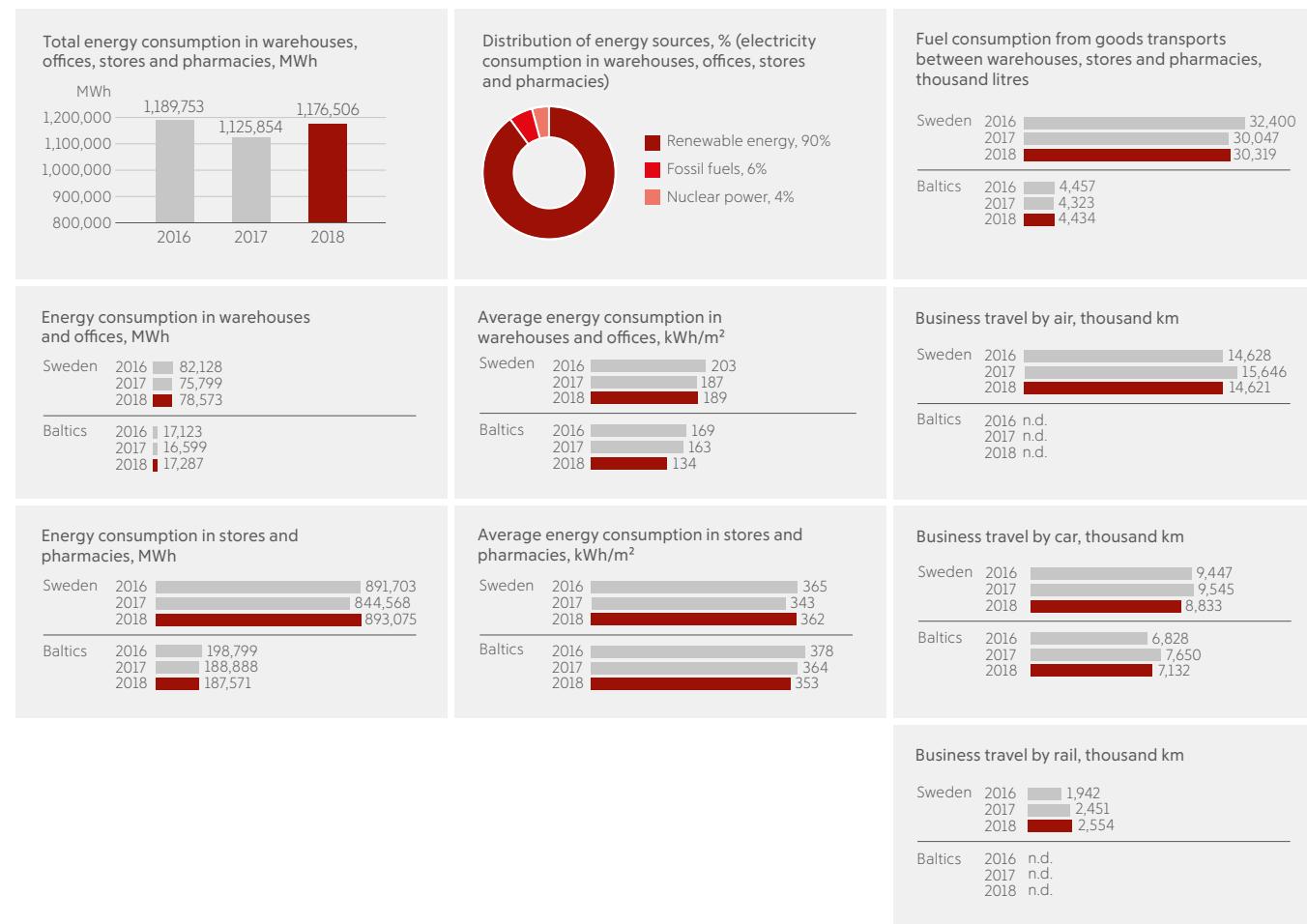
Sustainability data

Environment

Use of resources

In 2018 major emphasis was placed on initiatives to increase energy efficiency in stores, for example by overhauling lighting and ventilation and by moving across to refrigerants with a lower climate impact. ICA Gruppen's total energy use in warehouses, offices, stores and pharmacies was higher in 2018 than the previous year. One of the reasons for the increased energy use was the higher than normal burden on ventilation and cooling systems due to the extreme weather during the summer. This therefore had a negative effect on the average energy consumption per square metre – both in stores and in the warehouse units. Fuel consumption also increased as a result of the hot summer as more goods transportation routes were driven. The percentage of renewable fuel remains the same as in 2017 after having increased significantly in 2016 and 2017. The reason for this is the statutory requirement in Sweden to reduce greenhouse gases from fuel, which went into force on 1 July 2018, which resulted in higher prices for HVO.

