



Annual Report 2010

ICA AB



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Directors' report

ICA AB

Corporate identity number 556582-1559

The Board of Directors and the President of ICA AB hereby present the annual report for the financial year January 1, 2010 – December 31, 2010. All amounts are in millions of Swedish kronor (SEK million) unless indicated otherwise.

Operations

ICA AB is the parent company of the ICA Group, which operates around 2,200 of its own and retailer-owned stores in Sweden, Norway, Estonia, Latvia and Lithuania. ICA AB maintains its registered office in Stockholm at Svetsarvägen 16, SE-171 93 Solna. The subsidiaries ICA Sverige AB, ICA Norge AS and Rimi Baltic AB are retail companies within various geographical areas. ICA Bank AB offers financial services to Swedish customers and ICA Real Estate's mission is to satisfy the Group's need for the right properties in the right locations in Sweden and Norway.

Financial summary

Key financial ratios SEK million	January – December	
	2010	2009
Net sales	93,860	94,651
Operating income	2,924	2,713
Operating income excluding capital gains and impairment losses ¹⁾	2,936	2,583
Operating margin, %	3.1	2.9
Operating margin excluding capital gains and impairment losses, %	3.1	2.7
Income after net financial items	2,597	2,309
Net income for the year	547	1,587
Total assets	39,703	40,160
Cash flow from operating activities	3,188	4,007
Equity/assets ratio, %	30.0	34.8
Return on equity excluding ICA Bank, % ²⁾	3.9	11.3
Return on capital employed excluding ICA Bank, % ³⁾	15.5	13.5

1) Excluding capital gains from real estate sales and impairment losses on fixed assets.

2) Return on equity = Income after tax as a percentage of average equity. The operations of ICA Bank are excluded from both the income statement and balance sheet in the calculation.

3) Return on capital employed = Income after financial income as a percentage of average capital employed. The operations of ICA Bank are excluded from both the income statement and balance sheet.

Important events during the year

- In March, the first ICA To Go opened in central Stockholm.
- The first Cura pharmacy opened in April. During the year a total of 30 pharmacies were opened.
- In April, ICA Real Estate acquired a property in Göteborg for approximately SEK 300 million.
- In June, the Administrative Court of Appeal denied interest deductions by ICA Finans of SEK 1,795 million for the years 2001-2003. The tax claim of SEK 747 million was paid in February 2009, but charged against earnings in the second quarter of 2010. ICA has filed an appeal and request for leave to appeal to the Supreme Administrative Court.
- In June 2010, the District Court of Oslo ruled in favor of a group of Norwegian retailers, requiring ICA Norway to pay NOK 96 million in damages. ICA Norway has appealed the ruling. The amount is reported as a contingent liability.
- In October, ICA and Alecta announced the formation of a real estate joint venture, Ancore Fastigheter, to acquire, own and manage ICA stores in strategic locations. Each party owns 50 percent. The company initially has a property portfolio valued at slightly over SEK 2 billion. The transaction, which was finalized on December 1, does not generate a capital gain for the ICA Group, since ICA has retained an interest in the properties through the joint venture. The transaction affects cash flow positively by SEK 1.8 billion.

- In December 2010, the County Administrative Court affirmed the Swedish Tax Agency's decision to deny ICA interest deductions of approximately SEK 3,358 million for the years 2004-2008. The tax claim amounts to SEK 1,187 million, including penalties and interest. ICA is convinced that the deductions complied with applicable tax laws. This assessment is shared by outside counsel, which has analyzed the Tax Agency's argument and the legal principles applied by the County Administrative Court. ICA has appealed the decision. The amount is reported as a contingent liability.

Important events after the conclusion of the year

- Lena Boberg, previous CFO of ICA Real Estate, was appointed the new CEO of ICA Real Estate effective January 1, 2011. Lena will join the ICA Group Management, succeeding Bo Liffner, who is retiring.
- In January, SEK 1,187 million was paid to the Swedish Tax Agency as a result of the County Administrative Court's December 2010 ruling. Payment was made after ICA's request to defer payment was denied. ICA is convinced that the deductions complied with applicable tax laws. The amount has been booked as a receivable from the Tax Agency.

Financial year 2010

ICA Group's operating income improved during 2010 by 7.8 percent. Net sales rose by 0.9 percent at constant exchange rates despite an increasingly promotional competitive environment in all our markets. The improved operating income was due to the continued positive performance of ICA Sweden and a strong recovery in Rimi Baltic. ICA Norway's development is a major disappointment. Its lower operating income was primarily a result of exceptional price competition that started in February 2010. ICA Real Estate developed in line with the previous year, at the same time ICA Bank's operating income decreased due to lower net interest income. Consolidated net income included higher tax expenses, reflecting a ruling by the County Administrative Court on a tax dispute for the years 2001-2003, and partly to a write-off of a deferred tax asset in ICA Norway.

ICA Sweden continued its positive development with very strong operating income. The strong profit was mainly a result of higher sales and improved gross margins primarily tied to private label products. During the year, a long list of measures was implemented in ICA Sweden. We continued several long-term price-cutting campaigns focused on fresh foods, "Cheap Week" promotions and private labels, opened 30 Cura pharmacies, launched a totally new concept for high-traffic locations, ICA To Go. ICA's market share in Sweden remained strong and is unchanged compared to 2009.

The performance of ICA Norway, with an increased loss for the full-year, is a major disappointment. The increased loss was mainly due to margin pressure resulting from exceptional price competition in the market. Costs in connection with the high rate of Rimi store conversions also impacted results, although sales in the new Rimi concept developed positively, with sales growth of 5.8 percent. Despite strong actions to drive sales, the success of the converted Rimi stores, and aggressive cost reductions, the exceptional price competition significantly impacted profitability. We will continue to introduce the new Rimi concept and improve efficiency and evaluate any additional measures required. As a whole, ICA Norway's market share weakened slightly during the year compared with 2009.

In the Baltic countries, the economic climate has gradually improved, despite high unemployment and low disposable income. Operating income improved substantially during the year despite a decline in net sales. Improved margins, lower costs and successful campaigns, including store card promotions, together with new stores and higher sales of private label products, contributed to the strong result. We are very pleased with Rimi Baltic's performance and that it has managed extremely well in a challenging economic climate. Rimi Baltic has kept its market share during the year.

Income summary

Group

Net sales for the year amounted to SEK 93,860 million (94,651), down 0.8 percent. At constant exchange rates net sales rose by 0.9 percent. Operating income amounted to SEK 2,924 million (2,713) and includes capital gains of SEK 27 million (121) and impairments of SEK 39 million (-9). Operating income excluding capital gains and impairments amounted to SEK 2,936 million (2,583). Income after net financial items amounted to SEK 2,597 million (2,309). Net income for the period was SEK 547 million (1,587). Income was charged with tax expenses of SEK 747 million for a tax dispute from 2001-2003 and SEK 632 million for a write-off of a deferred tax asset in ICA Norway.

ICA Sweden

Net sales for the year amounted to SEK 60,596 million (59,003), up 2.7 percent. Operating income amounted to SEK 2,750 million (2,320). The income improvement was due to higher sales and better gross margins, primarily on private label products.

ICA Norway

Net sales for the year amounted to SEK 21,225 million (21,666), down 2.0 percent. Sales in local currency were unchanged. Converted Rimi stores and additional company-owned stores affected net sales positively, at the same time that closed stores affected net sales negatively. Operating income amounted to SEK -588 million (-506). The decline was a result of lower sales for comparable stores, lower gross margins due to price pressures in the market, higher expenses to convert Rimi stores and more company-owned stores. During the year, 108 stores were converted to the new Rimi concept. At the end of the year, there were 184 new Rimi stores in total.

Rimi Baltic

Net sales for the year amounted to SEK 10,352 million (12,329), down 16.0 percent. Sales in local currency fell by 6.4 percent. Operating income, which amounted to SEK -13 million (-109), includes capital losses of SEK -1 million (0) and impairments of SEK 40 million (24). Operating income excluding capital losses and impairments amounted to SEK 28 million (-85). Income was charged with liquidation costs for stores that were closed in Lithuania. These costs consist of impairments of SEK 37 million and liquidation costs for personnel and premises of SEK 33 million. The income improvement was due to better gross margins and lower store operating costs.

ICA Bank

Revenues for the year amounted to SEK 612 million (634). The decrease of 3.5 percent was the result of lower net interest income owing to lower interest income from investments. Business volume grew by 8.8 percent (7.7) from the beginning of the year. Operating income decreased to SEK 91 million (132). The decline was mainly due to lower net interest income and increased marketing expenses related to bank card campaigns.

ICA Real Estate

Revenues for the year amounted to SEK 2,135 million (2,095), up 1.9 percent. Operating income amounted to SEK 917 million (1,025) and includes capital gains on real estate sales of SEK 30 million (111) and reversed impairments of SEK 9 million (33). Operating income excluding capital gains and impairments was SEK 878 million (881).

ICA Group Functions

Operating income for the year amounted to SEK -233 million (-149). Operating income in the first quarter 2009 included capital gains on real estate sales of SEK 10 million. Operating income excluding these items amounted to SEK -233 million (-159). The change was largely because the fourth quarter 2009 contained a revaluation of a pension liability, which resulted in a reduced pension cost of SEK 54 million.

Net financial items and taxes

The ICA Group's net financial items for the year amounted to SEK -327 million (-404). The change was due to higher interest expenses and because the previous year was charged with lower expenses related to exchange rate effects and derivatives. The tax expense was SEK 2,050 million (722). The full-year included a tax expense of SEK 747 million for a tax dispute related to the years 2001-2003 and SEK 632 million for a write-off of a deferred tax asset in ICA Norway. The write-off of a deferred tax asset relates to the receivable for tax loss carry forwards, which are not possible to capitalize according to IAS 12.

Financial position

The Group's total assets amounted to SEK 39,703 million (40,160). The decrease in total assets was mainly due to exchange rate effects. Capital employed decreased by SEK 1,392 million to SEK 27,060 million. The equity/assets ratio was 30.0 percent, against 34.8 percent at the beginning of the year. At year-end, the Group had a net cash position excluding ICA Bank of SEK 201 million (SEK 1,628 million in net debt).

Statement of cash flows

Cash flow from operating activities amounted to SEK 3,188 million (4,007) for the full-year. Excluding ICA Bank, cash flow from operating activities was strong due to improved operating income and lower tax payments. Changes in ICA Bank's deposits, lending and investments reduced cash flow between the years by SEK 1,875 million. The biggest differences between the two years were ICA Bank's investment sales in 2009, which contributed strongly to cash flow and an increase in customer loans in 2010. Cash flow from investing activities amounted to SEK -2,453 million (-1,481). The change was due to property acquisitions. Cash flow from financing activities was SEK -1,045 million (-2,138). The Group's liquid assets totaled SEK 3,102 million on December 31, 2010 (3,422).

Disputes**Tax disputes**

In 2007, the Swedish Tax Agency disallowed interest deductions by ICA Finans AB of SEK 1,795 million for the period 2001-2003. ICA appealed the decision to the County Administrative Court, which in December 2008 ruled in favor of the Tax Agency. ICA appealed the County Administrative Court's decision to the Administrative Court of Appeal, which in June 2010 published its ruling in favor of the Tax Agency. ICA reported a tax charge of SEK 747 million in the second quarter of 2010 in accordance with the decision of the Administrative Court of Appeal. ICA has filed an appeal and request for leave to appeal to the Supreme Administrative Court.

The Swedish Tax Agency has decided to disallow interest deductions to a Dutch Group company in 2004-2008. In December 2010, the County Administrative Court affirmed the Tax Agency's ruling and denied interest deductions of SEK 3,358 million. The tax claim amounts to SEK 1,187 million (including penalties and interest). ICA is convinced that the deductions complied with applicable tax laws. This assessment is shared by outside counsel, which has analyzed the Tax Agency's argument and the legal principles applied by the court. ICA has appealed the County Administrative Court's decision to the Administrative Court of Appeal. The Tax Agency has denied ICA's request to defer payment, due to which SEK 1,187 million was paid in January 2011. The amount was booked as a receivable from the Tax Agency in connection with the payment 2011. The amount is reported as a contingent liability.

Other disputes

In June 2010, the District Court of Oslo ruled in favor of a group of Norwegian retailers, requiring ICA Norway to pay NOK 96 million in damages. ICA Norway has appealed the ruling. The amount is reported as a contingent liability.

Investments

Investments during the full-year amounted to SEK 2,319 million (1,984), distributed according to the table below. Several individual investments exceed SEK 50 million: the SEK 300 million acquisition of a property in Göteborg, the opening of ICA Kvantum Sannegården in Göteborg and ICA Kvantum in Vara, and IT investments in Norway.

Investments	2010	2009
Retail locations	1,919	1,541
Distribution	128	130
Investment properties	103	54
Intangibles	144	200
Other	25	59
TOTAL	2,319	1,984

Operational risks

Operational risks are defined as the risks connected to ICA's operations such as losses due to deficiencies in internal or external events that cause disruptions. The identification of operational risks is part of a structured risk management process initiated within ICA in early 2010.

Competition

Competition in the food retail industry is strong. ICA competes with both national and international players of varying size in all of its markets. The inability to compete with these players in terms of price, product range, quality and service would negatively impact the Group's results. ICA tries to remain on the cutting edge in these areas and we listen continuously to our customers to increase our opportunities to meet their needs.

ICA's new store openings are preceded by a thorough market analysis of competitive conditions and demographics. Continuous analysis work can also lead to a geographical redistribution of ICA's stores.

The Norwegian food retail industry was affected by tight price competition in 2010. Some players in the market have made significant price cuts on selected products, and others have followed suit. This in turn has placed great pressure on margins.

Regulatory risks

ICA's operations are subject to a large assortment of rules due to their diversity and the fact that the operations are located in different countries. Local political developments can affect operations. In 2010, the focus was on reviewing the food industry in Europe and the rules governing operations. ICA maintains continuous contact with regulatory authorities through trade organizations and its own initiatives and is more than happy to share its knowledge in order to maintain effective competition in the food retail industry.

Macroeconomic risks

The macroeconomic risks that ICA can face include an economic downturn where consumers spend less. This has been especially evident during the recession in recent years in Estonia, Latvia and Lithuania, which has affected ICA's subsidiary,

Rimi Baltic negatively. In 2010, the recession ended, however, and the Baltic economies began to recover.

Sustainability and product safety risks

ICA must continuously adapt to, among other things, growing sustainability requirements at every level of the value chain, legal changes and demands for greater transparency. Together with more private label products and a growing focus on food quality and safe products on the part of authorities and customers, it means that ICA is expected to take greater responsibility for social, quality and environmental aspects in the entire value chain. Unless ICA is able to satisfactorily meet its own objectives and the expectations of its stakeholders in these areas, it could affect the company's reputation and thus its financial position as well.

