



THE ICA GROUP'S ANNUAL AND CORPORATE  
RESPONSIBILITY REPORT 2011



# About ICA

ICA's operations focus on food and meals. The vision is to make every day a little easier for customers.

The ICA Group (ICA AB) is one of the Nordic region's leading retail companies, with around 2,125 of its own and retailer-owned stores in Sweden, Norway and the three Baltic countries. The Group includes the retail companies ICA Sweden, ICA Norway, Rimi Baltic; ICA Real Estate, which owns and manages properties; and ICA Bank, which offers financial services to Swedish customers. Around 50,000 people work at ICA in offices, logistics or one of our own or retailer owned stores. Over 20,000 of them are employed by the ICA Group. ICA AB is a joint venture 40% owned by Hakon Invest AB and 60% by Royal Ahold N.V. of the Netherlands. According to a shareholder agreement, Royal Ahold and Hakon Invest jointly share control over ICA AB. Through Royal Ahold, ICA AB is part of an international retail network.

## **Vision**

We make every day a little easier.

## **Mission**

We want to be the leading retailer focused on food and meals.

## **ICA's values**

At ICA, a commitment to social responsibility and strong community engagement go hand in hand with long-term profitability. ICA's customers and other stakeholders should feel secure and confident in ICA and its businesses. To describe its ethical standards and corporate responsibility, ICA has coined the term "ICA's Good Business," which means that ICA will:

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

# A year to be proud of

It is fantastic to be able to say that my last year as CEO of ICA was also a year that ICA's employees have every reason to feel proud of. We delivered our best operating profit ever. ICA Sweden gained market share in a slumping market. Rimi Baltic has bounced back after the crisis years and ICA Bank attracted more customers, raised its business volumes and delivered a very good result. Our real estate company also lived up to high expectations. ICA Norway remains a major challenge, but after an improved fourth quarter we feel optimistic there as well. In 2011, we decided to streamline operations and introduce a new dual format strategy. Because of this strategy, the ICA Maxi Hypermarkets will be sold in 2012.

Profitability is important and rests on many cornerstones. They include our stores, product range, brand and responsibilities.

## Stores

We continued to improve our stores throughout the Group. In Sweden, we expanded and secured locations for future stores, and in Norway we have continued to successfully convert Rimi stores. In the Baltic countries, we are testing a totally new format, a compact hypermarket about 2,000 m<sup>2</sup> in size. The idea is to serve smaller communities with a limited product range, but still offer the experience of a hypermarket. We will follow the outcome with great interest. Perhaps it can be converted to other markets as well?

## Product range

To remain competitive, we have to keep up with major trends such as health, accountability and simplicity with products at a great price. Our private labels play an increasingly important role in this regard. In 2011, for example, we launched the ICA Basic product line and redesigned the packaging for our premium ICA Selection products. At the same time, we invested in extensive price cuts. We also worked with a concept to better meet demand for local foods. One example is Rimi Lithuania's shop-in-shop, Vikis, with products from local farmers and growers.

## Brand

ICA's brand is our biggest asset, and the work we are doing to build and strengthen the brand in the long term will pave the way for profitable new innovations. In 2011, for example, we rolled out the ICA Grocery Bag concept and the innovative ICA Student service. There are no limits to what we can do. The only thing – but importantly so – is that any new idea must help us to achieve our vision: they should make our customers' lives a little easier. Cura pharmacies are an example of an idea that does just that. We already offer banking services. The next step could, for example, be to offer more insurance solutions.

ICA's non-foods are worth an extra mention when it comes to making every day a little easier. We are always there for the customers, whatever they need. Each year we sell 1.1 million food containers, 735,000 and bags of tea lights and 4,672,219 rolls of garbage bags. Last year we helped customers find the right light bulbs when their old, environmentally hazardous incandescent bulbs were phased out.

## Responsibility

A fixed point in our business model is taking responsibility. If we do not serve as a positive force in society for sustainable development today, we ruin any opportunity for good business in the future. Our values are summarized in seven position statements we call "ICA's Good Business." They describe how we work, from factory to store. Through them, we also cover the ten principles of the United Nations Global Compact, which ICA has signed. We have also signed the Global Compact's Caring for Climate initiative. Through collaborations with the World Childhood Foundation, the Red Cross and the Worldwide Fund for Nature (WWF), among others, we are also trying to be a force for good in society. Three years ago we launched a project called We Can Do More, with the goal of finding meaningful employment for between 500 and 1,000 people with functional disabilities in ICA stores in Sweden. Today over 900 of them are working in nearly 650 Swedish stores. Rimi Baltic, which has also integrated disabled employees, received the National Business Award in Lithuania for its work.

Nothing we have done or will do would have been possible without the people in our organization. To date, our 100 top managers have completed ICA's management program in partnership with the University of Oxford's Saïd Business School, and the training will continue throughout the organization.

All this is behind us and now it will be up to my successor, Per Strömberg, to take ICA to the next level. I wish him and all the fantastic ICA employees all the luck and success on their journey.

**Kenneth Bengtsson**  
VD och koncernchef

## ICA by the numbers

- Net sales for the year amounted to SEK 95,179 million (93,860), up 1.4 percent. At constant exchange rates net sales increased by 2.6 percent.
- Operating income excluding capital gains and impairments amounted to SEK 3,101 million (2,936), up 5.6 percent.
- Consolidated income for the year includes goodwill impairment of SEK 592 million in ICA Norway in the third quarter. Operating income amounted to SEK 2,505 million (2,924).
- Income after net financial items amounted to SEK 2,156 million (2,597).
- Net income for the year amounted to SEK 1,395 million (547). The previous year was charged with a tax expense of SEK 747 million for a tax dispute for the years 2001-2003 as well as SEK 632 million for a reversal of deferred tax in ICA Norway.