Energy and refrigerants

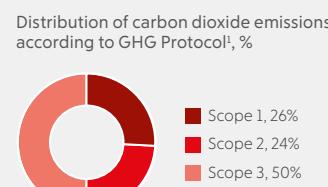
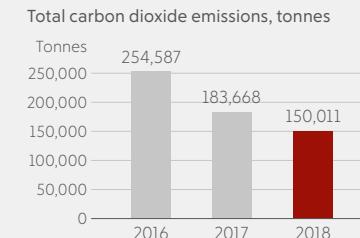
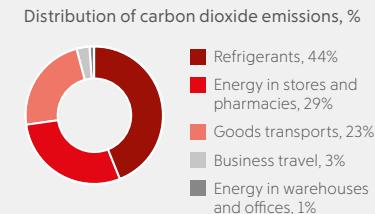


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Emissions

Since 2006 ICA Gruppen's direct greenhouse gas emissions have decreased by 61% (51). The decrease has been largely thanks to long-term efforts within the areas of energy, refrigerants and transport. The main factors contributing to the decrease in 2018 is a transition to refrigerants with a lower climate impact, both in ICA Sweden's and Rimi Baltic's stores, and a higher degree of renewable energy in ICA Sweden's stores than in the past. These are the main factors contributing to the decrease in 2018. The percentage of renewable fuel use is at the same level as in 2017 due to the statutory requirement to reduce greenhouse gases from fuel which went into force in Sweden on 1 July 2018. This has resulted in higher HVO prices, which meant the percentage of diesel used was higher than in previous years and emissions from goods transportation have therefore not decreased as much as in previous years. ICA Gruppen's target to be climate-neutral by 2020 puts high demands on continuing to review equipment, operations, contracts and knowledge to improve resource efficiency and drastically reduce the climate impact of ICA Gruppen's own operations.

Greenhouse gas emissions



1) See page 131.

Total carbon dioxide emissions according to GHG Protocol², tonnes

	2018	2017	2016
Scope 1	38,851	46,401 ³	58,477 ³
Scope 2	35,808	38,945 ⁴	70,259 ⁴
Scope 3	75,333	98,323	125,851

Scope 1 comprises emissions from refrigerants in warehouses and in stores owned by ICA Gruppen itself and emissions from business travel using leased company cars and cars provided as a fringe benefit.

Scope 2 comprises emissions from energy in warehouses and in stores, pharmacies and offices owned by ICA Gruppen itself.

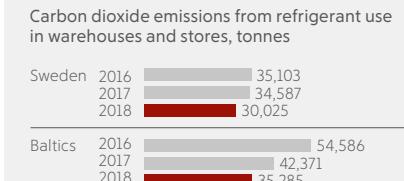
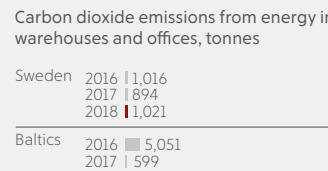
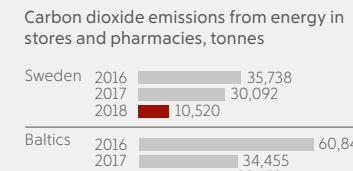
Scope 3 comprises emissions from business travel, emissions from Swedish ICA stores not owned by ICA Gruppen and emissions from transport between warehouses and stores/pharmacies.

2) Not divided into fossil/non-fossil emissions.

3) Historical data has been updated due to additional reporting factors.

4) Historical data has been updated due to additional reporting factors.

Energy and refrigerants



SUSTAINABILITY INFORMATION

Emissions

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, resulting in fewer total miles driven. ICA Sweden, Apotek Hjärtat and Hemtex do not own any lorries, other than the transportation used for ICA Sweden's e-commerce. 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 require their haulage companies to report. In Sweden both renewable fuels and diesel are used. In the Baltic countries only diesel is used for the majority of the year, but as of 2018 renewable fuels are also used in the summer months.

Transports

Carbon dioxide emissions from goods transports between warehouses, stores and pharmacies, tonnes

Sweden 2016 45,152

2017 23,639

2018 23,216

Baltics 2016 12,033

2017 11,673

2018 11,662

Carbon dioxide emissions from business travel by air, train and car, tonnes

Sweden 2016 3,788

2017 3,929

2018 3,650

Baltics 2016 1,276

2017 1,429

2018 1,332

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. Waste from the Swedish ICA stores, Apotek Hjärtat and Hemtex is not included in waste data.

Total waste volume¹, tonnes

Sweden 2016 12,179

2017 12,863

2018 12,783

Baltics 2016 51,467

2017 47,740

2018 48,909

1) Data for Sweden refers to waste from logistics. Data for the Baltics refers to waste from logistics and stores.

Recycled/reused, tonnes

Sweden 2016 5,034

2017 5,180

2018 4,815

Baltics 2016 26,775

2017 24,214

2018 24,738

Compostable, tonnes

Sweden 2016 5,338

2017 5,625

2018 5,384

Baltics 2016 2,088

2017 1,730

2018 2,012

Landfill, tonnes

Sweden 2016 54

2017 95

2018 300

Baltics 2016 22,256

2017 21,142

2018 21,763

Incinerated, tonnes

Sweden 2016 1,753

2017 1,964

2018 2,284

Baltics 2016 348

2017 653

2018 396

Level of recycling¹, %

Sweden 2016 100

2017 99

2018 98

Baltics 2016 57

2017 56

2018 56

1) Includes recycled/reused, compostable and incinerated waste.