ICA is continuously working to meet its corporate responsibilities, including by driving issues such as climate change, energy efficiency, social responsibility in the supply chain, health and well-being, and social engagement. For example, a Group-wide initiative called "I Care" was launched in 2009. Over a three-year period, ICA has the ambition to review its entire product flow in every market, from sourcing to logistics and stores. The aim is to ensure that what we sell and handle lives up to legal requirements and our own demands in ICA's Good Business with regard to quality, health, environmental and social responsibility. The new industry standard for food safety in Swedish stores that we initiated in 2007 was finalized in 2009 and is now being internationalized. All Swedish ICA stores have implemented the standard and around 250 have been certified. In ICA Norway and Rimi Baltic, GAP analyses have been conducted using the standard for stores and selected standards for quality and the environment in logistics and where work is under way to eliminate any deviations. In purchasing operations, work is being done to obtain certification according to the standards for quality and the environment.

Brand risk

The expectations on ICA and our various brands are high. ICA must protect its reputation and brand. Otherwise, it could affect confidence in the company. This in turn could lead to a loss of customers and affect our opportunities to recruit and retain the right competence in the company. We work in several areas to strengthen loyalty to ICA's brands. This includes our banking operations, the ICA card, personalized offerings and digital services. The ICA's Good Business position statements are integrated in the way we conduct operations at every level. Together with our policies and guidelines, they provide guidance on how we act toward our customers, employees and suppliers.

Five-year summary for the ICA Group

Condensed income statement	2006	2007	2008	2009	2010
Net sales	67,395	82,326	90,963	94,651	93,860
Operating income before depreciation/amortization	3,545	4,080	3,753	4,272	4,529
Depreciation/amortization	-1,248	-1,478	-1,636	-1,559	-1,605
Operating income	2,297	2,602	2,117	2,713	2,924
Financial income	107	115	95	49	51
Financial expenses	-358	-435	-418	-453	-378
Income after net financial items	2,046	2,282	1,794	2,309	2,597
Tax	-12	-116	-66	-722	-2,050
Result from discontinued operations	367	-	-	-	-
Net income for the year	2,401	2,166	1,728	1,587	547
Condensed balance sheet	2006	2007	2008	2009	2010
Intangible fixed assets	3,447	3,599	3,742	3,940	3,590
Tangible fixed assets	13,232	14,959	15,544	15,755	15,364
Financial fixed assets	3,959	3,368	3,772	3,701	5,368
Other fixed assets	181	276	424	515	7
Other current assets	10,938	11,637	13,464	12,827	12,272
Liquid assets	3,749	3,480	3,023	3,422	3,102
Total assets	35,506	37,319	39,969	40,160	39,703
Shareholders' equity	10,216	12,073	12,796	13,962	11,913
Interest-bearing liabilities and provisions	15,563	14,475	15,161	14,490	15,147
Non-interest-bearing liabilities and provisions	9,727	10,771	12,012	11,708	12,643
Total shareholders' equity and liabilities	35,506	37,319	39,969	40,160	39,703
Key financial ratios					
Operating margin, %	3.4	3.2	2.3	2.9	3.1
Return on capital employed, %	12.9	13.8	11.4	13.5	15.5
Return on equity, %	25.7	19.1	13.5	11.3	3.9
Equity/assets ratio, %	28.8	32.4	32.0	34.8	30.0

Continuity risks

The ICA Group is dependent on its operational infrastructure, such as for e.g. a functioning IT system, in order to carry out operations effectively and according to plan. A serious disruption in the operational infrastructure could therefore seriously affect operations, e.g., disruptions in deliveries, store operations, payment transactions or administrative operations. Emphasis has therefore been placed on preventive efforts and the organization for continuity management as well as planning for unforeseen events.

Financial risk management

The financial strategy of the ICA Group is conservative and focuses on defining and managing financial risks. As the ICA Group includes bank operations the Group has a different risk profile compared with an ordinary retail company. The Board of Directors is responsible for establishing the financial policy, which governs the Group's financial risk management. Within the ICA Group, financial risks are managed centrally through the Group's finance function, except for the Bank operations which risks are managed by ICA Bank.

For more information on ICA's financial risk management, see the notes to the consolidated accounts – Note 21 for Principles of financial risk management and Note 22 for Financial instruments.

Five-year summary

Definitions of key financial ratios:

Capital employed = Total assets less non-interest-bearing liabilities and provisions.

Operating margin = Operating income as a percentage of net sales.

Return on capital employed = Income after financial income as a percentage of average capital employed. The operations of ICA Bank are excluded from both the income statement and balance sheet in the calculation of return on capital employed.

Return on equity = Income after tax as a percentage of average equity. The operations of ICA Bank are excluded from both the income statement and balance sheet in the calculation of return on equity.

Equity/assets ratio = Shareholders' equity as a percentage of total assets.

Human resources

The Group had an average of 20,373 employees (20,412) during the year.

ICA is a group comprised of much more than just food handling. We have over 150 different professions and 500 different positions. Every day we have to adapt our operations based on our various businesses and local market differences. But one thing is always the same. The leadership model is similar regardless of the business and where in the world it operates. For us, this is an important starting point. We believe that by building a consensus on good leadership ICA will best reach its business objectives.

ICA's human resource work rests on four legs. The first is in fact leadership – good leaders can bring the rest of the organization on board. Using the same tools, we ensure that the values in ICA's Good Business are reflected in every part of the Group and that everyone does the right things, is happy on the job and develops by performing better individually and producing better results.

The second leg is competence. In retail, fast changes are an everyday occurrence. To meet our customers' needs, we have to continuously update our core competencies while also acquiring new knowledge. We do so in several ways. Working with our partner, ICA School, for example, we can customize-design training programs. Training and inspiring our employees isn't done only to improve our customer offering, but also to open doors for associates to change jobs and develop within the Group.

The third leg is diversity. Giving everyone regardless of gender, age, sexual orientation, religion or physical limitation the same chance to be recruited and develop on the job is only natural for a modern employer.

The fourth leg is the ICA brand – and our employer brand. Getting people to be curious about us and want to work here is one of our big challenges as we go forward. There is a lot of competition for the best people, and we not only want to attract new employees but also retain the key employees we already have. With internal leadership succession and a long-term approach, it will be easier to reach our business objectives.

ICA's corporate responsibility work

Everything we do is based on the values of ICA's Good Business. We have been a participant for several years in the United Nations Global Compact, which means we have actively adopted its ten international principles on human rights, labor conditions, the environment and anti-corruption. Based on these principles, we have formulated ICA's Good Business, which consists of seven position statements that guide us in our operations. Making sure that we have safe products every day is vital. Suppliers and products have to live up to our requirements in terms of quality, the environment and social responsibility. Reducing our impact on climate change and the environment is another priority. Questions of ethics, health and our role in society are also important. ICA's Good Business is in turn the basis of our policies, which provides guidelines for our day-to-day operations.

"ICA's Good Business" describes the Group's stance on ethics and corporate responsibility and, together with ICA's core values, is essential achieving the Group's vision and mission. ICA will be driven by profitability and high ethical standards.

- ICA will be driven by profitability and high ethical standards.
- ICA will listen to customers and always base its decisions on their needs.
- ICA will nurture diversity and growth among employees.
- ICA will maintain an open dialogue internally and with the community.
- ICA will ensure quality and safe products.
- ICA will promote a healthy lifestyle.
- ICA will adopt sound environment practices to promote sustainable development.

ICA-stores sales during the year

The following tables refer to store sales. In Sweden, this includes Swedish retailer-owned ICA store sales. In Norway, franchise store sales are included. Sales for retailer-owned and franchised stores are not consolidated in the Group.

ICA store sales in Sweden

Store sales excl. VAT	January – December 2010		
	SEK million	Change, all stores	Change, comparable stores
Maxi ICA Stormarknad	26,204	2.8%	1.4%
ICA Kvantum	21,836	3.1%	0.4%
ICA Supermarket	29,903	0.4%	0.9%
ICA Nära	14,327	0.7%	1.2%
TOTAL	92,970	1.8%	0.9%

In 2010 the share of private label sales in Sweden rose from 18.3 percent to 18.4 percent.

ICA store sales in Norway

Store sales excl. VAT	January – December 2010		
	NOK million	Change, all stores	Change, comparable stores
ICA Maxi	3,041	-4.1%	-2.0%
ICA Supermarked/ ICA Nær	8,724	-7.9%	-2.5%
Rimi	7,945	2.7%	0.9%
TOTAL	19,710	-3.3%	-1.0%

In 2010 the share of private label sales in Norway increased from 9.3 percent to 10.0 percent.

ICA store sales in the Baltic countries

Store sales excl. VAT	January – December 2010		
	EUR million	Change, all stores	Change, comparable stores
Estonia	342	-4.7%	-8.7%
Latvia	526	-5.7%	-7.8%
Lithuania	213	-10.5%	-8.8%
TOTAL	1,081	-6.4%	-8.2%

In 2010 the share of private label sales in the Baltics increased from 9.3 percent to 12.9 percent.

Number of stores

ICA stores in Sweden, including retailer-owned stores

Store profile	December 2009		December 2010	
	New	Converted	Closed	2010
Maxi ICA Stormarknad	69	3		72
ICA Kvantum	118	6	-2	116
ICA Supermarket	444	3	-5	443
ICA Nära	728	2	-16	716
ICA To Go	-	2		2
TOTAL	1,359	13	0	1,349

ICA and Rimi stores in Norway, including franchised stores

Store profile	December 2009		December 2010	
	New	Converted	Closed	2010
ICA Maxi	25			25
ICA Supermarked/ ICA Nær	340	1	-19	287
Rimi	247	2	19	266
TOTAL	612	3	0	578

Number of stores in Baltic countries

Country	December 2009		December 2010	
	New	Converted	Closed	2010
Estonia	78	4	-2	80
Latvia	102	7	-1	108
Lithuania	66	1	-20	47
TOTAL	246	12	-23	235

ICA AB

ICA AB's net sales during the year amounted to SEK 43 million (39) with income after net financial items of SEK 147 million (143).

Board of Directors and Management/Board's rules of procedure

The Board's work follows special rules of procedure adopted at the statutory Board meeting following the election on May 26, 2010. In addition to the items treated in accordance with the Companies Act, the rules of procedure include committee directives and rules on quorums. In 2010, the Board of ICA AB consisted of seven members and three deputies elected by the Annual General Meeting as well as two members with two deputies appointed by the trade unions. The Chief Executive Officer, Chief Financial Officer and General Counsel (Secretary of the Board) are not members of the Board but participate in its work.

In the financial year 2010, the Board of Directors held twelve meetings. Among other things, the Board treated the formation of a real estate joint venture together with Alecta, strategic plans and the usual investment concerns involving the store network. As in previous years, special attention was given to the Norwegian operations. In 2010, the Board discussed sustainability issues and social responsibility in connection with sourcing. None of the members has specialized qualifications in the sustainability field. No recommendations on which qualifications Board member should possess for environmental and social issues were formulated.

John Rishton has announced that he will step down as CEO of Ahold in 2011 and that he will also be leaving ICA AB's Board of Directors. In February 2011, Kimberly Ross, CFO of Ahold, was elected as a new board member, after which the Board of Directors consists of ten members.

Board committees

The Board is able to establish committees to complement its work. The committees are subordinate to the Board and report to it on an ongoing basis.

Audit Committee

The Board of Directors has appointed an Audit Committee to monitor accounting and reporting of financial information. The Audit Committee is also responsible for evaluating the Group's systems for internal oversight and control. Among the Committee's other duties are to handle auditing questions from the external and internal audit. The Audit Committee's work is governed in its rules of procedure, which are laid down by the Board of Directors.

The Audit Committee consists of two members: John Rishton (Chairman) and Göran Blomberg. In addition, assistants to the members, the external auditors, internal auditors and ICA AB's President, CFO and Chief Counsel (Secretary of the Audit Committee) normally attend all or part of the Committee's meetings. In 2010, the Audit Committee held four meetings.

Executive Committee

The Board has appointed Claes-Göran Sylvén, John Rishton and Kenneth Bengtsson to an Executive Committee responsible for continuous monitoring of the Group's development. The Committee also prepares issues that will be discussed by the Board and supports the COO's and other senior executives of the subsidiaries in the implementation and execution of the decisions taken by the Board. The Committee has a mandate to decide on investments that do not require discussion by the Board.

Compensation Committee

The Board has given the Executive Committee a mandate to act as a Compensation Committee to decide on compensation principles for senior executives in Group Management. The President's salary is determined by the Board, however.

Internal control over financial reporting

ICA has its own function for internal control to support the company's financial managers in ensuring that the internal control of financial reporting is performed adequately and is continuously improved.

The main components in the internal control process that the department uses are establishing control activities and quarterly self-assessments of them. Control activities are routines to make certain that any inaccuracies or deviations in the financial reporting are prevented, detected and corrected. Control activities concerning IT security are also part of this work.

Self-assessments of control activities are conducted by responsible officials within operations. This is done quarterly, and the results are reported to the financial management. As part of this process, compliance with financial reporting policies and guidelines is verified as well.

Approval of financial reports

The financial reports in this annual report were approved by the Audit Committee on February 10 and by the Board of Directors on February 14, 2011.

Proposed appropriation of earnings

The following funds are at the disposal of the Annual General Meeting (SEK):	
Retained earnings	10,918,422,932
Net income for the year	-67,702,425
Total	10,850,720,507

The Board of Directors and the President propose that the earnings be distributed as follows:	
To the shareholders, a dividend of	1,900,000,000
Carried forward	8,950,720,507
Total	10,850,720,507

The proposed dividend conforms to the agreement between the shareholders, which states that the annual dividend will amount to at least 40 percent of net income for the year. The Group's equity/assets ratio following the dividend is 25.2 percent.