### Sales, SEK million

	SEK million
07	82326
08	90963
09	94651
10	93860
11	95179

### Operating income, SEK million

	SEK million
07	2602
08	2117
09	2713
10	2924
11	2505

### Income after net financial items, SEK million

	SEK million
07	2282
08	1794
09	2309
10	2597
11	2156

### Operating income excluding capital gain and impairments, SEK million

YEAR	SEK million
07	2006
08	1905
09	2589
10	2936
11	3101

### Operating margin, %

	%
07	3.2
08	2.3
09	2.9
10	3.1
11	2.6

### Operating margin excl capital gains and impairment losses,%

	%
07	2.4
08	2.1
09	2.7
10	3.1
11	3.3

### Summary of key financial ratios for the ICA Group

	2007	2008	2009	2010	2011
Operating margin, %	3.2	2.3	2.9	3.1	2.6
Return on capital employed, %	13.8	11.4	13.5	15.5	12.5
Return on equity, %	19.1	13.5	11.3	3.9	11.2
Equity/assets ratio, %	32.4	32.0	34.8	30.0	27.7

- 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.
- 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.

# Important events

## Focus on price in 2011

When ICA does well, its customers should also benefit. In 2011 ICA Sweden and the Swedish ICA retailers slashed prices in several stages, beginning with everyday private label products, which were followed by ICA I love eco and then our suppliers' leading brands. The price cuts were a response to customer demand for low prices and at the same time contributed to increased sales for ICA.

## New strategy in Norway

In 2011, ICA Norway decided to streamline its operations and introduce a new dual format strategy. The idea is to let Rimi stores, which have been successfully modernized and reopened in recent years, serve as a discount alternative, while ICA Supermarked offers more premium solutions. The solution paves the way for more efficient operations and synergies, while also accelerating the earnings turnaround at ICA Norway. As a result of the strategy, the ICA Maxi Hypermarkets will be sold in 2012.

## Strong performance by private labels

ICA I love eco, ICA Gott Liv, ICA Selection. We are proud that our private label products are growing in number. In 2011 we added ICA Basic, which replaces Euroshopper as a discount alternative. A positive sales trend reflects growing customer interest in ICA's private labels, which accounted for 19.2 percent of ICA Sweden's total sales in 2011. These products provide customers not only with excellent prices but also high quality and great taste. Customers can feel safe when they buy our private labels, since we monitor the entire production process, from grower, farm or factory to store, and make sure that the products are safe and produced consistently with our values and requirements.

## Great interest in ICA Grocery Bag

Constantly thinking along new lines to make every day a little easier for our customers comes naturally to ICA. One example is the ICA Grocery Bag, which was launched in Sweden in 2011. Several versions of the bag are available for home delivery or pickup at local ICA stores.

Interest has been great since the start and by year-end 2011 over 230 ICA stores around the country were delivering grocery bags to their customers. The number of stores offering the service and its popularity are steadily growing. The contents of the bags are put together by ICA's chefs, who select ingredients and recipes that customers can easily turn into tasty and inspiring dinners. The composition of the grocery bags and recipes are planned to avoid unnecessary waste. The recipes, which are designed around seasonal ingredients, are nutritionally tested by our dietitians, so that customers can enjoy healthy and nutritious meals.

## Success for ICA's student services

If we can attract students as customers, there is a chance that they will stay with ICA their whole lives. This was the backdrop to why ICA Sweden, in collaboration with ICA Bank, launched ICA Student in August 2011. The concept offers everything from a no-fee ICA Bank card and various discounts on food, household goods and insurance to specially designed recipes and double bonus points on purchases in ICA stores. On the launch date alone, 6,300 applications were submitted, and at year-end 2011 over 33,000 people had become "ICA Students."

## More "Sannegården" have been added

In 2010, ICA Kvantum Sannegården opened its doors in Göteborg, the first store built entirely based on our guidelines on maximum energy efficiency, while still offering the same customer experience. It is a store where we have managed with an array of simple improvements to achieve energy savings of about 35 percent. For example, we have installed lids and doors on refrigerators and freezers and can control lighting and temperature based on need. Sannegården now serves as a model for all future ICA stores. In fact, four new stores designed according to the model were opened in 2011. At the same time, minor adjustments are being made to fine-tune Sannegården.

## Reducing food shrinkage

A number of initiatives are under way at ICA to reduce food shrinkage in stores and behind the scenes. A survey of about 600 ICA stores in 2011 showed that 9 out of 10 are actively working on this problem. Some stores prepare meals with food that is nearing expiration. Others cut the prices of these products or give them away. ICA Supermarket in Skurup serves as one model. In one year, they have managed to cut visible shrinkage in half by documenting each item that is thrown out and calculating the costs of shrinkage: by year, month, week, day and even minute.

## **Food donated to charity**

ICA donates leftover food from its warehouses to charities around Sweden. It all began with the warehouse in Helsingborg, which tried to figure out how to give away food it was otherwise throwing out. Today that mainly applies to products that are set to expire. Agreements have now been signed with several nonprofits. ICA's warehouse in Helsingborg donates food to the Salvation Army and a homeless shelter. The warehouse in Kungälv works with the Salvation Army in Göteborg and a women's shelter in Kungälv.

The products meet the same basic food safety requirements as other food ICA handles.

## **Award for social responsibility**

One of ICA's biggest goals is to be a force for good in society. That made it especially gratifying to receive a National Business Award in Lithuania in 2011 for Rimi Baltic's efforts to hire the disabled in its stores, many of whom with hearing and physical impairments are now working the cash registers, for example. This unique program has been under way for several years. Rimi Baltic won in the categories "Most Sociable Company of the Year" and "Foreign Capital Companies." To date, around 200 employees with disabilities have been hired.