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Environmental work in stores

In Sweden 115 (135) ICA stores had the Swan eco-label at the end of 2018, which is 9% of the stores. The Swan eco-label applies tough criteria to matters such as waste management and energy efficiency. The internal eco-tool ICA-handlare för miljön (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, 157 (129) ICA stores had introduced the tool.

Swan eco-labelled ICA stores, number

	2018	2017	2016
ICA Sweden	115	135	142

ICA stores that have been approved according to ICA-handlare för miljön, number

	2018	2017	2016
ICA Sweden	157	129	95

Quality

In 2018 work continued on audits, traceability checks, reviews of product contents and labelling, product testing and structured quality assurance. If it is suspected that a product ICA Gruppen has sold may pose a health risk, the Group contacts the 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 the checkout and is no longer available for sale. A recall is always followed up with the supplier through a visit and/or documented feedback on the measures the supplier has taken to prevent any re-occurrence. No recalls in 2018 resulted in a fine or a warning for ICA Gruppen.

Product recalls, number

	2018	2017	2016
Total	27	43	44
Corporate brands	8	18	9

Quality-certified stores and stores that have implemented the Swedish standard for food handling in stores, ICA Sweden, number

	2018	2017	2016
Accepted by inspection body	625	592	428
Adopted the standard	1,083	1,048	994

Employees

In 2018 ICA Gruppen had approximately 28,000 employees, mainly in Sweden and the Baltic countries. Converted to full-time staff on an annual basis, this corresponds to 22,272 (22,137) full-time equivalents (FTEs). Of the Group's employees, 66% (68) worked in stores and pharmacies, 14% (14) in warehouses and 20% (18) in other operations. Stores and pharmacies had a higher share of part-time employees and also a higher share of women employed compared to other operations. Store employees in the retailer-owned ICA stores in Sweden

are not included because they are employed by the company that owns the store in question.

Sickness-related absence varies between the segments, but has increased somewhat for the Group as a whole. Sickness-related absence is followed up continuously and measures are taken at an individual level through ICA Gruppen's processes for rehabilitation. ICA Gruppen also works actively to reduce sickness-related absence through prevention, support and organisational efforts.

Full-time equivalents (FTEs)**Number of FTEs**

	2018	2017	2016
Sweden	12,511	12,319	12,108
Norway	-	-	12
Finland	52	60	73
Baltic countries	9,591	9,653	9,699
Asia	118	105	94
ICA Gruppen total	22,272	22,137	21,986

Sickness-related absence**Sickness-related absence, %**

	2018 ¹	2017	2016
ICA Gruppen AB	3.2	3.5	3.1
ICA Sweden	5.9	5.4	5.9
Rimi Baltic	6	5.5	5.8
Apotek Hjärtat	5	5.1	5.5
ICA Real Estate	1.6	2	3
ICA Bank	3.6	3.1	4
Hemtex	4	5	5.7
ICA Global Sourcing	1.8	3.2	1.4
ICA Gruppen total	5.7	5.3	5.7

1) Refers to the period December 2017 up to and including November 2018.

Covered by collective agreements**Covered by collective agreements, %**

	2018
Sweden	100
Finland	100
Baltic countries ¹	48
Asia	0
ICA Gruppen total	77

1) Among the Baltic countries, only Latvia is covered by collective agreements.

Employee turnover**Employee turnover, %**

	2018	2017	2016
ICA Gruppen AB	10	10	7
ICA Sweden	19	15	12
Rimi Baltic	45	39	45
Apotek Hjärtat	16	14	15
ICA Real Estate	8	13	10
ICA Bank	12	15	15
Hemtex	20	23	18
ICA Global Sourcing	24	27	18
ICA Gruppen total	30	26	27

SUSTAINABILITY INFORMATION

Cont. Employees

Type of employment

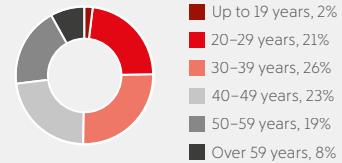
Employment by type, region and gender, number

	2018			2017			2016		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Sweden									
Permanent	5,746	7,810	13,556	5,514	7,632	13,146	5,323	7,522	12,845
Temporary	683	1,588	2,271	799	2,031	2,830	733	2,013	2,746
Finland									
Permanent	0	65	65	0	67	67	1	90	91
Temporary	0	14	14	0	13	13	0	37	37
Baltic countries									
Permanent	1,756	10,123	11,879	1,715	10,213	11,928	1,793	10,323	12,116
Temporary	59	226	285	58	217	275	43	198	241
Asia									
Permanent	66	55	121	61	50	111	50	42	92
Temporary	0	0	0	0	1	1	0	0	0
ICA Gruppen total									
Permanent	7,568	18,053	25,621	7,290	17,962	25,252	7,167	17,977	25,144
Temporary	742	1,828	2,570	857	2,262	3,119	776	2,248	3,024