Income statement – Group

(SEK million)	Note	2010	2009
Net sales	2	93,860	94,651
Cost of sales	3	-80,387	-81,494
Gross profit		13,473	13,157
Selling expenses	3	-7,953	-8,125
Administrative expenses	3, 5	-2,819	-2,571
Other operating revenue	6	221	252
Share of net income of associated companies	13	2	0
Operating income	2, 4, 7, 8	2,924	2,713
Financial income		51	49
Financial expenses		-378	-453
Net financial items	9	-327	-404
Income after net financial items		2,597	2,309
Tax	10	-2,050	-722
NET INCOME FOR THE YEAR		547	1,587
Attributable to:			
Parent Company's shareholders		548	1,566
Non-controlling interests		-1	21

Statement of comprehensive income – Group

(SEK million)	Note	2010	2009
Net income for the year		547	1,587
Other comprehensive income after tax	10		
Translation differences in foreign operations		-991	521
Available-for-sale financial assets		-19	-23
Cash flow hedges		-20	-31
Other comprehensive income		-1,030	467
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		-483	2,054
Attributable to:			
Parent Company's shareholders		-482	2,033
Non-controlling interests		-1	21

Balance sheet - Group

(SEK million)	Note	2010-12-31	2009-12-31
Assets			
Fixed assets			
<i>Intangible fixed assets</i>			
	11		
Goodwill		2,577	2,851
Trademarks		638	761
IT systems		258	73
Other		117	255
		3,590	3,940
<i>Tangible fixed assets</i>			
	12		
Buildings and land		9,581	9,700
Investment properties		1,099	1,207
Leasehold improvements		944	823
Equipment		3,040	3,275
Construction in progress		700	750
		15,364	15,755
<i>Financial fixed assets</i>			
	22		
Shares in associated companies and joint ventures	13	447	11
Receivables from related parties	20	0	0
ICA Bank's investments	15	1,199	595
ICA Bank's lending	15	3,630	2,949
Other financial fixed assets		44	55
Other receivables		48	91
		5,368	3,701
Deferred tax assets	10	7	515
Total fixed assets		24,329	23,911
Current assets			
	22		
Inventory	14	4,495	4,446
<i>Current receivables</i>			
Accounts receivable		2,853	2,600
Tax assets		2	544
ICA Bank's investments	15	693	1,317
ICA Bank's lending	15	2,471	2,139
Receivables from related parties	20	37	32
Other receivables		0	0
Prepaid expenses and accrued income		1,695	1,735
<i>Liquid assets</i>	24	3,102	3,422
<i>Assets held for sale</i>	16	26	14
Total current assets		15,374	16,249
TOTAL ASSETS		39,703	40,160

(SEK million)	Note	Dec. 31, 2010	Dec. 31, 2009
Shareholders' equity, provisions and liabilities			
Shareholders' equity	17		
Share capital		500	500
Other paid-in capital		12,557	12,557
Reserves		505	1,535
Retained earnings		-1,655	-637
Shareholders' equity related to Parent Company's shareholders		11,907	13,955
Non-controlling interests		6	7
Total shareholders' equity		11,913	13,962
Long-term liabilities	22		
Provisions for pensions	18	1,116	1,008
Deferred tax liability	10	682	622
Liabilities to credit institutions		41	1,014
Other provisions		85	121
Other liabilities	23	3,960	2,042
Total long-term liabilities		5,884	4,807
Current liabilities	22		
Liabilities to credit institutions		23	341
Accounts payable		7,653	7,295
Deposits, ICA Bank	15	8,851	8,934
Liabilities to related parties	20	76	5
Tax liabilities		200	5
Other liabilities	23	2,686	2,080
Provisions		216	158
Accrued expenses and deferred income		2,201	2,573
Total current liabilities		21,906	21,391
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		39,703	40,160

Changes in shareholders' equity - Group

(SEK million)	Shareholders' equity related to Parent Company's shareholders					Non-controlling interests	Total shareholders' equity
	Share capital	Other paid-in capital	Reserves	Retained earnings	Total		
Opening balance, January 1, 2009	500	12,557	1,068	-1,335	12,790	6	12,796
Dividend				-868	-868	-20	-888
Total comprehensive income for the year			467	1,566	2,033	21	2,054
Closing balance, December 31, 2009	500	12,557	1,535	-637	13,955	7	13,962
Opening balance, January 1, 2010	500	12,557	1,535	-637	13,955	7	13,962
Dividend				-1,566	-1,566	0	-1,566
Total comprehensive income for the year			-1,030	548	-482	-1	-483
Closing balance, December 31, 2010	500	12,557	505	-1,655	11,907	6	11,913

Statement of cash flows – Group

(SEK million)	Note	2010	2009
Operating activities			
Operating income		2,924	2,713
Adjustments for non-cash items	24	1,729	1,665
Dividends from associated companies		0	3
Income tax paid		-669	-1,308
Cash flow from operating activities before change in working capital		3,984	3,073
Change in working capital			
Inventory (increase - / decrease +)		-252	123
Current receivables (increase - / decrease +)		-343	508
Current liabilities (increase + / decrease -)		900	-471
ICA Bank's net deposits, lending and investments	24	-1,101	774
Cash flow from operating activities		3,188	4,007
Investing activities			
Purchase of tangible and intangible fixed assets		-2,332	-2,098
Proceeds from sale of tangible and intangible fixed assets		201	492
Proceeds from borrowings		-50	-62
Repayment of borrowings		126	129
Other financial fixed assets (increase -/decrease +)		-1	-1
Interest received		24	31
Investment in associated companies, joint ventures		-422	0
Proceeds from sale of associated companies		1	28
Cash flow from investing activities		-2,453	-1,481
Financing activities			
Proceeds from borrowings		3,966	3,425
Repayment of borrowings		-3,060	-4,281
Interest paid		-385	-414
Dividend paid		-1,566	-868
Cash flow from financing activities		-1,045	-2,138
Cash flow for the year		-310	388
Liquid assets at beginning of year		3,422	3,023
Exchange rate differences in liquid assets		-10	11
Liquid assets at end of year		3,102	3,422

Supplementary information, the Group

Note 1 Accounting principles

These consolidated accounts are prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU Commission and the interpretations of the International Financial Reporting Interpretation Committee (IFRIC). RFR 1.1 Supplementary Accounting Rules for Groups, issued by the Swedish Financial Reporting Board, is applied as well. The recommendation contains supplementary standardizations based on the provisions of the Annual Accounts Act.

No new or revised (and EU-approved) standards which significantly affect ICA's financial reports will apply beginning in 2011.

Accounting principles applied

Changes in accounting principles

IFRS 3 Business Combinations (revised 2008) and the revisions to IAS 27 Consolidated and Separate Financial Statements apply as of 2010. The major changes in these two standards are that goodwill arises only when control is obtained, that non-controlling interests are recognized as a proportionate interest in the acquired net assets or at fair value, that acquisition costs are recognized as expenses and not included in the acquisition price, and that contingent consideration is recognized at estimated fair value with subsequent changes recognized through profit or loss. During the year ICA acquired a few small retail businesses, none of which has been affected by the revised principles.

Basis of accounting

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

The preparation of the financial statements in conformity with IFRS requires that management make use of judgments, estimates and assumptions that affect the application of the accounting principles and the carrying amounts in the income statement and the balance sheet. Estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis to judge the carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates and judgments.

Consolidated accounts

The consolidated accounts comprise the Parent Company, ICA AB, and its subsidiaries. A subsidiary is included in the consolidated accounts as of the date the Parent Company secures a controlling influence over the company and is no longer included as of the date the Parent Company's controlling influence over the company ceases.

The minority interest initially consists of the minority share of the fair value of the net assets and is recognized in shareholders' equity separately from the Parent Company's equity. The minority interest is included in the Group's income and total income and recognized separately from the Parent Company's income and total income as a portion of net income for the period.

The purchase accounting method is applied to the acquisition of subsidiaries. The fair value of the acquired assets and liabilities is determined on the date that control of the acquired company is obtained. Acquisition costs are not included in the cost of the subsidiary. The difference between cost and the fair value of the acquired identifiable assets, liabilities and contingent liabilities is recognized as goodwill. If the cost is less than the fair value of the acquired identifiable assets, liabilities and contingent liabilities, the difference is recognized directly through profit or loss. Non-controlling interests are recognized either as a proportionate interest in the acquired net assets or at fair value. The principle is reexamined for each acquisition. Contingent consideration is recognized at estimated fair value with subsequent changes recognized through profit or loss.

Step acquisitions are measured at fair value at the point when control is obtained. Revaluation effects on previously owned interests before control was obtained are recognized through profit or loss. Increases or decreases in ownership interests when the subsidiary remains under control are recognized as changes in equity.

For all units included in the consolidated accounts, uniform accounting principles are applied. This also applies to companies reported according to the equity method. All intra-Group transactions are eliminated.

Investments in associated companies

Holdings in associated companies are reported according to the equity method. An associated company is a unit in which the Group has a significant but not a controlling influence. Application of the equity method means that investments in associated companies are recognized in the balance sheet at cost plus any changes in the Group's share of the associated company's net assets less any impairments and dividends. The income statement reflects the Group's share of associated companies' income after tax.

If the Group's share of recognized losses in the associated company exceeds the carrying amount of the shares in the Group, the value of the shares is reduced to zero. Additional losses are not recognized, provided the Group has not issued any guarantees to cover losses in the associated company.

A positive difference between the cost of the acquired shares and the fair value of the Group's share of the identifiable assets and liabilities in the associated company is accounted as goodwill, which is included in the carrying amount of the associated company. A negative difference is recognized in revenue in the same period as the acquisition. Impairment testing is conducted on reported shares in associated companies when there are indications of diminished value.

In transactions between Group companies and associated companies, the portion of unrealized gains corresponding to the Group's share of the associated company is eliminated. Unrealized losses are eliminated correspondingly as long as there is no indication of impairment.

Investments in joint ventures

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity subject to joint control. ICA reports joint ventures according to the equity method.

In transactions between Group companies and joint ventures, the portion of unrealized gains corresponding to the Group's share of the jointly controlled company is eliminated. Unrealized losses are eliminated correspondingly as long as there is no indication of impairment.

Transactions in foreign currency

Transactions in foreign currency are translated to the functional currency at the exchange rate on the transaction date. Monetary assets and liabilities expressed in foreign currency are translated to the functional currency at the exchange rate on the balance sheet date. Exchange rate differences are recognized through profit or loss. Non-monetary assets and liabilities are recognized at historical costs translated at the exchange rate on the transaction date. All Group companies with a functional currency other than the reporting currency are restated as follows:

- Assets and liabilities including goodwill and consolidated surpluses and deficits are translated from the foreign operations' functional currency to the Group's reporting currency, Swedish kronor, at the balance sheet date exchange rate.
- Revenue and expenses in foreign operations are translated to Swedish kronor at the average exchange rate for the period.
- All exchange rate differences that arise through translation are recognized directly in other comprehensive income.

When foreign operations are divested, the cumulative exchange rate differences are recognized through profit or loss together with the gain or loss on the sale.

Revenue

Revenue is recognized when the significant risks and benefits associated with ownership of the goods have been transferred to the buyer and it is likely that the economic benefits will be accrued by the Group. Wholesale sales meet these requirements upon delivery of the goods and retail sales when the customer pays at the store. Revenue from franchise sales is recognized upon delivery for goods and other franchise revenue. Rental revenue is recognized in the period to which it relates.

In cases where a sale is made with a commitment that the customer will receive a bonus, the revenue for the bonus portion of the payment is not recognized until the bonus is used. Until then it is recognized as a liability.

Revenue from the sale of services includes royalties, franchise fees and revenue from various forms of consulting services. The revenue is recognized through profit or loss as it is earned.

The profit or loss on property sales is recognized when the significant risks and benefits associated with the property are transferred to the buyer. Normally these risks and benefits are transferred to the buyer on the closing date, except for sale and leaseback transactions; see below.

In cases where ICA builds a property for sale, it normally decides the property's design and construction. Revenue from the sale is recognized in its entirety at the point when the buyer has assumed the risk for the property and ICA has received payment.

Dividends are recognized through profit or loss when the right to receive payment has been determined.

Sale and leaseback

In cases where a property has been sold and then leased back, an overall assessment is made of who controls the significant risks and benefits associated with the property and whether the Group has retained a controlling interest in the property. A controlling interest exists, for example, if a leaseback property is subleased to an independent ICA retailer. If the determination shows that the significant risks and benefits remain in the Group, the sale is not recognized. The property remains in the balance sheet and is still depreciated. The proceeds received from the sale are recognized as a liability. Leasing fees are subsequently split between interest expenses and amortization of the liability. Not until the interest ceases is revenue from the sale recognized, at which point the property and liability are removed from the balance sheet. This can happen, for example, when the operations of an independent ICA retailer are acquired by ICA or the store closes. In cases where ICA has retained an interest by leasing only part of a property to an independent ICA retailer, only this portion continues to be reported in the balance sheet. The portion of the property that is not subleased is considered to have been sold.

Leasing

Leases are classified in the Group as either operating or finance. In a finance lease, essentially all economic risks and benefits associated with ownership of a specific asset are transferred from the lessor to the lessee. All other leases are operating.

ICA as lessee

Leasing fees for operating leases are expensed through profit or loss and divided on a straight-line basis over the life of the lease.

Finance leases are recognized as fixed assets and liabilities in the balance sheet, while in the income statement the depreciation is recognized as an operating expense. Assets are depreciated over their lease term or useful life, whichever is shorter.

Leasing fees are split between interest and amortization.

ICA as lessor

Assets subject to a finance lease are recognized in the balance sheet as a receivable at an amount equal to the net investment as per the lease. Lease payments received are recognized as amortization of the receivable or financial income. This income is allocated based on a pattern reflecting a constant periodic return over the lease term.

Assets subject to an operating lease are presented according to the nature of the asset. Lease revenue is accrued and recognized in income on a straight-line basis over the lease term. Direct costs incurred at the start of an operating lease are expensed on a straight-line basis over the lease term.

Income tax

Income taxes consist of current and deferred tax. Income taxes are recognized through profit or loss except when the underlying transaction is recognized in other comprehensive income, while the associated tax is recognized in other comprehensive income.

Current tax is tax that will be paid or received in the current year. This includes adjustments in current tax attributable to previous periods.

Deferred tax is recognized in accordance with the balance sheet method, which is based on temporary differences between the recognized and taxable values of assets and liabilities. The following temporary differences are not taken into account: temporary differences that arise in the first-time reporting of goodwill, the first-time reporting of assets and liabilities from a transaction other than a business acquisition and which, at the time of the transaction, affects neither the recognized nor taxable gain or loss, and temporary differences attributable to shares in subsidiaries, associated companies and joint ventures not expected to be reversed in the foreseeable future. The valuation of deferred tax is based on how the carrying amounts of assets and liabilities are expected to be realized or settled. Deferred tax is calculated applying the tax laws and tax rates in effect or essentially in effect on the balance sheet date.

Tax assets and tax liabilities are offset and recognized net in the balance sheet when there is a legal right of set-off and when the intent is to settle the items with a net amount or to simultaneously realize the asset and settle the liability.

Deferred tax assets are recognized for all deductible temporary differences and unutilized 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 and reduced to the extent it is no longer likely that they can be utilized.

Goodwill and trademarks

Goodwill represents the portion of the cost exceeding the fair value of the acquired share of the subsidiary's net assets on the acquisition date. Net assets refer to the difference between identifiable assets and liabilities and any contingent liabilities in an acquired subsidiary, associated company or joint venture. Intangible assets with an indefinite economic life, such as trademarks, and goodwill are not amortized. Goodwill is recognized at cost less any accumulated impairment.

The goodwill arising from business acquisitions is attributed at the time of the acquisition to the cash-generating units that benefit from the acquisition.

Other intangible assets

Other intangible assets are recognized in the balance sheet at cost less accumulated amortization and impairment losses.

Tangible fixed assets

Tangible fixed assets are recognized at cost less accumulated depreciation and any impairment. Cost includes the acquisition price and direct expenses.