## **More ICA To Go**

ICA To Go is an urban concept offering tasty, nutritious meals for people on the go using fresh, high-quality ingredients. The concept was launched in spring 2010 through pilot stores on Kungsgatan and Drottninggatan in Stockholm. Thanks to increased customer demand, the tests were expanded to a new store in Kista in late 2011. An additional store will open near the Central Station in Stockholm in spring 2012.

ICA To Go in Kista was also the first store in Sweden to launch a digital reward card using near field communication (NFC) technology. Now each time customers buy lunch, they can see the reward points they earn directly on their mobile phone.

## **'Food Talk' boosts sales**

ICA School's course called "Food Talk" teaches store employees from ICA about everything from seasonal specialties, ingredients and recipes to customer service. The training is done on the store floor, where participants test recipes and offer cooking tips to curious customers. In 2011 we launched Food Talk 2.0, where each ICA retailer is responsible for holding the course in their store. About 1,200 store employees have taken part so far, and a total of 100,000 special recipe cards have been given to customers.

## **Inspections in the woods**

There have been reports that foreign berry pickers have been poorly treated while working in Swedish forests. ICA was the first retailer to begin conducting its own inspections of their working conditions. The first were conducted in fall 2011 as part of a three-day visit outside Lycksele, where 1,000 berry pickers from Thailand were employed by one of ICA's suppliers. With the help of an interpreter and colleagues from ICA's sourcing office in Hong Kong, the pickers were interviewed about their contracts, wages, working hours, living arrangements, equipment and other conditions. All laws and regulations were being followed, but a few details pertaining to the pickers' contracts and living arrangements need to be corrected. We will follow up the action plan in 2012.

## **Making life easier with ICA's apps**

During the year ICA Sweden launched a free iPhone app that can be downloaded from the app store. The new app makes life a little easier for ICA's customers with functions such as smart shopping lists, recipes, personal offers, maps and contact information to all ICA stores. The service is linked to Facebook, so that customers can easily share recipes. The app will also be adapted to other platforms. ICA Norway has launched an app, Rimi Plus, which makes shopping even faster for customers. The app includes a digital shopping list, which can be updated by anyone the customer wants to share it with.

## **Lift for ICA Bank**

ICA Bank took a leap in the Swedish Quality Index's annual customer satisfaction survey, jumping from sixth place in 2010 to second in 2011, only 0.7 points below the winner. Product quality and value for the money were ranked highly by customers, and now ICA Bank has set its sights on reaching the top spot as the best bank. Flexible and convenient savings accounts and mutual funds with competitive interest rates are part of the offering. Since 2011, ICA's customers can also do all their banking by mobile phone.

## **Success for Cura pharmacies**

The combination of food, medicine and extended store hours is popular with ICA's customers. This was confirmed by a record-high customer satisfaction rating for Cura pharmacies. It was a record performance in customer survey Customer Satisfaction Index which Cura pharmacy

had an index of 87. The development in 2011 was positive with an increasing number of satisfied customers. The rapid increase in the number of new pharmacies since deregulation in Sweden has made the labor market an issue, however, due to which slightly fewer Cura pharmacies have been opened than planned. Of total sales, prescriptions accounted for 54 percent, non-prescription drugs for 26 percent and other products for 20 percent. At the end of the year, Cura introduced its first private label products, more of which will be added over time. At year-end 2011, there were a total of 42 Cura pharmacies in Maxi and Kvantum stores in Sweden.

### **Quality assurance throughout ICA**

The "I Care" project is designed to reinforce ICA's Good Business values of quality, environmental stewardship and social responsibility, focusing on corporate brands. It is an initiative to ensure consistent quality throughout ICA's product flow, in Sweden, Norway, Estonia, Latvia, Lithuania and Asia, from sourcing and logistics to stores.

We analyze the product flow to ensure that every corporate brand supplier meets ICA's production policies and requirements. Sometimes we improve upon routines that are already in place and sometimes we introduce new ones. The project was launched in 2009 and will continue until every area of every company has been quality assured. The work is supported by several training programs.

In 2011, quality routines were modified in ICA Sweden's sourcing and logistics, after which two warehouses were quality certified. ICA Norway and Rimi Baltic have also begun this work. An analysis of their product ranges, suppliers and production facilities was also intensified during the year.

ICA stores in Sweden continued to work with the national quality standard for food handling. ICA now has 326 certified stores in Sweden and a total of around 1,000 ICA stores have applied the standard. Our Norwegian and Baltic stores are also introducing the standard. To facilitate certification in these countries, we are now drafting an international standard as part of a project by our trade group, Svensk Dagligvaruhandel.