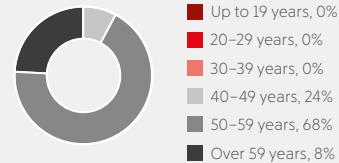
Type of employment, %



Age distribution all employees, %

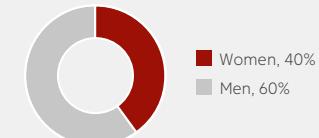


Age distribution, Board and IMT, %

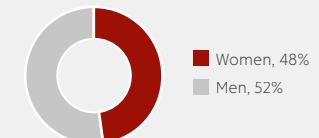


Gender distribution

Gender distribution, Board and IMT, %



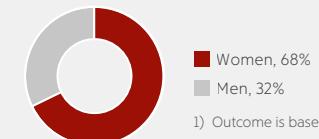
Gender distribution, business-critical positions, %



Gender distribution, all management levels, %



Gender distribution, all employees¹, %



1) Outcome is based on Number of FTEs.

Accounting principles

ICA Gruppen has drawn up its own accounting principles, which are detailed below. The accounting principles are partly based on the GRI framework, but have been adapted for the Group's operations based on the materiality analysis. The Sustainability Report mainly comprises operations that have a significant, direct impact from a sustainability perspective, i.e. ICA Gruppen's own operations. The Report covers all companies within ICA Gruppen. There are certain exceptions, however, which are detailed below. A group-wide IT system is used to collect 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 accounting principles are explained in detail below.

Energy

Covers stores, pharmacies, warehouses and offices.

To calculate electricity consumption (kWh) in Swedish stores a sampling of stores from each format is used. The same calculation principle is used for pharmacies and Hemtex stores. The actual consumption is then extrapolated by the total number of stores and pharmacies in order to report the total energy consumption at the end of the reporting period.

To calculate energy consumption per square metre in stores, pharmacies, warehouses and offices, the area (in square metres) of the stores, pharmacies, warehouses and offices in operation at the end of the measurement period is used.

Renewable energy covers energy from renewable sources such as wind, solar and hydro power, while non-renewable energy refers to energy from fossil sources such as coal and oil.

Energy consumption has been calculated on the following basis:

- ICA Sweden's stores: The calculation is based on actual use of electricity in stores covered by the central electricity agreement. Total consumption is extrapolated by the number of stores at the end of the reporting period using a standard formula. The standard formula is based on the following: Maxi ICA Stormarknad: 97% renewable and 3% non-renewable energy, ICA Kvantum: 88% renewable and 12% non-renewable energy, ICA Supermarket: 82% renewable and 18% non-renewable energy, and ICA Nära: 77% renewable and 23% non-renewable energy. This breakdown was established by a review in January 2018.
- Rimi Baltic stores: The actual consumption for all Rimi Baltic stores is used.
- Apotek Hjärtat pharmacies: The calculation is based on actual electricity used by pharmacies covered by a central electricity agreement. Total consumption is extrapolated using the number of pharmacies at the end of the reporting period. The standard formula is based on 40% renewable and 60% non-renewable energy.
- Hemtex: Almost half the stores and the head office have a central agreement with the provider E-on in the area of renewable energy. Actual data for these is used. For

the rest of the stores it is assumed that these stores use the same amount of electricity as those covered by actual data on energy consumption.

Emissions of CO₂ from energy have been calculated on the following basis:

- The Nordic electricity mix emission factor 2006 is used to calculate carbon emissions from the use of non-renewable energy in Sweden (source: Swedenergy, published 2007).
- When calculating carbon emissions for renewable energy in Sweden the emission factor from Bixia/Östkraft (2007) is used.
- When calculating carbon emissions for non-renewable energy in the Baltic countries an average value for each country's electricity production in the years 2000–2005, according to IEA (2007), is used.
- When calculating carbon emissions for renewable energy in the Baltic countries an average emission factor for renewable electricity from IEA (2009) is used.
- When calculating carbon emissions from district heating an average emission factor from the Swedish Energy Agency is used, as recommended by the GHG Protocol (Carbon dioxide evaluation of energy use, supporting reports, the Swedish Energy Agency 2008).

Goods transports

Comprises transports of goods between ICA Gruppen's warehouses and stores/pharmacies. The transports of goods to warehouses are not included. Apotek Hjärtat and Hemtex lease transports, while ICA Sweden lease transports for the majority of goods transports but owns the transports used for e-commerce. Rimi Baltic uses both owned and leased transports.

All the haulage companies working with ICA Sweden report actual transport data, for both diesel and renewable fuels.

The haulage companies working with Apotek Hjärtat report a mix of actual consumption and standard amounts based on distances driven.