Investment properties

Investment properties are properties which are leased to third parties, unlike operating properties, which are used by the Group or leased to ICA retailers. Investment properties are recognized according to the same principles as other tangible fixed assets.

Non-current assets held for sale

Assets are classified as non-current assets held for sale if they are available for immediate sale, a decision has been made to sell them and it is likely that a sale will be made within 12 months. Non-current assets held for sale are valued at the lower of book value and estimated sales value less selling expenses.

Discontinued operations are part of a company that has either been disposed of or is classified as held for sale and normally constitutes at least one segment. The classification as discontinued operations is made upon a sale or an earlier date when the operations meet the criteria to be classified as held for sale. As long as a non-current asset is classified as held for sale, there is no depreciation.

Depreciation and amortization

Depreciation and amortization are calculated on the cost of the assets based on their economic lives and estimated residual values. Residual values and economic lives are retested annually.

Buildings	20-40 years
Investment properties	20-40 years
Leasehold improvements	6-20 years
Store equipment and trucks	7-10 years
IT systems	3-6 years
Other equipment	3-10 years

Impairment

The carrying amount of fixed assets is tested for impairment when events or other circumstances indicate that the carrying amount may not be recovered. In the test, the carrying amount is compared with the higher of the asset's fair value less selling expenses and its value in use. Value in use consists of the present value of the future net cash flow the asset generates. If a single asset does not generate a cash flow independent of other assets, cash flow is calculated for the group of assets, i.e., a cash-generating unit. 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. If the carrying amount exceeds the higher of the asset's net realizable value and value in use, the asset is written down to the higher of these values.

Goodwill, assets with an indefinite economic life and intangible assets that are not yet taken in use are tested annually for impairment. Testing for impairment can take place more often when events or other circumstances indicate a decrease in value during the year.

Impairment losses are reversed if the assumptions used in the calculation that led to the original impairment have changed. Impairment reversal is limited to the depreciated amount that would have been recognized had the original impairment not occurred. Reversal of impairment is recognized through profit or loss. Impairment of goodwill is not reversed.

Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined using the first-in, first-out (FIFO) method. Cost consists of all purchase costs after deducting supplier allowances related to products in stock.

Net realizable value corresponds to the estimated sales price under normal conditions less estimated costs to finish the product and the costs required to make the sale.

Financial instruments

Financial instruments are initially recognized at cost. Cost includes transaction costs except for financial instruments in the category financial assets at fair value through profit or loss. The subsequent recognition depends on which category the financial instrument belongs to.

A financial asset or financial liability is recognized in the balance sheet when the company becomes a party to the instrument's contractual conditions. A financial asset is removed from the balance sheet when the rights in the agreement are realized, expire or the company loses control over them. In cases where a financial asset is sold but ICA retains the risks associated with the asset, the asset is still recognized in the balance sheet. A financial liability is removed from the balance

Continuation Note 1

sheet when the obligation in the agreement is fulfilled or otherwise relieved.

Purchases and sales of financial assets are recognized on the trade date, i.e., the date on which ICA commits to buy or sell the asset. However, in cases where ICA purchases or sells listed securities, settlement date accounting is applied.

Official market quotes on the balance sheet date are used to determine the fair value of listed financial assets. Unlisted financial assets are valued using generally accepted methods such as the discounting of future cash flows to the listed market interest rate for each maturity. Listed exchange rates on the balance sheet date are used in the translation to Swedish kronor.

On each balance sheet date ICA assesses whether there are objective indications that a financial asset is impaired. Accounts receivable are recognized at the amount that is expected to be received after deducting impaired loans, which are evaluated individually.

Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading and other financial assets the company has designated to this category. A financial asset is classified as held for trading if the purpose is to sell the asset in the short term. Derivatives fall into this category, unless used for hedge accounting. Assets in this category are carried at fair value with changes in value recognized through profit or loss.

Held-to-maturity investments

This category comprises financial assets with fixed or determinable payments and fixed maturities that ICA intends and is able to hold to maturity. They are valued at amortized cost based on the effective interest rate calculated on the acquisition date. Premiums and discounts as well as transaction costs are accrued over the maturity of the instrument.

Loans and receivables

This category comprises assets with fixed or determinable payments that are not quoted on an active market and are not derivatives. Assets in this category are valued at amortized cost, which is determined based on the effective interest rate calculated on the acquisition date. Receivables with short maturities, such as accounts receivable, are valued at nominal amounts.

Available-for-sale financial assets

This category comprises assets that not classified in any of the other categories or those that ICA has designated to this category. Assets are carried at fair value with changes in value recognized in other comprehensive income. When the asset is removed from the balance sheet, the previously recognized result is transferred from other comprehensive income to profit or loss.

Financial liabilities at fair value through profit or loss

This category includes two sub-categories: financial liabilities held for trading and other financial liabilities that the company has designated to this category. Derivatives fall into this category, unless used for hedge accounting. Assets in this category are carried at fair value with changes in value recognized through profit or loss.

Other financial liabilities

This category comprises all other financial liabilities, including overdraft facilities. They are valued at amortized cost based on the effective interest rate calculated when the liability was recognized. Liabilities with short maturities, such as accounts payable, are valued at nominal amounts. Premiums and discounts as well as direct issue costs are accrued over the maturity of the liability.

Derivatives

All derivatives are recognized at fair value in the balance sheet. For derivatives that are not reported as hedges and those included in a fair value hedge, changes in value are recognized through profit or loss. For derivatives that meet the requirements for cash flow hedges, the effective share of changes in value is recognized in other comprehensive income until the hedged item is recognized through profit or loss or as an initial cost in the balance sheet. The ineffective portion of the changes in value is recognized through profit or loss.

ICA Bank's receivables and liabilities

ICA Bank's lending in the form of unsecured and card credits to consumers is included in the category loans and receivables. It is recognized at amortized cost on the settlement date and subsequently after taking into account established and anticipated credit losses.

ICA Bank's deposits are included in the category other financial liabilities. Investments of ICA Bank's surplus liquidity are included in the category available-for-sale financial assets.

Netting of financial assets and liabilities

Financial assets and liabilities are offset and recognized net in the balance sheet when there is a legal right of set-off and when the intent is to settle the items with a net amount or to simultaneously realize the asset and settle the liability.

Interest

Interest income is recognized as it is earned. Interest income is calculated on the basis of the underlying asset's yield according to the effective interest rate. Loan expenses and interest are recognized in profit or loss in the period to which they are attributable. Interest expenses for assets that take at least a year to complete are capitalized as part of the cost of the asset.

Liquid assets

Liquid assets comprise cash, bank balances and other short-term investments with a remaining maturity of not more than three months.

Classification

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

Provisions

Provisions are recognized in the balance sheet when the Group has a legal or informal obligation resulting from an event that has occurred and it is likely that ICA will have to pay for the obligation. If the effect of the time value of the future payment is considered significant, the provision is estimated at its present value. Provisions are retested continuously.

Provisions for restructuring are recognized when the Group has established a detailed, formal restructuring plan and the restructuring has either begun or been publicly announced.

A provision for contract losses is recognized when the benefits the Group expects to receive from a contract are lower than the unavoidable costs to fulfill the contract's obligations.

Provisions for disputes are made if the general assessment is that it is more than 50 percent likely that ICA will lose the dispute. A provision is allocated in the amount considered to be the most likely outcome.

Contingent liabilities

A contingent liability is recognized when there is a possible obligation attributable to past events or when there is an obligation but it is not probable that payment will be required.

Pensions and other post-employment benefits

The Group has both defined-contribution and defined-benefit pension plans. In the latter, the company bears the risk for the benefits as agreed to. In a defined-contribution plan, the company has an obligation to pay the contractual fees to the plan, while the employee bears the risk for accumulating a particular pension level.

Fees for defined-contribution plans are recognized as a cost through profit or loss as the right is vested.

The Group's obligation with respect to defined-benefit pension plans is calculated separately for each plan on an annual basis according to the so-called Projected Unit Credit Method. The calculation, which is based on a number of assumptions, is an estimate of the present value of future entitlements that employees have earned through service to the company. The fair value of the plan assets is deducted from the present value of the pension obligation. The discount rate is the interest rate on the balance sheet date for first-class corporate bonds with a maturity corresponding to that of the obligation. If there is no deep market for first-class corporate bonds, the interest rate on government bonds with a maturity corresponding to that of the obligation is used instead.

Actuarial gains and losses arise either as a result of a difference between an assumption and the actual outcome or because an assumption has changed. ICA applies the so-called corridor rule. This means that actuarial gains and losses are not recognized in the balance sheet as long as they stay within a limit of 10 percent of the greater of the present value of the commitment and the fair value of plan assets. If the cumulative actuarial gain or loss exceeds the limit, the net gain or loss is recognized over the employees' projected remaining working lives.

When there is a difference between how the pension cost is determined in a legal entity and the Group, a provision or receivable is recognized for the special employer's contribution based on this difference. No present value calculation is made for the provision or receivable.

Important assumptions and estimates

The consolidated accounts are based on various assumptions and estimates made by the Board of Directors. These assumptions affect the carrying amounts of assets

and liabilities, of income and expenses, and of pledged assets and contingent liabilities. Estimates may deviate from future results. The assumptions and estimates that the Board of Directors feels are most important and where there is the greatest risk of future changes in the values of assets and liabilities are as follows:

Sale and leasebacks

When ICA sells a property that it then leases back to sublease to an independent retailer, a determination is made of which party bears the significant risks and benefits and whether ICA has retained a controlling interest in the property. The determination has been that ICA is considered to have retained such a controlling interest through the leaseback and sublease to the ICA retailer and that a sale of the property has not taken place. The property has therefore remained in the balance sheet and the proceeds received have been recognized as a liability. Not until ICA acquires the business in the specific property, for example, or the store is closed down, are the property and liability derecognized from the balance sheet and revenue is recognized.

Impairment of fixed assets

The determination whether a fixed asset has been impaired or not requires an assessment of its recoverable value. Recoverable value is the higher of the asset's

value in use and fair value less selling expenses. The calculation of value in use requires estimates of future cash flows and discount rates. Such estimates always entail a certain degree of uncertainty. In cases where the risk is considered to be higher than normal for a tested fixed asset or group of fixed assets, an additional risk component has been added to the impairment test. If the actual outcome in the year ahead deviates from the anticipated outcome for the same period according to the test, anticipated future cash flows may have to be retested, which could lead to an impairment loss.

Pensions

The calculation of defined-benefit pensions requires assumptions with regard to future payroll and interest rates. Because of the long maturity of the pensions in these plans, the uncertainty of these assumptions is high and may necessitate corrections in the future that affect future liabilities and expenses.

Disputes

If ICA AB or its subsidiaries are involved in a dispute, an assessment is made of the most likely outcome. The assessment is based on known facts and statements from internal and external experts. The assessment of the outcome of the dispute can change over time and consequently affect the financial reports.

Note 2 Segment reporting

Segments are defined based on how ICA's management monitors and oversees operations. ICA is engaged in wholesale and retail operations in the geographical markets Sweden, Norway and the Baltic countries. Each of these markets constitutes a segment. Properties located in Sweden and Norway are monitored separately from other operations and are included in the ICA Real Estate segment. Properties located in the Baltic countries are monitored together with the retail operations in the Baltic countries and are therefore included in the Rimi Baltic

segment. Moreover, ICA is engaged in banking operations which are reported in the ICA Bank segment.

Management monitors the segments' income before financial items. Assets and liabilities, on the other hand, also include financial items. All internal transactions are based on market prices. The same accounting principles apply to the segments as the Group.

	ICA Sweden		ICA Norway		Rimi Baltic		ICA Bank		ICA Real Estate	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
External net sales	60,495	58,889	21,225	21,666	10,352	12,329	612	634	1,126	1,094
Internal net sales	101	114	-	-	-	-	-	-	1,009	1,001
Depreciation/amortization	287	250	590	580	290	355	25	20	326	290
Share of associated companies' net profit	0	0	1	-4	-	-	-	-	1	4
Operating income	2,750	2,320	-588	-506	-13	-109	91	132	917	1,025
Assets	11,436	11,246	6,140	6,585	5,947	6,906	10,077	10,013	11,681	9,508
Liabilities	10,698	9,798	3,918	4,044	5,466	5,942	9,227	9,288	11,565	8,661
Other non-cash items	6	3	3	9	41	24	-	-	-41	-249
Investments in tangible and intangible fixed assets	525	420	734	738	141	419	55	41	825	533

	Total reported segments		Other and eliminations		Total	
	2010	2009	2010	2009	2010	2009
External net sales	93,810	94,612	50	39	93,860	94,651
Internal net sales	1,110	1,115	-1,110	-1,115	0	0
Depreciation/amortization	1,518	1,495	48	63	1,566	1,558
Share of associated companies' net profit	2	0	0	0	2	0
Operating income	3,157	2,862	-233	-149	2,924	2,713
Net financial items					-327	-404
Income after net financial items					2,597	2,309
Assets	45,281	44,258	-5,578	-4,098	39,703	40,160
Liabilities	40,874	37,733	-13,084	-11,535	27,790	26,198
Other non-cash items	9	-213	0	-5	9	-218
Investments in tangible and intangible fixed assets	2,280	2,151	52	-53	2,332	2,098

In the ICA Real Estate segment, an investment of SEK 421 million was made in the joint venture Ancore Fastigheter AB, which was formed in 2010.

Sales	2010	2009	Sales	2010	2009
Total sales from reported segments	94,920	95,727	Total sales from reported segments	3,157	2,862
Other	50	39	Other	-233	-149
Elimination of internal sales	-1,110	-1,115	Elimination of internal sales	0	0
Sales acc. to income statement	93,860	94,651	Sales acc. to income statement	2,924	2,713

Continuation Note 2

Assets	2010	2009
Assets from reported segments	45,281	44,258
Other	23,489	22,736
Elimination of shares and internal items	-29,067	-26,834
Assets acc. to balance sheet	39,703	40,160

Liabilities	2010	2009
Liabilities from reported segments	40,874	37,733
Other	10,050	9,408
Elimination of internal items	-23,134	-20,943
Liabilities acc. to balance sheet	27,790	26,198

Other consists of items that are not included in identified segments, which includes intra-Group receivables and liabilities as well as intra-Group sales.

External net sales by revenue source	2010	2009
Wholesale sales	49,462	49,468
Retail sales	37,966	39,037
Rental revenue	2,209	2,148
Net interest income and commissions, ICA Bank	612	634
Other services for ICA retailers and franchisees	3,611	3,364
Net sales	93,860	94,651

Geographical information

Country	Net sales		Tangible and intangible fixed assets	
	2010	2009	2010	2009
Sweden	62,147	60,514	7,723	7,075
Norway	21,361	21,808	6,763	7,269
Baltic countries	10,352	12,329	4,468	5,351
Total	93,860	94,651	18,954	19,695

Net sales are distributed by country based on where customers are located. ICA has a large number of customers, none of which therefore accounts for more than ten percent of ICA's revenue.