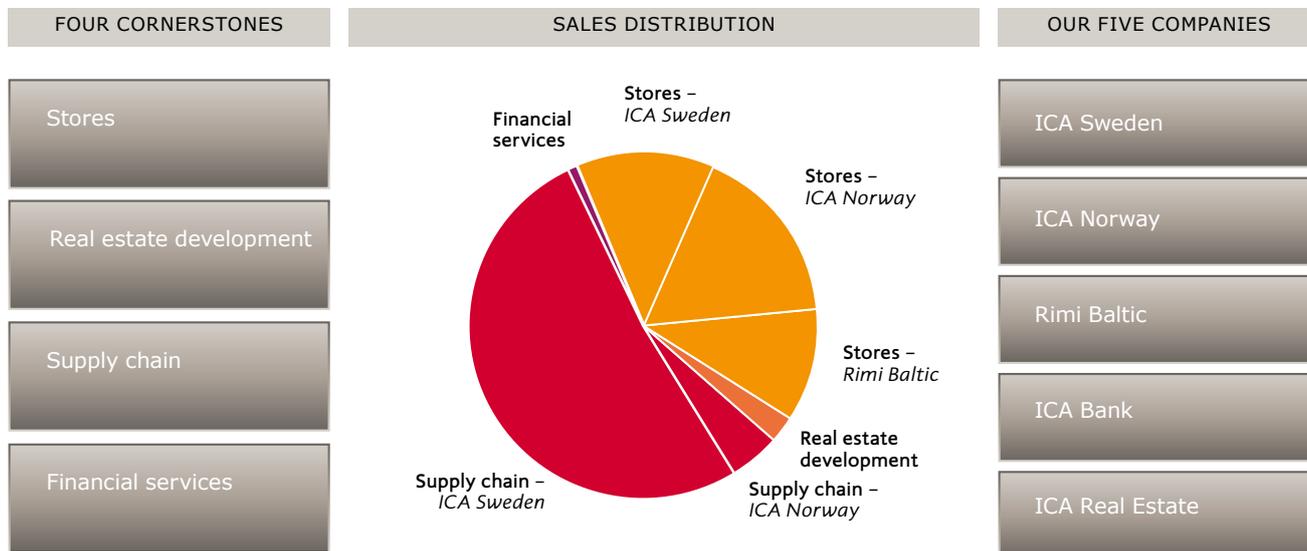
### **Continued focus on ICA Special**

ICA's extensive retail network offers opportunities beyond food and meals. Today ICA sells non-foods such as housewares, clothing, toys, cleaning products and books. Further measures were taken in 2011 to streamline the product range and meet customer demand in an even better, safer way. All of ICA Special's employees in Maxi stores receive training internally to further improve the customer experience in stores.

# ICA's revenue

The ICA Group follows not just one business model, but several. The idea is to combine the best of entrepreneurship with the best of economies of scale.

The ICA Group's operations can be summarized in four cornerstones, which are combined differently for each market. The combinations are determined by local conditions and customer needs. The ICA Group consists of five large companies, all of which utilize different combinations of the cornerstones.



## FOUR CORNERSTONES

### Stores

Stores are central to ICA's operations and where we usually meet our customers. They can be operated in one of four forms:

- "Independent retailers working in cooperation": The retailer owns and manages the store, but has a central agreement with ICA covering a number of areas. Used only in Sweden.
- Wholly owned stores: ICA alone owns the stores. The only store format in the Baltic countries and the one that has long dominated in Norway.
- Franchising. Used in Norway, where around 30 percent of the stores are franchises.
- Combination of independent retailers/integrated chain. Maxi ICA Hypermarket's food departments are managed by independent retailers, while non-foods are run by ICA Sweden's subsidiary Maxi Special.

#### Sales

- Royalties and/or profit distributions from stores in Sweden.
- End customers through Maxi Special, the company that sells housewares and leisure products in Maxi ICA Hypermarkets in Sweden.
- Through wholly owned stores in Norway, Estonia, Latvia and Lithuania as well as through franchise fees in Norway.

### Real estate development

ICA owns and manages many store properties. The operations include development of new and existing store locations. Property sales are included as well.

#### Sales

Sweden, Norway, Estonia, Latvia and Lithuania:

- Market-rate rents from retailers
- Property sales

### Supply chain

The ICA Group buys products and sells them to ICA stores. These operations also include such services as marketing communications, logistics, training and retail technology.

#### Sales

- Product deliveries to ICA stores in Sweden and franchises in Norway
- Sales of services to stores

### Financial services

ICA offers loyalty-building banking services through ICA Bank in Sweden and store transactions with its own cards instead of more expensive cards from competitors. Many stores provide basic banking services. The banking operations also support infrastructure that others use, e.g., payment terminals and ATMs.

#### Sales (Sweden)

- Net interest income and commissions from the bank contribute to the Group's earnings
- Fees from others who use the bank's infrastructure

## OUR FIVE COMPANIES

### ICA Sweden

Operates grocery stores throughout Sweden together with independent ICA retailers, the main format used in the ICA Group. ICA Sweden coordinates sourcing, logistics, marketing communications and support for retailers on issues involving, e.g., marketing and store development. There are four different store formats – ICA Nära, ICA Supermarket, ICA Kvantum and Maxi ICA Hypermarket – which are a combination of "independent retailers" and integrated chain, where food operations are managed by the retailers and non-foods by ICA Sweden's subsidiary Maxi Special. ICA Sweden also includes the Cura pharmacy chain and ICA To Go stores.

### ICA Norway

ICA Norway sells groceries throughout Norway under two brands: ICA and Rimi. 69 percent of the stores are wholly owned and managed by ICA Norway and 31 percent are franchises. ICA Norway coordinates sourcing and is responsible for logistics and joint marketing communications for all stores.

### Rimi Baltic

Rimi Baltic operates grocery stores in Estonia, Latvia and Lithuania. All the stores are wholly owned by Rimi Baltic. In all three countries, Rimi Hypermarket and Supermarket focus on fresh foods and service. In the discount segment, Säästumarket operates in Estonia, while the other two countries have SuperNetto.

### ICA Bank

ICA Bank offers financial services to customers in Sweden and has agency agreements with nearly all ICA stores in the country.

### ICA Real Estate

ICA Real Estate's mission is to find the right properties in the right locations in Sweden and Norway. This is done today through a combination of owning, leasing and strategically developing marketplaces.

# Our strengths

How can ICA remain financially stable year after year in a changing world?  
We believe that our stability rests largely on our most important strengths.