The haulage companies working with Hemtex report based on distances driven, using their own standard calculations.

Fuel consumption for transport vehicles leased by Rimi Baltic is calculated based on distances driven and average fuel consumption. Fuel consumption for Rimi Baltic's own transportation of goods is obtained directly from the fuel supplier.

Emissions of CO₂ from goods transports have been calculated on the following basis:

- Emission factor for diesel from NTM - Nätverket för Trafik och Miljö (2006).
- Emission factor for ethanol from Swedish Road Administration (2009).
- Renewable fuels from Swedish Transport Administration (2016).
- Fossil fuels are calculated according to Scope 1 and renewable fuels according to Scope 1 and 3.

Refrigerants

Comprises refrigerant refills in all warehouses and stores. Data for ICA Sweden's warehouses is based on official refrigerant reports and is reported for the current year. Data on refrigerants in ICA Sweden's stores refers to the previous year's consumption. Data on Rimi Baltic's consumption of refrigerants, in warehouses and stores, refers to the current year's consumption.

Emissions of CO₂ from refrigerants have been calculated on the following basis:

- Global Warming Potential (GWP) for each type of refrigerant according to the Montreal Protocol and IPCC (2006–).

Business travel

Comprises business travel by air booked through the central travel agency for ICA in Sweden and Apotek Hjärtat, as well as reported flights for Hemtex.

Comprises business travel by rail for ICA in Sweden booked through the central travel agency or directly through travel providers using ICA's customer number.

Comprises business travel by car for ICA in Sweden, Hemtex and Rimi Baltic.

Emissions of CO₂ from business travel have been calculated on the following basis:

- Carbon dioxide emissions from air and rail travel are obtained from the travel provider in Sweden.
- The GHG Protocol's emission factor for business travel by car (2005).

SUSTAINABILITY INFORMATION

*Cont. Accounting principles***Climate neutrality**

ICA Gruppen is to be climate-neutral by 2020. This means that ICA Gruppen must reduce its climate impact as much as possible, and by at least 70% by 2020 compared with 2006. Any remaining emissions will be offset by ICA Gruppen using emission allowances. The emissions covered are greenhouse gas emissions from refrigerants and energy use in stores, pharmacies, warehouses and offices, from goods transport between warehouses and stores/pharmacies and from business travel (Scope 1, Scope 2 and parts of Scope 3). Both the Swedish and the Baltic operations are included. By climate-neutral ICA Gruppen means that net greenhouse gas emissions will be zero. This is in line with the definition used by the Swedish Environmental Protection Agency.

Climate impact

At the end of 2015 the ICA Gruppen Management Team set a new climate target. The target was set in accordance with the method for Science Based Targets and the GHG Protocol Corporate Accounting and Reporting Standard. The year 2006 is the fixed base year for emission factors. For any new energy and fuel types introduced after 2006, emission factors are set in accordance with the IPCC's recommendation. In this report, ICA Gruppen's direct greenhouse gas emissions are reported per square metre of total area in stores, pharmacies, warehouses and offices. The aim is to improve transparency and accuracy, since the outcome will track changes in the Group's operations (major mergers and divestments will not in themselves affect the outcome for emissions). The outcome for the climate target also shows the forecast emissions of CO₂e/m² for the years up to 2020. The forecast is based on an estimated increase in total area of 2% per year for these years, as well as the forecast reductions in greenhouse gases that planned measures will contribute. The forecast does not include the effects of external events of an unforeseen nature or any future acquisitions.

Emissions according to the GHG Protocol include the following in each scope:

- Scope 1: Emissions from refrigerants in warehouses and in stores owned by ICA Gruppen itself, emissions from business travel using leased company cars and cars provided as a fringe benefit.
- Scope 2: Emissions from energy in warehouses and in stores, pharmacies and offices owned by ICA Gruppen itself.
- Scope 3: Emissions from business travel, emissions from Swedish ICA stores not owned by ICA Gruppen and emissions from transport between warehouses and stores/pharmacies.

Waste

Comprises ICA Sweden's and Rimi Baltic's warehouses, as well as Rimi Baltic's stores. Apotek Hjärtat and Hemtex are not included in the reporting.

National laws and regional waste management systems define the types of waste included.

Information on waste management methods and amounts is obtained from waste contractors.

Rimi Baltic's waste from stores is based on actual volumes of waste for 98% of the stores, with the remaining 2% being calculated based on the actual waste volumes.

Composted waste comprises biodegradable organic waste, i.e. waste sorted as compostable and 90% of organic waste fractions including packaging.

Incinerated waste comprises incinerated waste fractions and 10% of organic fractions including packaging.

Recycled/reused waste includes glass, metal, wood, plastics and other non-landfill waste.

For categories where ICA Gruppen has producer responsibility, such as pharmaceuticals, batteries, electronic products and packaging, disposal is in accordance with applicable legal requirements and any permits required. The waste arising from ICA Gruppen's producer responsibility is not included in the reported waste volumes.