Note 3 Expenses by type of expense

	2010	2009
Cost of sales	71,098	72,409
Personnel expenses	8,503	8,423
Administration charges	1,861	1,645
Cost of premises	3,228	3,237
Depreciation/amortization and impairment losses	1,605	1,559
Other expenses	4,864	4,917
Total expenses	91,159	92,190

Note 4 Personnel expenses, pensions, etc.

Average number of employees

The number of employees is calculated on the basis of the Group's measure of normal working hours (1,800 hours).

	2010			2009		
	Women	Men	Total	Women	Men	Total
Sweden	3,082	4,240	7,322	2,912	4,189	7,101
Norway	3,013	2,354	5,367	2,971	2,408	5,379
Baltic countries	6,687	936	7,623	6,871	1,009	7,880
Hong Kong	32	30	61	26	26	52
Total	12,813	7,560	20,373	12,780	7,632	20,412

Salaries and other remuneration to the Board, President and Group Management	2010	2009
Salaries and similar remuneration	55	55
Cost of pensions and similar remuneration	29	21

Of the salaries and other remuneration, 16 (15) relates to variable compensation. The group is comprised of 21 (21) persons. In total, this group has been granted loans and credits from ICA Bank of 1 (1).

Gender distribution of board and management	2010	2009
Boards of directors		
Men	9	9
Women	1	-
Total	10	9
Management		
Men	8	9
Women	3	3
Total	11	12

Benefits to Senior Executives

No fees were paid to the Board members elected by the Annual General Meeting. Employee representatives received a fee of SEK 4,000 per meeting, prior to which Board members received background material with decision points on the agenda.

The salary paid to the company's President amounted to 14 (14) during the year, including a bonus of 7 (7). The employment contract of the President of the Parent Company stipulates a 12-month term and severance pay for two years if terminated by the company. If the President resigns, the term of notice is six months. The President is entitled to receive pension benefits from age 60. The company covers the obligation by annually paying pension premiums to insurance companies corresponding to 35% of the President's salary. The Group does not have other post-employment obligations to the President.

Note 5 Audit expenses

	2010	2009
Deloitte:		
Audit assignment	17	17
Audits over and above audit assignment	1	1
Total	18	18
Ernst&Young:		
Audit assignment	6	6
Audits over and above audit assignment	0	1
Other services	0	1
Total	6	8
Other accounting firms:		
Audits over and above audit assignment	2	0
Tax advice	1	0
Other services	0	5
Total	3	5

Note 6 Other operating revenue

	2010	2009
Profit shares and share dividends	195	134
Capital gains	27	118
Total	221	252

Note 7 Leases

Finance leases

ICA as lessor

Receivables related to finance leases with ICA as lessor	Minimum leasing fees		Present value of minimum leasing fees	
	2010	2009	2010	2009
Maturity date within 1 year	32	47	31	44
Maturity date later than 1 year but within 5 years	31	59	29	54
Maturity date later than 5 years	-	-	-	-
Total	63	106	60	98
Less: Unearned interest	-3	-8		
Present value of minimum leasing fees	60	98		
Receivables are recognized in the following items:				
Long-term receivables	29	54		
Other current receivables	31	44		

ICA has previously entered into finance leases on store equipment. No new leases are signed as of 2007. The average lease period is 2 years (2). Interest is variable with an average rate of 4.5% (3.5). Variable fees included in income for the period amount to 0 (0).

The non-guaranteed carrying amount of assets under finance leases as of December 31, 2010 is estimated at 0 (0).

The fair value of receivables with respect to finance leases as of December 31, 2010 is calculated at 60 (98), based on the estimated present value of anticipated cash flows.

Operating leases

ICA as lessee

The Group leases buildings and equipment. Lease fees are agreed to over an average period of 10 years. Rents change in accordance with index clauses. Options are available to extend the leases beyond the current term.

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

	2010	2009
The year's leasing expense	3,629	3,470
Of which minimum leasing fees	3,445	2,774
Of which variable fees	184	696
The year's leasing revenue from subleased assets	-701	-1,031
Future contractual minimum leasing fees:		
Maturity date within 1 year	2,690	2,874
Between 1-5 years	7,700	8,549
Later than 5 years	4,940	6,215
Total	15,330	17,638
Future minimum leasing fees for contracts on subleased assets	3,571	3,476

ICA as lessor

The Group leases out buildings and equipment. Rents are fixed, although variable rents based on revenues do occur. Leasing fees are contracted over an average lease period of 10 years. Rents change in accordance with index clauses. Contractual leasing expenses under existing agreements fall due for payment as follows:

Future contractual minimum leasing fees:	2010	2009
Maturity date within 1 year	1,595	1,578
Between 1-5 years	3,977	3,994
Later than 5 years	1,722	1,783
Total	7,294	7,355
Variable fees included in results	891	834

Note 8 Exchange rate differences in operating income

Purchases of goods and services in foreign currency have produced exchange rate differences on the following levels of operating income.

	2010	2009
Net sales	0	1
Cost of sales	20	15
Administrative expenses	-9	7
Total	11	23

Note 9 Net financial items

	2010	2009
Financial income		
Interest income	26	37
Market valuation of financial derivatives	26	-
Exchange rate differences	-1	12
Financial income	51	49
Financial expenses		
Interest expenses	-378	-405
Market valuation of financial derivatives	-	-48
Financial expenses	-378	-453

ICA Bank's interest income and interest expenses are recognized in the ICA Group's operating income.

Note 10 Taxes

Current tax	2010	2009
Current tax on net income for the year	-1,475	-743
Deferred tax on temporary differences	-575	21
Reported tax expense	-2,050	-722

Reconciliation between current tax rate and effective tax (%)	2010	2009
Current tax rate, %	26.3	26.3
Tax related to ICA Ahold Export Unltd	28.8	-
Tax related to derecognized deferred tax assets	24.3	-
Non-deductible expenses and tax-exempt income	-2.3	2.5
Effect of tax in foreign subsidiaries	0.8	2.6
Other	1.0	-0.1
Effective tax rate	78.9	31.3

Reported deferred tax assets and tax liabilities	2010	2009
Fixed assets	-127	-133
Inventory	17	18
Provisions	125	79
Tax loss carryforwards	1	489
Untaxed reserves	-712	-576
Financial derivatives	21	16
Total deferred tax assets (+) / deferred tax liabilities (-), net	-675	-107
As reported in balance sheet:		
Deferred tax assets	7	515
Deferred tax liabilities	-682	-622

The Group has unrecognized deferred tax assets related to tax loss carryforwards of 636 (0) in Norway and 78 (84) in Lithuania.

Change in deferred tax in temporary differences and tax loss carryforwards

	Balance, Jan. 1, 2010	Recogn- ized in income statement	Recogn- ized in other compre- hensive income	Business acquisi- tion/ divest- ment	Balance, Dec. 31, 2010
Fixed assets	-133	-11	17		-127
Inventory	18	-1			17
Provisions	79	29	17		125
Tax loss carryforwards	489	-449	-39		1
Untaxed reserves	-576	-136			-712
Financial derivatives	16	-7	12		21
Total	-107	-575	7	-	-675

	Balance, Jan. 1, 2009	Recogn- ized in income statement	Recogn- ized in other compre- hensive income	Business acquisi- tion/ divest- ment	Balance, Dec. 31, 2009
Fixed assets	-133	15	-15		-133
Inventory	16	2			18
Provisions	-10	81	8		79
Tax loss carryforwards	341	104	44		489
Untaxed reserves	-381	-192		-3	-576
Financial derivatives	-6	11	11		16
Total	-173	21	48	-3	-107

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

Tax in other comprehensive income	2010		
	Before tax	Tax	After tax
Translation differences, foreign operations	-979	-12	-991
Available-for-sale financial assets			
- change in value for the year	-26	7	-19
Cash flow hedges:			
- change in value for the year	-32	12	-20
Other comprehensive income	-1,037	7	-1,030

Tax in other comprehensive income	2009		
	Before tax	Tax	After tax
Translation differences, foreign operations	492	29	521
Available-for-sale financial assets			
- change in value for the year	-31	8	-23
Cash flow hedges:			
- change in value for the year	-50		-50
- elimination of hedge accounting	8		8
Net	-42	11	-31
Other comprehensive income	419	48	467

Not 11 Intangible fixed assets

	Goodwill		Trademarks		IT systems		Other		Total intangible fixed assets	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Accumulated acquisition cost	2,592	2,866	667	768	883	677	293	444	4,435	4,755
Accumulated amortization			0	-1	-625	-604	-175	-189	-800	-794
Accumulated impairment losses	-15	-15	-29	-6	0	0	0	0	-44	-21
Book value	2,577	2,851	638	761	258	73	117	255	3,590	3,940
Opening balance	2,851	2,723	761	812	73	104	255	103	3,940	3,742
Investments	0	0	0	1	97	14	39	166	136	181
Business acquisitions	0	0	0	0	0	0	16	19	16	19
Sales/disposals	0	0	0	0	0	0	-1	-20	-1	-20
Reclassifications	0	0	0	0	166	0	-166	0	0	0
Amortization for the year	-	-	0	-3	-64	-44	-22	-23	-86	-70
Impairment losses for the year	0	0	-25	-6	0	0	0	0	-25	-6
Exchange rate difference for the year	-274	128	-98	-43	-14	-1	-4	10	-390	94
Book value	2,577	2,851	638	761	258	73	117	255	3,590	3,940

Amortization of intangible fixed assets is included in the following income statement items.

	2010	2009
Selling expenses	-22	-26
Administrative expenses	-64	-44
Total	-86	-70

Impairment losses on intangible fixed assets are included in line item selling expenses in the income statement.

Useful life of intangible assets

Trademarks mainly refer to those acquired in connection with the acquisition of Rimi Baltic AB. They do not have a definite period during which they are expected to benefit the Group. This means that their useful life is indefinite.

IT systems relate to capitalized development expenditures for IT systems. The useful life is calculated for each system and amounts to between three and five years. Amortization is booked on a straight-line basis over the useful life of the assets. The remaining amortization schedule for IT systems is approximately 2 years.

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

Impairment testing of goodwill

Goodwill is distributed among the following segments:

	2010	2009
ICA Norway	1,584	1,709
Rimi Baltic	993	1,142
Total	2,577	2,851

Goodwill is distributed among the cash-generating units that are expected to benefit from the acquisition. Goodwill is distributed to the lowest level where it is monitored internally in the Group, but never higher than the segment level. Goodwill impairment tests are conducted annually and when there is an indication of impairment loss. The recoverable amount for a cash-generating unit is determined based on calculations of value in use. The calculations are based on the estimated future cash flow in budgets and forecasts for the upcoming two to five years. Cash flows beyond this period are extrapolated at an exchange rate based on inflation. Real growth in Norway in no instance exceeds 2.5%, while real growth in Rimi Baltic averaged 6%. The need for working capital is expected to remain at the same relative level reached at the end of the forecast period. The discount rate is 10.2% before tax for ICA Norway and 9.0% before tax for Rimi Baltic.

The recoverable amount correspond to the carrying amount if the discount rate before tax would be 13.2%.

Impairment testing of trademarks

Trademarks attributable to the acquisition of Rimi Baltic are distributed by country and store format. Impairment testing of trademarks is conducted annually and when there is an indication of impairment loss. The recoverable amount for each trademark is determined based on calculations of value in use. The calculations are based on the estimated future cash flow in budgets and forecasts for the upcoming three years. Cash flows beyond this period are extrapolated based on anticipated inflation. Real growth averaged 6%. The discount rate is 6.4-9.2% before tax depending on the country the trademark is attributable to.

A number of stores were closed in Lithuania during the year, which led to trademark impairment related to these store formats.

Impairment testing of other intangible assets

For intangible assets other than goodwill and trademarks, a recoverable amount is determined when there is an indication that the asset has decreased in value. During the year, no circumstances occurred that would motivate impairment testing.

Not 12 Tangible fixed assets

	Buildings and land		Investment properties		Leasehold improvements		Equipment		Construction in progress		Total tangible fixed assets	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Accumulated acquisition cost	12,752	12,568	1,465	1,604	1,950	1,803	8,897	9,145	701	750	25,765	25,870
Accumulated depreciation	-3,058	-2,728	-296	-321	-1,005	-967	-5,779	-5,783	-	-	-10,138	-9,799
Accumulated impairment losses	-113	-140	-70	-76	-1	-13	-78	-87	-1	0	-263	-316
Book value	9,581	9,700	1,099	1,207	944	823	3,040	3,275	700	750	15,364	15,755
Opening balance	9,700	9,519	1,207	1,113	823	801	3,275	3,193	750	918	15,755	15,544
Investments	751	197	86	63	379	263	887	984	10	227	2,113	1,734
Company acquisitions	17	8	0	25	0	3	37	14	-	-	54	50
Sales/disposals	-62	-130	-85	-152	-9	-24	-82	-217	-1	-2	-239	-525
Reclassifications	0	354	0	36	0	0	0	0	0	-390	0	0
Depreciation for the year	-378	-352	-33	-37	-188	-282	-881	-817	-	-	-1,480	-1,488
Impairment losses for the year	-3	-1	0	0	-3	-2	-16	-25	-1	0	-23	-28
Impairment losses reversed for the year	4	8	5	29	-	-	-	-	-	-	9	37
Exchange rate difference for the year	-448	97	-81	130	-58	64	-180	143	-58	-3	-825	431
Book value	9,581	9,700	1,099	1,207	944	823	3,040	3,275	700	750	15,364	15,755

Buildings and land include the book value of sale and leaseback properties of 1,804 (931).

Tax assessment value of Swedish properties	Buildings and land		Investment properties	
	2010	2009	2010	2009
Land	815	679	11	12
Buildings	3,365	3,470	30	35
Total	4,180	4,149	41	47

Impairments related primarily to equipment in retail operations in Norway, Latvia and Lithuania. The impairments are recognized in selling expenses in the income statement.

Reversed impairments related to properties in Norway for which vacancy rates have improved since the impairment was recognized. Reversed impairments are recognized in selling expenses.

Investment properties

An internal appraisal has been made of the fair value of all investment properties based on current rents and the real yields in each market. It shows that the fair value exceeds book value by 361 (258).

The following amounts have been recognized through profit or loss for investment properties:

	2010	2009
Rental income	130	139
Direct costs for properties that generated rental income	29	33
Direct costs for properties that did not generate rental income	-	-

Construction in progress

Expenses capitalized during the year include SEK 3 million (2) in capitalized interest based on an interest rate of 1.2 percent (1.2%).

Note 13 Shares in joint ventures, associated companies and subsidiaries

Joint ventures

Carrying amount, joint ventures	2010	2009
Acquisition cost, opening balance	0	0
Purchases	421	-
Profit share	13	-
Residual value according to plan, closing balance	434	0

Shares in joint ventures

Ancore Fastighets AB, corporate identity number 556817-8858, was formed on December 1, 2010 together with Alecta pensionsförsäkring, mutual. ICA's interest is 50%. The company owns and leases twelve Swedish properties that house ICA stores.