- **Strong finances:** Our solid financial position is an important strength, affording us the resources to invest for the future and weather tough times. We also have the freedom to act quickly when opportunities arise.
- **The ICA model:** The Swedish ICA model with independent retailers working in cooperation is a cornerstone that has distinguished the Group in many positive ways. Every store in every country, regardless of format, has a strong local connection. Our employees are committed and know their local markets and customers.
- **Ability to quickly adapt:** We listen to our customers and the market. The ability to quickly adapt our offering is one of our most important assets.
- **Committed employees:** ICA is distinguished by personal commitment and values-based leadership. We strongly encourage job rotation and knowledge transfers between stores and the Group.
- **Strong social commitment:** From being a meeting place in small communities to taking responsibility for purchasing on the other side of the globe, ICA tries to be a force for good in society at every level, which is reflected in everything the Group does.
- **The ICA brand:** ICA is one of Sweden's strongest brands. We receive high ratings in surveys on customer satisfaction and loyalty.
- **Joint sourcing:** By coordinating its sourcing, ICA can obtain good prices and high quality. The Group has developed highly effective systems to ensure that the right products reach the store just in time.

# Market and driving forces

Closely monitoring the market is necessary if we are going to develop our business. Long-term global economic issues are just as important as understanding local consumer behavior.

## Long-term trends

### Economy

The choices customers make in stores are determined to a large extent by their personal finances and future expectations. In tough times, most people prioritize food and housing as far as possible. Since ICA has operations in several different countries, we may have to address a range of economic conditions at the same time: one country may be in the midst of a recession while another has already started to rebound.

### Climate

Awareness of how climate change is affecting our lives continues to spread. A growing number of people are prepared to change their habits in order to reduce their impact on the environment. This also places increased demands on companies to take responsibility for their impact on climate change at the sourcing and production level. At the same time the issue is complex; though many people know that meat consumption has a big impact on the environment, they still want to eat meat.

### Security

Issues involving quality of life and health are closely tied to what we eat, an area where public awareness is growing. Of course, all the information available on food and health can sometimes be confusing. For many people, there is a sense of security in buying from companies they can rely on. Companies that take responsibility and show true commitment can gain a major competitive advantage.

## Consumer trends

### Value for the money

Economic conditions are affecting customer behavior, with discount and premium customers both increasing at the same time: people on a budget and those looking for that little something extra in their shopping cart. Everybody likes a bargain and finding good quality at a reasonable price. ICA I love eco is a good example of how customers can get more for their money by offering products at a fair price and value-added in the form of organics which means food that is grown naturally without synthetic pesticides and prepared without unnecessary additives.

### Simple and convenient

With time in short supply, more people are willing to pay for products and services that help to save time and make every day a little easier. This can mean giving clever tips and advice, but it can also mean not having to choose. Signing up for ICA's preselected "Grocery Bags" is one way customers can save time and avoid having to choose themselves. Another is being able to buy pre-made and washed salads or fruit salad desserts that have already been peeled and cut.

### Healthy and natural

Most people want to feel that they are making healthy meal choices and care about what they eat. Many are also concerned about food additives. As a result, there is a demand for food without additives or processing, including from local producers.

### Sustainable and local

The focus on organic foods has increased in recent years and more people are now choosing organic alternatives when available. Many consumers want to minimize resource consumption and using leftovers instead of throwing them out. Locally grown is also an important trend, since consumers see the benefits of shorter transports and supporting businesses in their communities.

## Local differences

### Sweden

There are big differences in customer behavior between ICA's various markets. In Sweden, customers prioritize good service and products that save time. They are price conscious but prepared to spend on quality. Ethics and health are important to many, as are green alternatives. Many Swedes do their big shopping once a week.

### Norway

Norwegians are interested in eating well and are willing to pay more for convenient, fair trade and healthy products. The environmentally friendly and organic trends have also been strong in recent years. Locally products still have a strong appeal. Customers prefer to spread out

their purchases over several visits per week and choose stores to home.

#### **Estonia**

In the wake of the financial crisis, Estonians have focused on price. But a growing GDP has made them more willing to shop again. Although price remains a priority, interest in local products is strong.

#### **Latvia**

The difficult years following the financial crisis led to a shrinking population. Many people simply decided to leave the country. Although the economy is now showing positive signs, 8 out of 10 households cannot afford to save and most still consider price as their highest priority when they shop.

#### **Lithuania**

Retail sales are growing after the financial crisis. Because of tax hikes and low wage increases, consumers still value price above all else, including the environment and health, although awareness of these issues is growing.

# Our markets and companies

ICA serves not just one market but many. This means that we are affected every day by many local and industry-specific factors.

The ICA Group has operations in Sweden, Norway, Estonia, Latvia and Lithuania. Groceries are our core business.

Every country has its special market conditions. The differences can be great in many respects, from inflation and competition to spending patterns. In Sweden, for example, ICA is an established market leader in the grocery, while in Lithuania the Group is considered a newcomer. Competition is strong everywhere, but the circumstances vary: In Norway, there are few competitors and incomes are higher, while in the Baltic countries there is a lot of competition and fewer wealthy consumers.

In terms of sales, the Swedish consumer goods market is the biggest. It is followed by the Norwegian market, which is about half the size. Grocery markets in Estonia, Latvia and Lithuania, together about half of Norway.

The ICA Group is also niche player in certain other markets such as the Swedish banking and financial sector with ICA Bank, and in the real estate market with ICA Real Estate.

Further information on each market is provided in the sections on our companies.



## ICA Sweden

ICA Sweden sells groceries together with independent ICA retailers. ICA Sweden coordinates purchasing and provides support on various issues, among other things.