ICA Gruppen seeks to reduce waste to landfill and increase the prospects of sorting and recycling of waste.

Customer surveys

ICA Gruppen's target By 2020 ICA Gruppen will be perceived by consumers as the actor in the market that most clearly helps them make healthy choices is measured and monitored through the Customer Satisfaction Index for ICA Sweden and Rimi Baltic as well as Nepa Brand Attributes for Apotek Hjärtat.

Supplier-related data

Quality-certified suppliers comprise all suppliers of ICA Gruppen's corporate brands who have undergone an audit and hold an associated valid certificate in accordance with one of the quality standards accepted by ICA Gruppen.

Information on socially audited suppliers refers to active corporate brand suppliers in high-risk countries whose production units have undergone an initial ICA Social Audit and/or an audit under any of the third party audit schemes accepted by ICA Gruppen. If zero tolerance deviations are detected the supplier will not be approved. If critical deviations are identified during audit the supplier generally gets a chance to correct the problem within a set period of time stated in the audit report. If the supplier corrects the problem to the Group's satisfaction within the period set, the supplier is approved. Production unit refers to a factory, farm or processing plant.

High-risk countries are identified based on the BSCI (Business Social Compliance Initiative) definition (2018). BSCI factors in, for example: political stability and absence of violence, quality of regulatory systems, rule of law, control of corruption, government effectiveness and the ability of people to be heard.

As of 2018 the outcome for quality-certified suppliers and socially audited suppliers in high-risk countries is measured on a rolling 12-month basis. Earlier periods have been recalculated using a new calculation model. The outcome for socially re-audited suppliers in high-risk countries is measured against the previous quarter since there is no historical data for periods before 2018.

Sales trends and number of products

Sales data for ICA Sweden include all products in ICA Sweden's central assortment sold from Swedish ICA stores. Sales percentages for ICA Sweden comprise all products in ICA Sweden's central assortment, excluding non-food items.

Sales data for the ICA stores' own sourcing from external suppliers is not included. As from the first quarter of 2016, ICA Gruppen reports store sales of eco-labelled, organic and ethically labelled products in ICA Sweden's product range. Products holding two or more of these labels are not counted twice.

Eco-labelled products are defined as products with one of the following labels: Swan, EU Ecolabel, Bra Miljöval (Good Environmental Choice), MSC and FSC (FSC-labelled packaging is not included). Organic products are defined as products with one of these labels: EU organic, KRAV, GOTS and OCS. Ethically labelled products are defined as products with one of the following labels: Rainforest Alliance, Utz Certified and Fairtrade. The number of products refers to the total number of unique EAN codes in ICA Sweden's product range in the current year.

Quality work and product safety

Recalls that are considered a risk to health or the environment are public recalls, i.e. the public is informed via a press release or by other means.

Quality in stores

The number of certified ICA stores in Sweden refers to stores approved and certified by a third party in accordance with the Swedish standard for food handling in stores. Stores that have adopted the Swedish standard for food handling in stores refers to Swedish ICA stores that apply the standard but have not been certified by a third party.

Environmental work in stores

Swan eco-labelled stores refers to ICA stores in Sweden approved and certified by a third party in accordance with the Swan criteria.

Stores that have been approved according to ICA-handlare för miljön refers to Swedish ICA stores that have been approved in an internal audit by a quality coach from ICA Sweden.

SUSTAINABILITY INFORMATION*Cont. Accounting principles***Employees**

Employees covers 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. Number of FTEs includes all individuals employed on a permanent, temporary or probationary basis.

Employee turnover is calculated as the number of permanent employees who leave during the year in relation to the average number of permanent employees.

Sickness-related absence is calculated as the number of hours of sickness-related absence in relation to the number of scheduled working hours. From 2018 onwards sickness-related absence is calculated on a rolling 12-month basis up to and including November 2018.

Gender distribution, all management levels refers to all managers with responsibility for staff within the Group. Type of employment relates to all employees, broken down into those that work full-time (100%) and those that work part-time, i.e. less than 100%.

Age distribution, all employees, is a breakdown of all individuals employed on a permanent basis.

Permanent employees means individuals employed for an indefinite period or on a probationary basis, regardless of their degree of employment, as of December.

Temporary employees means staff whose employment is for a limited term.

The number of employees covered by collective agreements is calculated based on the number of permanent and temporary employees at year-end who are included in collective agreements.

Significant changes since the previous reporting period**Supplier-related Group targets**

An updated target and measurement method for supplier-related Group targets were adopted in January 2018. The target for the percentage of quality-certified suppliers has been adjusted upwards. The new target is 90% of ICA Gruppen's corporate brand suppliers will be quality certified at the end of 2020. A new target has

been adopted: 90% of ICA Gruppen's corporate brand suppliers in high-risk countries must have had a valid follow-up social audit at the end of 2020. As of 2018 the outcome for quality-certified suppliers and socially audited suppliers in high-risk countries is measured on a rolling 12-month basis. Earlier periods have been recalculated using a new calculation model. The outcome for socially re-audited suppliers in high-risk countries is measured against the previous quarter since there is no historical data for periods before 2018.