Following is a summary of ICA's share of revenue and expenses and its share of the principal balance sheet items.

	2010
Income	20
Expenses	-7
Fixed assets	1,137
Current assets	46
Long-term liabilities	695
Current liabilities	54

Associated companies

Carrying amount, associated companies	2010	2009
Acquisition cost, opening balance	11	37
Purchases	1	0
Profit share	2	0
Dividends	0	-3
Disposals	-1	-28
Exchange rate difference	0	5
Residual value according to plan, closing balance	13	11

Shares in associated companies

The following table summarizes the most significant holdings of shares in associated companies:

	Ownership %		Profit share	
	2010-12-31	2009-12-31	2010-12-31	2009-12-31
Borgenveien 50 AS, (981 025 008), Oslo, Norway	50	50	1	0
TakeCargo AS, (983 543 707), Oslo, Norway	32	32	0	-4
Other associated companies			1	4
Total			2	0

The ownership percentages above refer to votes, which in every case is the identical to the share of capital.

Shares in subsidiaries

Holdings in subsidiaries directly and indirectly owned by ICA AB. The list is limited to operating companies.

	Corp. ID no.	Reg. office	Share %	
			2010-12-31	2009-12-31
Direct holdings				
ICA Baltic AB	556042-7410	Stockholm	100	100
ICA Banken AB	516401-0190	Stockholm	100	100
ICA Detalj AB	556604-5448	Stockholm	100	100
ICA Fastigheter AB	556604-5471	Stockholm	100	100
ICA International Services BV	34177382	Netherlands	100	100
Indirect holdings				
ICA Eiendom Norge AS	968 930 451	Oslo, Norway	100	100
ICA Fastigheter Sverige AB	556033-8518	Västerås, Sweden	100	100
ICA Global Sourcing Ltd	1 150 322	Hong Kong	100	100
ICA Norge AS	931 186 744	Oslo, Norway	100	100
ICA Sourcing and Services BV	35 025 260	Netherlands	100	100
ICA Sverige AB	556021-0261	Stockholm	100	100
Rimi Baltic AB	556609-6268	Stockholm	100	100

In addition to the companies listed above, the ICA Group comprises 236 operating and dormant companies. A complete list of all Group companies can be obtained from ICA's corporate communications department.

Note 14 Inventory

	2010	2009
Inventory of goods for resale	4,583	4,569
Deduction for obsolescence in inventory	-88	-123
Inventory	4,495	4,446

Not 15 ICA Bank

ICA Bank conducts banking operations, including card operations as well as savings and lending. Lending consists of checking accounts, credit cards, unsecured loans and second mortgages. In addition, the bank offers mortgages through SBAB. All deposits are demand deposits. The agreement on the provision of securities with Nordnet Bank AB has been terminated and will expire in May 2011. The bank will consider alternative savings offerings to the previous agreement with Nordnet. ICA Bank also provides various insurance solutions for individuals through its collaborations with insurance companies, including Moderna Försäkringar and Genworth Financial.

Since ICA Bank's lending is to a large number of private persons, there is no concentration of credit risks. Savings and lending both carry variable interest rates with the exception of a small portion of lending with a fixed 3-month rate. This means that the total interest rate risk is marginal. The surplus liquidity generated by ICA Bank because deposits exceed lending is principally invested short-term in low-risk instruments. The bank carries very small amounts in foreign currency, due to which its currency risk is also marginal. The fair value of financial assets and liabilities corresponds to their carrying amount.

ICA Bank's lending to private persons matures as follows:

	2010	2009
No longer than 3 months	1,878	1,642
Longer than 3 months but not more than 1 year	593	497
Longer than 1 year but not more than 5 years	2,410	1,995
Longer than 5 years	1,220	954
Total lending	6,101	5,088

Bad debts

	2010	2009
Bad debts	50	50
Less: Reserve for credit losses	-31	-32
Bad debts net	19	18

ICA Bank has as a principle to classify a receivable as bad debt when payments of interest or principal are overdue by more than 60 days. Bad debts, net, amounted to 0.3% (0.3) of lending. The provision ratio is a reserve for credit losses in relation to total bad debts. The provision ratio for bad debts amounted to 61.8% (64.9). Net credit losses amounted to 35 (47), or 0.6% (0.9) of average lending to the public.

Loans overdue, not classified as bad debt

	2010	2009
Overdue between 5-30 days	53	31
Overdue between 31-60 days	14	13
Overdue for longer than 61 days	-	0
Total	67	44

The majority of loans are unsecured.

Not 16 Non-current assets held for sale

Assets held for sale	2010	2009
Tangible fixed assets	26	14

The items consists of properties that will be sold. The disposals are the result of a continuous review to determine which properties the Group should own to achieve an efficient capital structure and operations.

Impairment losses of 0 (5) were reported during the year when these assets were classified as held for sale.

Note 17 Shareholders' equity

For a summary of shareholders' equity, refer to the report, Changes in shareholders' equity.

Specification of the equity item reserves	2010-12-31	2009-12-31
Translation reserve		
Translation reserve, opening balance	1,031	510
Translation differences for the year	-991	521
Translation reserve, closing balance	40	1,031
Fair value reserve		
Fair value reserve, opening balance	17	40
Revaluations during the year	-19	-23
Fair value reserve, closing balance	-2	17
Hedging reserve		
Hedging reserve, opening balance	-11	20
Increase	-31	35
Recognized through profit or loss	11	-66
Hedging reserve, closing balance	-31	-11
Revaluation reserve		
Revaluation reserve, opening balance	498	498
Change in revaluation reserve	-	-
Revaluation reserve, closing balance	498	498
Total reserves	2010-12-31	2009-12-31
Reserves, opening balance	1,535	1,068
Changes in reserves for the year:		
Translation reserve	-991	521
Fair value reserve	-19	-23
Hedging reserve	-20	-31
Revaluation reserve	-	-
Reserves, closing balance	505	1,535

As of December 31, 2010, the share capital consists of 5,000,000 shares (5,000,000) with a quota value of SEK 100.

Other paid-in capital

Relates to shareholders' equity contributed by the owners. The principal contribution from the owners took place in connection with the implementation of ICA's new structure in 2000.

Reserves

Translation reserve

The translation reserve comprises all exchange rate differences that arise through the translation of financial reports from foreign operations that have prepared their reports in a currency other than one in which the Group's financial reports are presented. The Parent Company's and Group's reports are presented in Swedish kronor.

Fair value reserve

The fair value reserve comprises the cumulative net change after tax in the fair value of available-for-sale financial assets until the asset is removed from the balance sheet.

Hedging reserve

The hedging reserve comprises the effective share of the cumulative net change in the fair value of a cash flow hedging instrument attributable to hedging transactions that have not yet occurred.

Revaluation reserve

In incremental acquisitions, the revaluation of the previously owned interest in the assets is recognized in the revaluation reserve.

Retained earnings including net income for the year

Retained earnings including net income for the year include earnings in the Parent Company and its subsidiaries and associated companies. Earlier provisions to the statutory reserve, excluding transferred share premium reserves, are included in this shareholders' equity item.

Dividend

Shareholders received a total dividend of SEK 1,566 million (868), or SEK 313.20 per share (173.60).

The Board of Directors has proposed a total dividend of SEK 1,900 million, or SEK 380 per share. The dividend proposal will be presented to the Annual General Meeting in April 2011 for resolution.

Asset management

Capital refers to shareholders' equity and debt. The asset management objective is to safeguard the Group's survival and freedom of action and guarantee that the owners continue to receive a return on their investment. The ratio of debt to equity should ensure a balance between risk and return. The capital structure is modified, if necessary, to changes in economic conditions and other market factors. To maintain or adjust the capital structure, the Group can distribute funds, increase shareholders' equity through the issuance of new shares or capital contributions, or increase or decrease borrowings. The balance sheet shows the Group's liabilities and equity. The statement of changes in shareholders' equity shows the various components of equity, and this note provides a specification of the various components included in reserves. See also Note 22 Financial instruments.

The Group's long-term equity/assets objective is 30-35%. The objective for return on equity is at least 14-16% on average over a business cycle.

ICA Bank, part of the ICA Group, faces the same capital adequacy requirements as other banks. Capital adequacy requirements are a guarantee that ICA Bank is able to meet its obligations to customers. The requirements stipulate that ICA Bank must maintain a specific amount of equity in relation to its lending and revenue. Compliance with capital adequacy requirements is monitored by the Swedish Financial Supervisory Authority. These requirements were fully met during the year.

Note 18 Pensions

Employees in Sweden receive pension benefits in accordance with collective agreements. Salaried employees receive defined-benefit pensions according to the ITP plan. Pension obligations are secured through provisions in the balance sheet and insurance premiums. Salaried employees born in or after 1979 receive a defined-benefit pension. Unionized employees receive defined-contribution pensions according to the STP plan through AMF pension.

All employees in Norway are covered by occupational pension agreements. Although defined-benefit pensions are used, the majority of employees in Norway receive defined-contribution pensions. The defined-benefit plans are secured through both the payment of fees to insurance companies and provisions in the balance sheet. In addition to occupational pensions, unionized employees have the opportunity to retire at age 62. This is secured in part through the payment of fees and in part through provisions in the balance sheet.

In the Baltic countries contractual pensions are rarely used. Where they do exist, they are defined-contribution.

There are no healthcare costs in the Group's plans that significantly affect the reported obligation for defined-benefit plans.

Obligations for retirement pensions and family pensions for white-collar employees in Sweden are secured by insurance through Alecta. In accordance with a pronouncement from the Swedish Financial Reporting Board, UFR 3, this a multi-employer defined-benefit plan. For the fiscal year the company did not have access to information that would make it possible to recognize it as a defined-benefit plan. The ITP pension plan secured through insurance from Alecta is therefore recognized as a defined-contribution plan.

Annual pension premiums covered by Alecta amount to SEK 23 million (18). Alecta's surplus can be divided between policy-holders and/or insureds. As of September 30, 2010, Alecta's surplus in the form of its consolidation funding ratio was 134% (141% as of December 31, 2009). The funding ratio is based on the market value of Alecta's assets as a percentage of insurance obligations calculated using Alecta's actuarial assumptions, which do not conform to IAS 19. Alecta's collective solvency is normally allowed to range between 125% and 155%.

Cost of defined-benefit pensions	2010	2009
Cost of vested benefits during the period	81	94
Interest expense	57	58
Expected rate of return on plan assets	-5	-6
Reported actuarial gains (-) losses (+)	20	25
Settlement	0	-59
Pension cost for defined-benefit pensions	153	112
Pension cost for defined-contribution pensions	320	258
Total pension costs	473	370

Of the total pension cost, 380 (294) is included in the cost of sales and 93 (76) in administrative expenses.

Disclosures below relate only to defined benefit plans.

Carrying amount in balance sheet	2010	2009
Present value of funded obligations	134	146
Fair value of plan assets	-97	-109
Net funded obligations	37	37
Present value of unfunded obligations	1,255	1,315
Unrecognized actuarial losses (-) gains (+)	-176	-344
Carrying amount	1,116	1,008

The amount is recognized in its entirety on the provisions for pensions line in the balance sheet.

Change in pension obligations	2010	2009
Opening balance, present value pension obligations	1,462	1,427
Cost of vested benefits during the period	81	94
Interest expense	57	58
Actuarial gains (-) losses (+)	-153	-37
Pension disbursements	-42	-37
Settlement	-1	-67
Changes in exchange rates	-14	24
Closing balance, present value pension obligations	1,390	1,462

Change in plan assets	2010	2009
Opening balance, plan assets	109	85
Expected return on plan assets	6	6
Actuarial gains (+) losses (-)	-8	4
Pension disbursements from plan assets	-42	-37
Contributions	40	45
Settlement	0	-5
Changes in exchange rates	-8	11
Effects of disposals and business combinations	-	-
Closing balance, plan assets	97	109

Actual return on plan assets	-2	10
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Plan assets distributed by asset class	2010	2009
Bonds and other interest-bearing securities	48	60
Equities	15	8
Real estate	16	17
Other assets	18	24
Total plan assets	97	109

The expected return on plan assets is based on long-term expectations regarding the return for each asset class. This return is based on an inflation assumption and historical data on returns for various asset classes. The expected return for each asset class, together with the mix of assets expected to be held long-term, produces a total expected return on plan assets.

Important actuarial assumptions (%)	2010	2009
Discount rate	4.4	4.0
Inflation	2.0	2.0
Rate of salary increase	3.6	3.6
Expected return on plan assets	5.0	6.0

For 2010 the pension obligation in Sweden is discounted by reference to high quality corporate bond rates and the pension obligation in Norway is discounted by reference to government bond rates.

Amounts for current and comparative years	2010	2009	2008	2007	2006
Present value defined-benefit obligations	-1,390	-1,462	1,427	-1,225	-1,089
Plan assets	97	109	85	84	68
Deficit (-) surplus (+)	-1,293	-1,353	-1,342	-1,141	-1,021
Experience adjustments for obligations	26	5	-29	-8	-68
Experience adjustments for plan assets	-8	4	-8	4	13

Fees expected to be paid to defined benefit plans for 2011 amount to 49.

Note 19 Pledged assets and contingent liabilities

Pledged assets	2010	2009
Property mortgages	35	8
Restricted cash, ICA Bank	287	335
Restricted cash, ICA AB	5	5
Total	327	348

Contingent liabilities	2010	2009
Guarantees and contingent liabilities	220	253
Tax disputes	1,187	2,080
Total	113	-
Total	1,520	2,333

The Swedish Tax Agency has decided to disallow interest deductions to a Dutch Group company in 2004-2008. In December 2010, the County Administrative Court affirmed the Tax Agency's ruling and denied interest deductions of 3,358. The tax claim amounts to 1,187 (including penalties and interest). ICA is convinced that the deductions complied with applicable tax laws. This assessment is shared by outside counsel, which has analyzed the Tax Agency's argument and the legal principles applied by the court. ICA has appealed the County Administrative Court's decision to the Administrative Court of Appeal. The Tax Agency has denied ICA's request to defer payment, due to which 1,187 was paid in January 2011. The amount was booked as a receivable from the Tax Agency in connection with the payment 2011.

Note 20 Related-party transactions

Transactions between ICA AB and subsidiaries affiliated with the company have been eliminated in the consolidated accounts and are not indicated in this note. Transactions between the Group and other related parties are indicated below.