Sales, SEK million	62,500
Operating income, SEK million	2,617
Average no. of employees (exclusive store employees)	6,557

## ICA Norway

ICA Norway sells groceries around the country. About half of the stores are franchises. ICA Norway coordinates purchasing and provides support on various issues.

Sales, SEK million	20,679
Operating income, SEK million	-1,255 <sup>1</sup>
Average no. of employees	5,427

1) Including a depreciation of Goodwill by SEK 592 million.

## Rimi Baltic

Rimi Baltic operates grocery stores in Estonia, Latvia and Lithuania. All stores are wholly owned by Rimi Baltic.

Sales, SEK million	10,089
Operating income, SEK million	173
Average no. of employees	7,776

## ICA Bank

ICA Bank offers loyalty-building financial services to customers in Sweden and has agency

agreements with nearly all Swedish ICA stores.

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Revenue, SEK million	764
Operating income, SEK million	171
Average no. of employees	283

### **ICA Real Estate**

ICA Real Estate satisfies the Group's need for the right properties in the right locations in Sweden and Norway, while also developing strategic marketplaces.

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Sales, SEK million	2,202
Operating income, SEK million	1,005
Average no. of employees	70

## A good year in a weak market

Competition was tough and the market with sluggish. ICA Sweden and the ICA stores still managed to strengthen their market position in 2011, proof that customers appreciate ICA's offering.

### This is ICA Sweden

The food retailer ICA Sweden operates around the country in cooperation with independent retailers. The retailers own and manage their own stores, but have agreements with ICA Sweden in a number of important areas. This includes coordinated purchasing, responsibility for logistics and joint marketing communications. ICA Sweden also identifies new store locations and helps retailers to develop their stores by modernizing or expanding, while providing advice on marketing and efficiency improvements. ICA Sweden has four store formats: ICA Nära, ICA Supermarket, ICA Kvantum and Maxi ICA Hypermarket. At year-end 2011, there were 1,334 ICA stores in the country. During the year, another 12 pharmacies were opened as part of ICA's new Cura concept. At year-end 2011, there were a total of 42 Cura pharmacies. A new ICA To Go store was also opened in 2011 and another is scheduled to open in early 2012, which will leave a total of four stores in convenience format.

### Market overview

The Swedish food retail market did not perform up to expectations, largely due to household uncertainty about the economy. Total retail sales amounted to SEK 274 billion<sup>1</sup>, an increase of 1.3 percent for 2011. This compares to 2010, when market growth was also sluggish at 1.7 percent. From an historical perspective, this is below average. The weak market is mainly due to factors as economic uncertainty and uncertainty about household disposable income.

Sweden is a mature market that normally grows at a slow rate. Together, ICA, Axfood (which owns Hemköp and Willys), Coop and Bergendahls (which owns City Gross) account for around 70 percent of the market. In addition, there are other chains such as the discounters Lidl from Germany and Netto from Denmark as well as niche players such as specialty stores, service stations and home delivery companies. ICA's market share in Sweden was 36.7 percent<sup>2</sup> at year-end, a clear improvement from the previous year.

Competition between market leaders has been tough for years, which can be seen in the fact that Swedish food prices have risen more slowly than inflation over the last 20-year period. But in 2011 competition further increased. For one thing, companies such as Netto continued to expand, at the same time that practically every company was busy upgrading. Secondly, pressure has increased from alternative channels such as restaurants and various home delivery services. As a whole, new players are growing faster than others.

Swedish customers remain highly price conscious, but at the same time want value-added products and simple and convenient solutions on occasion. Products and services that save time are often appealing.

Interest in natural alternatives remains high. Awareness about climate and environmental issues continues to grow and drive demand for organic, local and fair trade, though at a slightly slower rate than before, probably due to the economic uncertainty.

### Performance in 2011

Net sales for ICA Sweden amounted to SEK 62,500 million, up 3.1 percent compared with the previous year. The increase was largely due to higher sales to the stores and the addition of more Cura pharmacies.

Operating income fell to SEK 2,617 million (2,750), mainly due to temporarily higher logistics costs resulting from changes in the logistics structure as well as lower margins in certain product categories.

1) Preliminary figures, February 2012

2) Based on total grocery spending regardless of channel, according to Sweden's National Accounts. Grocery sales including VAT in ICA stores amounted to SEK 100,682 million in 2011.

### Mission

ICA Sweden will be the leading retailer focused on food and meals.

### Sweden, 1,334 stores

#### ICA Nära

**Format:** Small, convenient stores offering good service, a narrow product range and quality fresh foods. Many serve as pick-up sites for Apoteket and Systembolaget, the state-run pharmacy and alcohol retailers, and handle sales for ATG, the Swedish off-track betting service.

**Number of stores<sup>3</sup>:** 704  
**Store sales SEK m<sup>4</sup>:** 14,564  
**Number of items:** 5,000-8,000

#### **ICA Supermarket**

**Format:** Wide assortment for everyday meals or special occasions. Personal service is high, and the stores carry a wide range of fresh foods.

**Number of stores<sup>3</sup>:** 435  
**Store sales SEK m<sup>4</sup>:** 29,911  
**Number of items:** 8,000-10,000

#### **ICA Kvantum**

**Format:** Designed to be the leading local supermarket, with foods for everyday and special occasions. Offer a variety of fresh foods, alternatives for allergy sufferers, healthy and organic choices, and local products.

**Number of stores<sup>3</sup>:** 117  
**Store sales SEK m<sup>4</sup>:** 22,487  
**Number of items:** 10,000-30,000

#### **Maxi ICA Hypermarket**

**Format:** Everything at good prices under one roof. Wide variety of foods and non-foods such as housewares, media and garden supplies. Extended store hours, convenient for families with Children.