Group target for health

ICA Gruppen's target By 2020 ICA Gruppen will be perceived by consumers as the actor in the market that most clearly helps them make healthy choices is measured and monitored through the Customer Satisfaction Index for ICA Sweden and Rimi Baltic, and Nepa Brand Attributes for Apotek Hjärtat.

Significant events ahead of the upcoming reporting period**Climate ambition for ICA Gruppen's suppliers**

In 2018 the Group raised its climate ambition further to include an additional target: that suppliers of goods sold accounting for 70% of ICA Gruppen's upstream climate impact are to have adopted science-based climate targets by 2025 at the latest. The Group is working on monitoring methods which will be reported in future years.

Refrigerants

The timeline for collection of data on refrigerants will be reviewed, which may affect the accounting principles in the coming year.

Climate impact

ICA Sweden's e-commerce warehouse will be included in the reporting in the coming year.

Assurance Report

Auditor's Limited Assurance Report on ICA Gruppen ABs Sustainability Report and statement regarding the Statutory Sustainability Report

To ICA Gruppen AB (publ), Corp. Id. 556048-2837

Introduction

We have been engaged by the Board of Directors of ICA Gruppen AB to undertake a limited assurance engagement of ICA Gruppen ABs Sustainability Report for the year 2018. ICA Gruppen AB has defined the scope of the Sustainability Report in the table of content in this document, the Statutory Sustainability Report is defined on page 4.

Responsibilities of the Board of Directors and the Executive Management

The Board of Directors and the Executive Management are responsible for the preparation of the Sustainability Report including the Statutory Sustainability Report in accordance with applicable criteria and the Annual Accounts Act respectively. The criteria are defined on page 121 in the Sustainability Report and consists of the accounting principles that the Company has developed. This responsibility also includes the internal control relevant to the preparation of a Sustainability Report that is free from material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the Sustainability Report based on the limited assurance procedures we have performed and to express an opinion regarding the Statutory Sustainability Report.

We conducted our limited assurance engagement in accordance with ISAE 3000 Assurance engagements other than audits or reviews of financial information. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other limited assurance procedures. Our examination regarding the Statutory Sustainability Report has been conducted in accordance with FAR:s accounting standard RevR12. The auditor's opinion regarding the Statutory Sustainability Report. A limited assurance engagement and an examination according to RevR 12 is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent of ICA Gruppen AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

The limited assurance procedures performed and the examination according to RevR 12 do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. The conclusion based on a limited assurance engagement and an examination according to RevR 12 does not provide the same level of assurance as a conclusion based on an audit.

Our procedures are based on the criteria defined by the Board of Directors and Executive Management as described above. We consider these criteria suitable for the preparation of the Sustainability Report.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our conclusions below.

Conclusions

Based on the limited assurance procedures performed, nothing has come to our attention that causes us to believe that the Sustainability Report is not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and Executive Management.

A Statutory Sustainability Report has been prepared.

Stockholm, 6 February 2019

KPMG AB

Thomas Forslund
Authorised Public Accountant

Torbjörn Westman
Expert Member of FAR

Annual General Meeting and financial calendar

Annual General Meeting 2019

The Annual General Meeting (AGM) of shareholders in ICA Gruppen will be held on Thursday 11 April 2019 at 2 p.m. CET at Quality Hotel Friends, Solna, Sweden.

The notice of the AGM will be issued on Tuesday, 5 March 2019 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 Thursday, 7 March 2019. The notice and documentation relating to resolutions to be considered at the AGM will be available at icagruppen.se/en in the section on Corporate Governance.

Attendance

In order to attend the AGM shareholders must, no later than Friday, 5 April 2019, (i) be listed in the shareholder register maintained by Euroclear Sweden AB and (ii) have notified the Company of their intention to attend the AGM.

Notification of attendance can be given on ICA Gruppen's website under the section on Corporate Governance or by telephoning +46 8 402 90 40 on weekdays between 9 a.m. and 5 p.m. CET or by post to ICA Gruppen AB, Annual General Meeting 2019, c/o Euroclear Sweden, Box 191, SE-101 23 Stockholm, Sweden.

Nominee-registered shares

In order to be entitled to attend the AGM, shareholders whose shares are registered with a nominee through a bank or other nominee must, well in advance of Friday, 5 April 2019, ask the nominee to register the shares in the shareholder's own name in the shareholder register maintained by Euroclear Sweden AB.

Dividend

The Board of Directors of ICA Gruppen proposes that the AGM votes in favour of a dividend of SEK 11.50 (11.00) per share, or a total of SEK 2,313 (2,213). The total dividend corresponds to 63% of profit for the year.