ICA has signed a number of commercial agreements with its owners, associated companies and joint ventures. The agreements were signed on market terms with regard to price and payment terms. The scope of these transactions is indicated in the tables below:

2010	Sales to related parties	Purchases from related parties	Receivables from related parties	Liabilities to related parties
Owners:				
Royal Ahold	7	116	18	66
Hakon Invest AB (publ)	1	98	0	1
Associated companies, joint ventures	0	23	19	9
Total	8	237	37	76

2009	Sales to related parties	Purchases from related parties	Receivables from related parties	Liabilities to related parties
Owners:				
Royal Ahold	57	100	14	3
Hakon Invest AB (publ)	1	69	0	0
Associated companies, joint ventures	0	10	18	2
Total	58	179	32	5

The ICA Group has had daily transactions with the board members who are ICA retailers. This is a natural part of their role as ICA retailers. All transactions were made on market terms and refer to the sale of goods, consulting services and rent for premises.

Note 21 Principles of financial risk management

The Group has a central function for financial management whose primary purpose 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.

The financial instruments managed by the finance department consist of bank credits, short- and long-term loans, short-term investments and derivatives. The Group also has other financial instruments such as accounts receivable and payable, which are directly tied to the ICA Group's operations.

ICA's principal risk exposure relates to interest rates, liquidity, foreign currencies and credits.

Interest rate risk

Interest rate risk is defined as the risk that changes in market interest rates will affect cash flow or the fair value of financial assets and liabilities. The financial policy states that the Group will tie up its interest rates for 12 months with a mandate to deviate from this norm by +/- 12 months. Interest rate swaps are used to adjust interest rate exposure.

Liquidity risk

Liquidity risk is defined as the risk that the Group cannot meet its short-term payment obligations. ICA's financial policy states that the liquidity reserve must amount to a level where the reserve can handle the fluctuations that can be expected in day-to-day liquidity in a 12-month period. To ensure this, the Group has bank overdraft facilities and unutilized credit facilities. Its strong cash flow and unutilized loan facilities enabled the Group to meet its liquidity needs without difficulty in 2010. At year-end 2010, borrowings amounted to 971 (2,255) and the liquidity reserve, in addition to liquid assets, to 6,423 (5,158). ICA Bank's surplus liquidity is not available to the Group according to banking laws.

Foreign currency risk

Foreign currency risk is defined as the risk that changes in exchange rates will affect cash flow. The primary foreign currency risk in the ICA Group is the transaction exposure that arises due to the import of goods paid in foreign currency. The risk norm in the financial policy is that 100% of the outstanding transaction exposure is hedged. This exposure is hedged for the next 3-6 months. Currency hedges are arranged on the order date. For non-foods, the currency hedge is based on projected volumes. According to the financial policy, borrowings in foreign currency are hedged. The foreign currency risk that arises because the Group has invested in foreign subsidiaries is not actively hedged in the financial market. Devaluations and other exchange rate fluctuations affect other comprehensive income and translation reserve within equity.

Credit risk

Credit risk is defined as the risk that a counterparty in a financial transaction cannot fulfill its obligations according to the contract and that any security does not cover the company's claim. The banks and financial institutions the Group works with must have a creditworthiness corresponding to at least "A" from Standard & Poor's or "A2" from Moody's Investor Service. For commercial counterparties with which the company has a large exposure, individual assessments are made. The maximum credit exposure corresponds to the book value of financial assets. The credit risk that arises through ICA Bank's lending to the public is managed by performing credit checks on all loan applicants.

Note 22 Financial instruments

Interest rate risk

If interest rates increase or decrease by 1 percentage point, the income statement is affected by 24 (28) and shareholders' equity by 24 (28). The change is calculated based on an assumption of a parallel shift in the yield curve of 1 percentage point and the debt position on the balance sheet date.

Liquidity risk

Due dates for payment of financial liabilities (calculated from the balance sheet date).

	2010	2009
Due within 1 year	21,239	21,124
Due longer than 1 year up to 3 years	17	985
Due longer than 3 years up to 5 years	4	16
Due longer than 5 years	48	60
Total	21,308	22,185

The table above excludes the liabilities that arise when ICA sells properties which are then leased back fully or in part and subsequently subleased to ICA retailers. For these properties, ICA has received sales proceeds, which are recognized as a liability until the lease with the ICA retailer expires. There is no effect on liquidity when the obligation ceases.

Foreign currency risk

The Group hedges all major currency exposures from operations-related transactions using forward exchange contracts. The currency exposures that are not hedged represent less than 5% of total currency exposures. As a result, there are no significant exposures in foreign currencies as of December 31, 2010 outside the Group's functional currencies. A change in the exchange rate for any of the transaction currencies therefore has a marginal effect on ICA's income and shareholders' equity.

Credit risk

Analysis of overdue receivables that have not been written down. (For ICA Bank's nonperforming loans, see the note 15 on ICA Bank.)

	2010	2009
Due within 30 days	287	192
Due later than 30 days	49	83
Total	336	275

Overdue receivables refer to account overdrafts by independent ICA retailers. An individual assessment is made of each receivable based on the likelihood that it will be paid. If it is believed that the receivable will not be paid wholly or in part, it is written down to the amount that is expected to be paid. During the year receivables were written down by 31 (46). Collateral for the credits primarily consists of chattel mortgages.

ICA's maximum credit risk corresponds to the book value of the financial instruments plus any financial guarantees that have been issued. The maximum credit risk for financial guarantees amounts to 220 (253).

Classification of financial assets and liabilities	2010	2009
Loans and accounts receivable	12,821	11,536
Available-for-sale financial assets	2,951	3,399
Non-financial assets	23,931	25,225
Total assets	39,703	40,160
At fair value through profit or loss for trading	20	47
Derivatives used as hedges	59	15
Liabilities valued at amortized cost	25,440	24,222
Non-financial liabilities	2,271	1,914
Total liabilities	27,790	26,198

Net result by category	2010	2009
Net profit/loss:		
Financial assets and liabilities at fair value through profit or loss ¹⁾	26	-48
Recognized in other comprehensive income:		
Available-for-sale financial assets	-19	-23
Cash flow hedges ²⁾	-20	-31
Interest from financial liabilities and assets not valued at fair value through profit or loss:		
Interest income from financial assets	331	335
Interest expenses from financial liabilities	-410	-453

Loans and accounts receivable have been written down by 66 (93).

1) Refers to holdings held for sale

2) Derecognized items from cash flow hedges are recognized in net financial items

Hedge accounting

ICA applies hedge accounting for the currency risk that arises through the import of goods. This is a cash flow hedge. The financial instruments used as hedges are forward exchange contracts. Their fair value is indicated in a separate table.

Financial assets and liabilities at fair value and their valuation level	2010			
	Level 1	Level 2	Level 3	Total
<i>Assets:</i>				
Available-for-sale financial assets	2,951	-	-	2,951
Total assets	2,951	-	-	2,951
<i>Total assets</i>				
Derivatives included in hedge accounting:				
Forward exchange contracts	-	59	-	59
Interest rate swaps recognized in profit and loss for trading				
	-	20	-	20
Total liabilities	-	79	-	79

Financial assets and liabilities at fair value and their valuation level	2009			
	Level 1	Level 2	Level 3	Total
<i>Assets:</i>				
Available-for-sale financial assets	316	3,083	-	3,399
<i>Liabilities:</i>				
Derivatives included in hedge accounting:				
Forward exchange contracts	-	15	-	15
Interest rate swaps recognized in profit and loss for trading				
	-	47	-	47
Total liabilities	-	62	-	62

Valuation level 1 refers to financial assets and liabilities for which quoted prices for identical instruments are available in an active market.

Valuation level 2 refers to financial assets and liabilities for which the valuation was executed with a model based on observable market data.

Valuation level 3 refers to financial assets and liabilities for which the valuation was executed with a model based on internal assumptions.

Note 23 Liabilities attributable to sale and leasebacks

When ICA has sold a property which is then leased back and in turn subleased to an independent ICA retailer, the purchase price received is reported as a liability. The total liability for these transactions amounts to 4,132 (2,099), of which the portion reported among other long-term liabilities is 3,941 (1,995) and the portion reported among other current liabilities is 191 (104). For a further description, see the accounting principles under the heading sale and leasebacks.

Note 24 Statement of cash flows and liquid assets

Adjustments for non-cash items	2010	2009
Depreciation/amortization	1,566	1,558
Impairment losses	48	38
Impairment losses reversed	-9	-37
Undistributed earnings from associated companies	-2	0
Capital gains/losses	-27	-118
Provisions	153	224
Total non-cash items	1,729	1,665

ICA Bank: cash flow net deposits, lending and investments	2010	2009
Deposits in ICA Bank (increase +/-decrease -)	-83	251
Short-term lending (increase -/decrease +)	-332	-1
Long-term lending (increase -/decrease +)	-681	-252
Short-term investments (increase -/decrease +)	624	762
Long-term investments (increase -/decrease +)	-629	14
Total non-cash items	-1,101	774

Composition of liquid assets	2010	2009
Cash and bank balances ¹⁾	2,071	1,928
Short-term investments ¹⁾	1,031	1,494
Total liquid assets	3,102	3,422
1) Of which ICA Bank		
Cash and bank balances	1,531	1,302
Short-term investments	399	1,493
Total liquid assets ICA Bank	1,930	2,795
Total liquid assets excluding ICA Bank	1,172	627

Due to bank laws, ICA Bank's liquid assets are not disposable to the Group.

Note 25 Business combinations

Acquisitions 2010

In 2010, the Group acquired 8 store operations in Sweden and 30 in Norway. The operations in Sweden were acquired from ICA retailers, who managed them under the ICA agreement, which stipulates how valuations are made in connection with such sales. The acquired stores will be sold to ICA retailers. The Group will own and run the stores for only a short period. The store operations in Norway were acquired from franchisees. They have been acquired at the market value of the assets and liabilities. The total purchase price for the store operations was 122. The contribution to consolidated income after tax for 2010 was -22.

If all store acquisitions had taken place as of January 1, 2010, consolidated net sales would have increased by 455 and income after tax would have changed by -42.

The net assets of the acquired companies on their acquisition dates were as follows:

Store operations	Value according to acquisition analysis
Tangible fixed assets	54
Intangible fixed assets	16
Inventory	62
Accounts receivable and other receivables	28
Liquid assets	18
Accounts payable and other current liabilities	-56
Net identifiable assets and liabilities	122
Purchase price paid¹⁾	-122
Cash (acquired)	18
Net cash	-104

1) The amount includes fees for legal services of SEK 0 million.

The value according to the acquisition analysis is the book value, which essentially corresponds to fair value.

Acquisitions 2009

In 2009, the Group acquired seven store operations in Sweden and three in Norway. The operations in Sweden were acquired from ICA retailers, who managed them under the ICA agreement, which stipulates how valuations are made in connection with such sales. The acquired stores will be sold to ICA retailers. The Group will own and run the stores for only a short period. The store operations in Norway were acquired from franchisees. They have been acquired at the market value of the assets and liabilities. The total purchase price for the store operations was 34. The contribution to consolidated income after tax for 2009 was -30.

If all store acquisitions had taken place as of January 1, 2009, consolidated net sales would have increased by 369 and income after tax would have changed by -29.

The net assets of the acquired companies on their acquisition dates were as follows:

Store operations	Value according to acquisition analysis
Tangible fixed assets	50
Intangible fixed assets	19
Inventory	19
Accounts receivable and other receivables	20
Liquid assets	22
Long-term liabilities	0
Accounts payable and other current liabilities	-96
Net identifiable assets and liabilities	34
Purchase price paid¹⁾	-34
Cash (acquired)	22
Net cash	-12

1) The amount includes fees for legal services of SEK 0 million.

The value according to the acquisition analysis is the book value, which essentially corresponds to fair value.

Note 26 Investment commitments

In 2010, the Group entered into agreements to acquire tangible fixed assets for 389 (229).

Income statement – Parent Company

(SEK million)	Note	2010	2009
Net sales	2	43	39
Cost of sales		0	0
Gross profit		43	39
Administrative expenses	3, 4, 5, 6	-236	-241
Operating income		-193	-202
Result from financial investments:	7		
Result from shares in Group companies		800	721
Interest income and similar profit/loss items		4	6
Interest expenses and similar profit/loss items		-464	-382
		340	345
Income after net financial items		147	143
Appropriations	18	-499	-218
Income before tax		-352	-75
Income taxes	8	284	196
NET INCOME FOR THE YEAR		-68	121

Total comprehensive income – Parent Company

(SEK million)	2010	2009
Net income for the year	-68	121
Other comprehensive income after tax		
Group contributions received	3,271	2,255
Tax on Group contributions	-860	-593
Other comprehensive income	2,411	1,662
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	2,343	1,783

Balance sheet – Parent Company

(SEK million)	Note	2010-12-31	2009-12-31
Assets			
Fixed assets	21		
<i>Intangible fixed assets</i>	9	0	0
<i>Tangible fixed assets</i>	10	71	70
<i>Financial fixed assets</i>			
Shares in subsidiaries	11, 12	34,033	33,888
Shares in associated companies	11, 13	2	2
Other financial fixed assets	14	10	7
Deferred tax assets	8	1	1
Total fixed assets		34,117	33,968
Current assets	21		
<i>Current receivables</i>			
Accounts receivable		27	2
Receivables from Group companies		6,089	4,784
Receivables from associated companies		1	8
Other receivables		3	4
Prepaid expenses and accrued income	16	141	119
<i>Cash and bank balances</i>		5	5
Total current assets		6,266	4,922
TOTAL ASSETS		40,383	38,890
SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES			
Shareholders' equity	17		
<i>Restricted equity</i>			
Share capital (5,000,000 shares)		500	500
Statutory reserve		8,788	8,788
Revaluation reserve		8,532	8,532
<i>Non-restricted equity</i>			
Retained earnings		10,918	9,952
Net income for the year		-68	121
Total shareholders' equity		28,670	27,893
Untaxed reserves	18	2,006	1,507
Provisions	21		
Provisions for pensions	19	253	231
Provisions for structural costs		0	1
Total provisions		253	232
Long-term liabilities	21		
Liabilities to Group companies	15	8,000	8,000
Total long-term liabilities		8,000	8,000
Current liabilities	21		
Accounts payable		92	68
Liabilities to Group companies		1,058	859
Liabilities to associated companies		1	3
Tax liabilities		168	165
Other liabilities		32	27
Accrued expenses and deferred income	16	103	136
Total current liabilities		1,454	1,258
TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES		40,383	38,890
Pledged assets	20	5	5
Contingent liabilities	20	8,364	7,352

Changes in shareholders' equity - Parent Company

(SEK million)	Restricted equity			Non-restricted equity		Total shareholders' equity
	Share capital	Statutory reserve	Revaluation reserve	Retained earnings	Net income for the year	
Opening balance, January 1, 2009	500	8,788	8,532	8,401	757	26,978
Dividend				-111	-757	-868
Total comprehensive income for the year				1,662	121	1,783
Closing balance, December 31, 2009	500	8,788	8,532	9,952	121	27,893
Opening balance, January 1, 2010	500	8,788	8,532	9,952	121	27,893
Dividend				-1,445	-121	-1,566
Total comprehensive income for the year				2,411	-68	2,343
Closing balance, December 31, 2010	500	8,788	8,532	10,918	-68	28,670

Statement of cash flows - Parent Company

(SEK million)	Note	2010	2009
Operating activities			
Operating income		-193	-202
Dividends received		800	705
Adjustments for non-cash items	22	67	50
Income tax paid		-573	-260
Cash flow from operating activities before change in working capital		101	293
Change in working capital			
Current receivables (increase - / decrease +)		2,126	1,106
Current liabilities (increase + / decrease -)		-2	-184
Cash flow from operating activities		2,225	1,215
Investing activities			
Purchase of tangible and intangible fixed assets		-51	-28
Proceeds from sale of tangible fixed assets		0	65
Investment in financial fixed assets		-148	-50
Proceeds from sale of financial fixed assets		0	29
Interest received		4	6
Cash flow from investing activities		-195	22
Financing activities			
Dividend paid		-1,566	-868
Interest paid		-464	-369
Cash flow from financing activities		-2,030	-1,237
Cash flow for the year		0	0
Liquid assets at beginning of year		5	5
Liquid assets at end of year		5	5

Supplementary information - Parent Company

Note 1 Accounting principles

The Parent Company has prepared its annual report according to the Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board's recommendation RFR 2 Reporting for Legal Entities. RFR 2 means that the Parent Company, in the annual report for the legal entity, will apply all IFRS/IAS, including interpretations, approved by the EU as far as possible within the framework of the Annual Accounts Act and with consideration to the connection between reporting and taxation. RFR 2 specifies the exemptions from and supplements to IFRS. As a whole, this results in the following differences between the Group's and the Parent Company's accounting principles.