**Number of stores<sup>3</sup>:** 75  
**Store sales SEK m<sup>4</sup>:** 27,333  
**Number of items:** 30,000-45,000

#### **Cura apoteket**

Cura pharmacy is ICA's own pharmacy chain with a pharmacy conveniently located in larger ICA-stores. Pharmacy offering both prescription and nonprescription drugs in generous opening hours.

**Number of stores<sup>3</sup>:** 42

#### **ICA To Go**

ICA To Go is an urban concept where the core is good, nutritious meals that are easy to bring and eat on the job or at home.

**Number of stores<sup>3</sup>:** 3

3) Number of stores per December 31, 2011

4) Excluding sales tax.

## Important events in 2011

- **Increased market share:** Despite tighter competition and a weak market, ICA increased its market share. The main reason is the major investments that have been made to address the weaker market, including in marketing, price cuts and product range development.
- **Improved logistics:** Major changes were made during the year to improve efficiencies by centralizing warehouses and shutting the warehouse in Årsta, among other things. Although this work has taken longer than expected, the investments are now beginning to produce results in the form of more efficient operations and better service for stores.
- **ICA's Grocery Bag:** During the year ICA launched its new Grocery Bag concept, a service provided by individual stores. Several versions of the bags can be ordered, and they can either be delivered home or picked up at the local ICA retailer. Interest has been high since the start and at year-end 2011 over 230 ICA stores around the country were delivering grocery bags to their customers. The contents of the bags are assembled by ICA's own chefs, who select ingredients and recipes with which customers can easily prepare tasty and inspiring meals.
- **Continued growth for Cura pharmacies:** Cura pharmacies, which operate inside ICA stores, were again a priority in 2011. Cura is wholly owned by ICA Sweden and operates as a shop in shop, offering the market's longest business hours. The trend in 2011 was generally positive. The market's rapid growth made the labor situation more difficult, however. As a result, growth was slower than expected and profitability remains under pressure throughout the industry. Since deregulation, the number of pharmacies has increased by 35 percent. Sweden is facing a shortage of pharmacists and competition is fierce. During the year, Cura launched its first private label products: a line of sanitary products and a little travel kit. At year-end there were a total of 42 Cura pharmacies, 12 of which were opened in 2011.
- **To Go:** Tests of ICA's new convenience format, To Go, which offers food and prepared meals for people on the go, continued in 2011 with the opening of a third store, this time in Kista. To Go provides an alternative to fast food restaurants offering meal solutions that are easy to bring to work or take home. The concept has been developed solely for ICA to provide a tasty and nutritious alternative.
- **New stores:** New stores were opened at a fast pace during the year. A total of 15 were added, of which three were Maxi ICA Hypermarket.
- **Private labels:** Sales of private label products rose by a total of 19.2 percent (18.4) during the year. A major reason for the significant increase was the fairly extensive price cuts on portions of the product range, which was expanded through the addition of 270 new food products alone. ICA's private labels now span from ICA Selection, which was reintroduced during the year, to ICA Basic, which was the result of a major reassessment of the discount segment and discontinuation of the Euroshopper brand.
- **ICA Special:** ICA's extensive retail network also creates opportunities beyond food and meals solutions. ICA non-food operations sell housewares, clothing, toys, cleaning products and books. In 2011 the streamlining of the product range continued in order to better meet customer demand. All of ICA Special's employees at Maxi ICA Hypermarkets received additional training on improving the customer experience in stores.

## Focus 2012

- **Active sales:** All indications point to a continued sluggish market with tightening competition. ICA will continue to drive sales by promoting its private labels and focusing on fresh products and price.
- **Continue to improve our market position:** ICA will continue during the year to develop services in line with Cura pharmacies, the ICA Grocery Bag and ICA Student. They create value-added for the customer and build loyalty. Health is an important priority area.
- **Build our presence in digital media:** A growing number of customers are seeking solutions involving digital media. ICA can develop digitally in both its marketing and sales. For example, ICA.se will be relaunched during the year and work on apps that create customer value will continue.
- **Environmental thinking:** Measures to reduce ICA's impact on the environment and climate change and to live up to ICA's Good Business values are always a priority.

## ICA Norway

# New dual format strategy provides new opportunities

ICA Norway's decision in 2011 to discontinue the ICA Maxi Hypermarket format sets the stage for a new, more streamlined dual format strategy going forward: Rimi in the discount segment and ICA Supermarked in the premium segment. As a whole, 2011 will go in the books as the year when ICA Norway reached a slightly more stable level.

### This is ICA Norway

ICA Norway sells groceries in Norway under two brands: ICA and Rimi. ICA works with three store formats: ICA Nær, ICA Supermarked and Rimi. In total, there were 265 ICA stores and 285 Rimi stores at year-end. About 69 percent of the stores are wholly owned and 31 percent are franchises. This is in addition to associated stores with independent retailers who have a cooperation agreement with ICA. In 2012, all 24 ICA Maxi Hypermarkets will be sold.

### Market overview

The Norwegian food retail market grew again in 2011, by 3.8 percent according to data from Nielsen. In 2010, the corresponding increase was 3.2 percent. This compares with bigger increases in previous years: 6.2 percent in 2009 and 8 percent in 2008. Total retail sales amounted to NOK 143,717 million, compared to NOK 138,144 million in 2010, and forecasts suggest that the rate of increase will continue.

The market stabilized during the year. The Norwegian discount segment had faced strong price pressure for a couple of years. ICA Norway's successful rebranding of Rimi was an important factor in pressuring the competition to offer the best price. In addition, stiff price competition in the budget segment has affected the quality segment by drawing customers away. During the year, the price war in the discount segment waned and the situation stabilized.