The dividend proposal is appropriate in view of the aim of providing a good and stable dividend over time. ICA Gruppen's dividend target over time is to pay a dividend to shareholders of at least 50% of profit for the year. Assuming that the AGM votes for the proposal, the final day for trading in ICA Gruppen shares with entitlement to dividend will be Thursday, 11 April 2019 and the record date will be Monday, 15 April 2019. The estimated payment date from Euroclear Sweden's system will therefore be Thursday, 18 April 2019.

Financial calendar

Annual General Meeting 2019	11 April 2019
Q1 interim report	3 May 2019
Q2 interim report	15 August 2019
Q3 interim report	24 October 2019
2019 year-end report	6 February 2020

Interim reports and other information from the Company are published regularly on the Company's website, icagruppen.se/en. It is also possible to subscribe for information published by the Company in the form of press releases. All interim reports and press releases intended for the capital market are published in Swedish and English.

The Annual Report will be available on the Company's website on Tuesday, 5 March 2019. For environmental and cost reasons, and because ICA Gruppen is increasingly switching to digital communication, from the 2018 Annual Report onwards ICA Gruppen will no longer provide a printed version.

Contact

Frans Benson, Head of Investor Relations
+46 8 561 500 20
frans.benson@ica.se

Glossary

Bangladesh Accord – An international agreement between companies and trade unions to improve safety in the textile industry in Bangladesh.

BRC – British Retail Consortium. Retail organisation in UK.

BRC CP – British Retail Consortium Consumer Products, a standard for non-food products that covers product safety, quality and compliance.

BRC S&D – British Retail Consortium Storage and Distribution, a quality standard for retailers that covers product safety, quality and compliance.

BSCI – Business Social Compliance Initiative, a European network for social audits of suppliers.

DHI – Retail Sales Index.

Fairtrade – Independent certification and product labelling system that promotes better working and living conditions for growers and their employees in countries with widespread poverty.

GFSI – The Global Food Safety Initiative, a business-driven initiative for the continuous improvement of food safety management systems.

Global Compact – UN initiative to encourage companies to support human rights, labour and the environment.

HACCP – Hazard Analysis and Critical Control Point, risk analysis and management programme.

HUI – Swedish Institute of Retail (Handelns Utredningsinstitut).

HVO – Hydrogenated Vegetable Oil.

High-risk countries – Countries with a high risk level as defined by the BSCI.

ICA Stiftelsen – independent foundation formed by ICA-handlarnas Förbund. Supports projects, ideas and organisations that make a lasting difference in society with a focus on health, well-being, diversity and integration.

IMT – ICA Gruppen Management Team.

ISO 9001/ISO 14001 – International standards for quality/food safety and environmental management systems.

Joint venture – A partnership project, a joint venture company.

KRAV – Swedish independent labelling system for organic food.

MSC – Marine Stewardship Council, international eco-label for seafood.

MTN – A medium-term note is a continuously offered debt note with a set maturity date.

Non-food – Items that are not food, such as clothing, housewares 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.

Private label products – Corporate brand products.

RSPO – Roundtable on Sustainable Palm Oil, an organisation established to promote the growth and use of certified sustainable palm oil.

RTRS – Round Table on Responsible Soy, an organisation established to promote the growth and use of certified sustainable soy.

SCB – Statistics Sweden.

Svanen – Official Nordic eco-label of the Nordic Council of Ministers for products with less environmental impact.

Swedish standard for food handling in stores – Swedish industry-wide standard for food handling and food safety in stores.

TLV – The Dental and Pharmaceutical Benefits Agency.

For definitions of key figures see page 77.

Solberg

Photos: Niklas Alm, Joakim Bergström, Björn Dalin, Jessica Gow, Tobias Göth, Petter Karlberg, Martin Olson, Joel Wåreus, ICA_Bildgrupp, Studio Mint m fl.



ICA Gruppen AB • Box 4075, 169 04 Solna, Sweden. Visiting address: Kolonvägen 20. Tel.: +46 8 561 500 00. www.icagruppen.se. Corporate registration number 556048-2837

ICA Sverige AB
Box 4075, 169 04 Solna, Sweden
Visiting address:
Kolonvägen 20
Tel.: +46 8 561 500 00
ica.se

Rimi Baltic AB
A. Deglava Str 161 LV-1021
Riga, Latvia
Tel.: +371 800 001 80
rimibaltic.com

Apotek Hjärtat AB
169 04 Solna, Sweden
Visiting address:
Kolonvägen 20
Tel.: +46 8 561 500 00
apotekhjartat.se

ICA Fastigheter AB
721 84 Västerås, Sweden
Visiting address:
Ingenjör Bååths gata 11, T2
Tel.: +46 21 19 30 00
icafastigheter.se

ICA Banken AB
169 04 Solna, Sweden
Visiting address:
Kolonvägen 20
Tel.: +46 8 561 500 00
icabanken.se

Hemtex AB
Box 495, 504 33 Borås, Sweden
Visiting address:
Druveforsvägen 8
Tel.: +46 33 20 69 00
hemtex.se