All amounts are in millions of Swedish kronor (SEK) unless indicated otherwise.

Subsidiaries, associated companies and joint ventures

Shares in subsidiaries, associated companies and joint ventures are reported in the Parent Company according to the purchase method.

Taxes

In the Parent Company, untaxed reserves include deferred tax liabilities. In the consolidated accounts, on the other hand, untaxed reserves are divided between deferred tax liabilities and shareholders' equity.

Leases

In the Parent Company, all leases are reported 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 Financial Supervisory Authority's regulations, which are a prerequisite for tax deductibility. The biggest differences compared with IAS 19 are how the discount rate is determined, that the calculation is based on current salary levels and does not take into account future salary increases, and that all actuarial gains and losses are recognized as soon as they arise.

Group contributions and shareholders' contributions for legal entities

The Parent Company reports Group contributions and shareholders' contributions in accordance with statement UFR 2 Group Contributions and Shareholders' Contributions from the Swedish Financial Reporting Board. Shareholders' contributions are recognized directly against the shareholders' equity of the recipient and are capitalized in the shares and participations of the contributor, to the extent impairment is not required. Group contributions are reported according to their financial impact. This means that Group contributions paid to minimize the Group's tax are recognized by ICA AB in other comprehensive income.

Not 2 Intra-Group purchases and sales

Of the year's total net sales, 8% (27) relates to sales to subsidiaries.

Note 3 Personnel expenses, pensions, etc.

Average number of employees

The number of employees has been calculated on the basis of the Group's measure of normal working hours (1,800 hours).

	2010	2009
Women	209	193
Men	361	340
Total	570	533

Salaries and other remuneration	2010	2009
Board of Directors, President and other senior executives	28	27
Other employees	276	267
Total	304	294

Salaries and remuneration to Board of Directors, President and other senior executives include severance of 0 (0).

Social security expenses	2010	2009
Social security expenses	182	174
Of which pensions ¹⁾	84	79

1) Of the pension costs, 15 (9) relates to the Board of Directors, President and other senior executives.

The group comprising the Board of Directors, President and other senior executives, whose salaries and remuneration are paid by ICA AB, is made up of 15 (14) persons.

Absenteeism, Parent Company As % of normal working hours	2010		2009	
	Sick leave absences	Of which long-term sick leave	Sick leave absences	Of which long-term sick leave
Younger than 29 years	1.9%	0.4%	2.2%	0.8%
30 - 49 years	1.7%	0.2%	1.6%	0.4%
50 years and older	2.9%	1.9%	2.6%	1.8%
Total	1.9%	0.5%	1.8%	0.7%
Men	1.9%	0.6%	1.4%	0.4%
Women	1.8%	0.3%	2.5%	1.0%

Gender distribution of Board of Directors and Management	2010	2009
Board of Directors		
Men	9	9
Women	1	-
Total	10	9
Management		
Men	3	3
Women	2	2
Total	5	5

Note 4 Audit expenses

	2010	2009
Deloitte:		
Audit assignment	4	3
Other services	0	1
Total	4	4
Ernst&Young:		
Audit assignment	3	2
Other services	0	1
Total	3	3
Other accounting firms:		
Audits over and above audit assignment	1	0
Tax advice	1	0
Total	2	0

Note 5 Depreciation and amortization

Depreciation and amortization of tangible and intangible fixed assets are included in the line item administrative expenses in the income statement.

Note 6 Operating leases

The Group leases buildings and equipment. Contractual lease expenses under existing leases fall due for payment as follows:

	2010	2009
The year's leasing fees	29	27
Future contractual lease fees:		
Maturity date year 1	21	19
Maturity date year 2	13	9
Maturity date year 3	2	2
Maturity date year 4	0	1
Maturity date year 5 or later	0	7
Total	36	38

Note 7 Result from financial investments

	2010	2009
Results from shares in Group companies		
Dividends	800	705
Result from sale of securities	0	16
Total	800	721
Other interest income and similar profit/loss items		
Interest income, Group companies	4	6
Other interest income and similar profit/loss items	0	0
Total	4	6
Other interest expenses and similar profit/loss items		
Interest expenses, subsidiaries	-452	-373
Other interest expenses and similar profit/loss items	-12	-9
Total	-464	-382
Total result from financial investments	340	345

Note 8 Taxes

	2010	2009
Current income tax		
Current tax on net income for the year	284	202
Deferred tax on temporary differences	0	-6
Reported tax income	284	196
Reconciliation between current tax rate and effective tax (%)		
Current tax rate	26,3	26,3
Tax-exempt income	-101,0	-306,2
Other non-deductible expenses	-6,1	18,6
Effective tax rate	-80,8	-261,3

Reported in balance sheet:	2010	2009
Deferred tax assets	1	1

ICA AB has no unrecognized deferred tax liabilities or tax assets on temporary differences.

Change in deferred tax in temporary differences and tax loss carryforwards	Balance, Jan. 1, 2009	Reported through profit or loss	Balance, Dec. 31, 2009
Fixed assets	2	-1	1
Provisions	5	-5	0
Total	7	-6	1

	Balance, Jan. 1, 2010	Reported through profit or loss	Balance, Dec. 31, 2010
Fixed assets	1	0	1
Provisions	0	0	0
Total	1	0	1

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

Note 9 Intangible fixed assets

	IT-systems	
	2010	2009
Accumulated acquisition cost	109	109
Accumulated amortization	-109	-109
Book value	0	0
Opening balance	0	7
Investments	0	0
Amortization for the year	0	-7
Book value	0	0

Note 10 Tangible fixed assets

	Equipment	
	2010	2009
Accumulated acquisition cost	381	389
Accumulated depreciation	-310	-319
Book value	71	70
Opening balance	70	153
Investments	47	35
Sales/disposals	0	-65
Depreciation for the year	-46	-53
Book value	71	70
Accelerated depreciation, opening balance	26	23
Change for the year	-10	3
Accelerated depreciation, closing balance	16	26
Tax value, closing balance	87	96

Note 11 Financial fixed assets

Shares in subsidiaries	2010	2009
Acquisition cost, opening balance	33,888	34,366
Shareholders' contributions	145	50
Group change	-	-12
Sales	-	-516
Accumulated acquisition cost, closing balance	34,033	33,888
Impairment losses, opening balance	0	-515
Less impairment losses	-	515
Impairment losses for the year	0	0
Accumulated impairment losses, closing balance	0	0
Residual value according to plan, closing balance	34,033	33,888
Shares in associated companies		
Acquisition cost, opening balance	2	2
Accumulated acquisition cost, closing balance	2	2
Residual value according to plan, closing balance	2	2

Not 12 Shares in subsidiaries

Specification of ICA AB's direct holdings of shares in subsidiaries.

	Corp. ID no.	Reg. office	Number	Capital and votes, %	Quota value	Book value	
						Dec. 31, 2010	Dec. 31, 2009
ICA AS	988 351 032	Norway	-	-	NOK 1,000	-	-
ICA Baltic AB	556042-7410	Stockholm	30,000	100	SEK 500	184	184
ICA Banken AB	516401-0190	Stockholm	1,000,000	100	SEK 100	843	698
ICA Detalj AB	556604-5448	Stockholm	1,000	100	SEK 100	16,717	16,717
ICA Fastigheter AB	556604-5471	Stockholm	1,000	100	SEK 100	2,426	2,425
ICA International Services BV	34177382	Netherlands	1,000	100	EUR 10	13,864	13,864
ICA Reinsurance SA	915/93	Luxembourg	-	-	SEK 100,000	-	-
Total						34,033	33,888

A complete list of first- and second-tier subsidiaries can be obtained free of charge from the company's corporate communications department.

Not 13 Shares in associated companies

Specification of ICA AB's direct holdings in associated companies

Associated companies	Corp. ID no.	Number	Ownership, %	Book value	
				Dec. 31, 2010	Dec. 31, 2009
HB Luntmakaren, Stockholm	969658-3419	-	50	0	0
F-train AB, Östersund	556677-2231	30,000	30	2	2
Total				2	2

The share of votes and share of capital are identical.

Note 14 Other financial fixed assets

	2010	2009
Shares in tenant-owner associations	2	2
Other long-term securities holdings	8	5
Total	10	7

Note 15 Long-term liabilities to Group companies

	2010	2009
ICA Finans AB ¹⁾	8,000	8,000

1) Of which 0 (0) falls due for payment more than five years after the balance sheet date.

Note 16 Accruals

	2010	2009
Prepaid expenses and accrued income		
Other prepaid expenses	76	56
Supplier bonuses	65	63
Total	141	119
Accrued expenses and deferred income		
Accrued salaries, vacation pay and social security expenses	63	72
Accrued interest expenses	6	6
Other accrued expenses	27	53
Deferred income	7	5
Total	103	136

Note 17 Shareholders' equity

For a list of shareholders' equity, see the report, Changes in shareholders' equity.

Restricted equity

Restricted equity may not be reduced through profit distributions.

Share capital

As of December 31, 2010, the share capital consists of 5,000,000 shares (5,000,000) with a quota value of SEK 100.

Statutory reserve

Includes share premium reserves that arose before January 1, 2006.

Revaluation reserve

When a tangible or financial fixed asset is revaluated, the revalued amount is allocated to a revaluation reserve.

Non-restricted equity

Retained earnings

Consists of previous year's earnings less paid dividends. Together with net income for the year, retained earnings comprise the capital available for distribution to the shareholders.

A dividend of SEK 1,566 million (868) has been paid to shareholders.

Not 18 Appropriations and untaxed reserves

	2010	2009
Appropriations		
Change in tax allocation reserve	-489	-221
Change in accelerated depreciation	-10	3
Total	-499	-218
Untaxed reserves		
Accelerated depreciation	-16	-26
Tax allocation reserve, financial year 2005	0	238
Tax allocation reserve, financial year 2006	118	118
Tax allocation reserve, financial year 2007	153	153
Tax allocation reserve, financial year 2008	242	242
Tax allocation reserve, financial year 2009	286	286
Tax allocation reserve, financial year 2010	496	496
Tax allocation reserve, financial year 2011	727	-
Total	2,006	1,507

Note 19 Provisions for pensions

All employees receive pension benefits according to collective agreements. Salaried employees receive defined-benefit pensions according to the ITP plan. Pension obligations are secured through provisions in the balance sheet and through insurance premiums.

Reconciliation of carrying amount for self-managed pensions	2010	2009
Opening balance, principal on pension obligations	231	221
Cost charged against this result	15	17
Interest expense	12	9
Pension disbursements	-8	-8
Transferred pensions, Group	3	-8
Closing balance, principal on pension obligations	253	231

Of the total pension obligation, FPG/PRI pensions account for SEK 211 million (193). The entire amount is covered by the Act on Safeguarding Pension Benefits.

Specification of recognized pension costs	2010	2009
<i>Self-managed pensions:</i>		
Cost excluding interest expense	15	17
Interest expense	12	9
Total cost of self-managed pensions	27	26
<i>Insured pensions:</i>		
Insurance premiums	47	46
Tax on pension returns	1	1
Special employer's contribution on pension returns	15	14
Cost of credit insurance	1	1
Recognized pension cost	91	88

Important actuarial assumptions	2010	2009
Discount rate	5.0%	3.9%

Pension calculations are based on salary levels on the balance sheet date.

Not 20 Pledged assets and contingent liabilities

Pledged assets	2010	2009
Restricted cash	5	5
Total	5	5
Contingent liabilities	2010	2009
Guarantees for subsidiaries	8,364	7,352
Total	8,364	7,352

Note 21 Financial instruments

Classification of financial assets and liabilities	2010	2009
Loans and accounts receivable	6,266	4,922
Available-for-sale financial assets	10	7
Non-financial assets	34,107	33,961
Total assets	40,383	38,890
Liabilities valued at amortized cost	9,286	9,093
Non-financial liabilities	421	397
Total liabilities	9,707	9,490

Note 22 Statement of cash flows

Adjustments for non-cash items	2010	2009
Depreciation/amortization	46	59
Provisions for pensions	22	10
Other provisions	-1	-19
Total	67	50

Stockholm 2011-02-14

Claes-Göran Sylvén <i>Chairman</i>	John Rishton	Peter Berlin
Göran Blomberg	Dick Boer	Anders Fredriksson
Lodewijk Hijmans van den Bergh		Per Jansson
Magnus Rehn	Kimberly Ross	Kenneth Bengtsson <i>President</i>

Our audit report was submitted on February 14, 2011
Deloitte AB

Jan Berntsson
Authorized Public Accountant

Audit Report

To the annual meeting of the shareholders of ICA AB
Corporate identity number 556582-1559

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the managing director of ICA AB for the financial year 2010. The board of directors and the managing director are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the managing director and significant estimates made by the board of directors and the managing director when preparing the annual accounts and consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the managing director. We also examined whether any board member or the managing director has, in any other way, acted in contravention of the Companies Act, the An-

nual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act and give a true and fair view of the group's financial position and results of operations. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the annual meeting of shareholders that the income statements and balance sheets of the parent company and the group be adopted, that the profit of the parent company be dealt with in accordance with the proposal in the administration report and that the members of the board of directors and the managing director be discharged from liability for the financial year.

Stockholm, 14 February 2011

Deloitte AB

Jan Berntsson
Authorized Public Accountant