Norwegian customers remain interested in good prices, but healthy foods and buying local are also important. According to one survey, over 35 percent of customers choose their store based on the quality feel and the supply of fresh foods, especially in urban areas. Norwegian customers are also concerned about location, since they generally shop for groceries several times a week and prefer stores close to home. As a result, there have traditionally been many small stores, although hypermarkets can be found as well. Nevertheless, there are only few major competitors in the market. The biggest is Norgesgruppen, followed by the Reitan Group (Rema 1000), Coop and ICA Norway. ICA Norway has a market share of 14.1 percent.

### Performance in 2011

Net sales during the year amounted to SEK 20,679 million (21,225), down 2.6 percent. In local currency sales rose by 0.2 percent, however. More company-owned stores and converted Rimi stores affected sales positively, while fewer franchised stores and closed stores affected sales negatively.

Operating income amounted to SEK -1,255 million (-588). Operating income includes goodwill impairment of SEK 592 million. Operating income excluding impairments was SEK -663 million (-588). The higher loss was mainly caused by increased costs for retail operations. At the end of the year, however, we saw cautious indications of recovery and expect that ICA Norway will achieve satisfactory profitability within the next few years.

### Mission

ICA Norway will be the leading retailer in Norway with a focus on food and meals.

### Norway, 550 stores

#### ICA Nær

**Format:** Small convenience stores offering good service, a limited product range and local choices.

**Number of stores<sup>2</sup>:** 168

**Store sales, NOK m<sup>3</sup>:** 3,304

**Number of items:** 3,600-6,000

#### ICA Supermarked

**Format:** A passion for good food and variety, personal service and a wide selection.

**Number of stores<sup>2</sup>:** 73

**Store sales NOK m<sup>3</sup>:** 4,425

**Number of items:** 3,600-6,000

**Rimi**

**Format:** Discount stores that make it easy and convenient for customers to do their daily shopping. Modern, airy stores designed for families, with everyday products at low prices.

**Number of stores<sup>2</sup>:** 285

**Store sales NOK m<sup>3</sup>:** 8,799

**Number of items:** 3,500-4,000

**ICA Maxi**

**Format:** Everything in one location. A wide selection of foods combined with non-foods. Convenient for families with children.

**Number of stores<sup>2</sup>:** 24

**Store sales NOK m<sup>3</sup>:** 2,826

**Number of items:** 14,000-17,000

2) Number of stores per December 31, 2011

3) Excluding VAT

## Important events in 2011

- **Divestment of ICA Maxi:** In August 2011, ICA announced its intention to sell the Norwegian ICA Maxi stores. This strategic decision creates a streamlined, dual format strategy. By exiting the hypermarket format, ICA Norway can concentrate all its energies on consolidating Rimi's image as a budget alternative and ICA Supermarked in the quality segment. Sales from ICA Maxi stores amounted to approximately NOK 2,826 million in 2011.
- **Continued conversions:** ICA Norway accelerated the rebranding of Rimi stores in 2011. The concept of a modern discounter has received a very positive response, as certainly evidenced by the rapid increase in Rimi's market share. During the year, 76 rebranded stores were opened, 13 of which were converted from the ICA Naer format. The new Rimi concept is now used around the country and has produced higher sales and better cost controls.
- **Mini Rimi:** The new Mini Rimi format has been positively received by customers. At year-end there were 6 stores.
- **Stronger franchises:** Efforts to improve Rimi's franchise model continued during the year, which helped to further strengthen the relationship with franchise representatives.
- **Increased efficiency:** Investments in a common enterprise system and increased focus on shrinkage have led to more efficient logistics.
- **New CEO:** Thorbjørn Theie was named the new CEO of ICA Norway. He will take over the position not later than June 2012, succeeding Antonio Soares, who is retiring.

ICA Norway

## Focus 2012

- **Implement dual format strategy:** During the year the new dual format strategy will be implemented with Rimi in the discount segment and ICA Supermarked in the premium segment. By further coordinating logistics and services, additional synergies can be achieved.
- **Complete Rimi conversions:** In 2012, the last phase of the Rimi conversions will be completed.
- **Streamline the organization:** In 2012, ICA Norway will work on further efficiency improvements in its organization.

## Rimi Baltic

# Strong recovery

The food retail market in the Baltic countries continued to rebound in 2011. In terms of earnings, Rimi Baltic also made a strong recovery after several tough years, reporting a profit of SEK 173 million, It is in line with the satisfactory level as before the financial crisis 2008.

### This is Rimi Baltic

Rimi Baltic is a wholly owned subsidiary of the ICA Group operating a chain of grocery stores in Estonia, Latvia and Lithuania. In total, Rimi Baltic has 239 stores. Sales totaled SEK 10,089 million in 2011. In all three countries, Rimi operates hypermarkets and supermarkets that focus on fresh foods and service. In the discount segment, Säästumarket operates in Estonia, while the other two countries have SuperNetto.

### Market overview

The Baltic food retail markets differ considerably in terms of buying habits, market players and economic conditions. The common denominator, however, is that competition is strong in all three markets, including from Maxima, IKI, Norfa, ETK, Selver, Elvi and Mego. In Estonia and Latvia, Rimi Baltic is competing for market leadership. In Lithuania, Rimi Baltic ranks fourth. In terms of all three countries, Rimi Baltic 21.8 (22.4) percent<sup>1</sup> of the market.

Another common denominator is that the Baltic countries were all hard hit by the financial crisis and recession in the last three years, causing lower salaries, high unemployment and a rise in emigration. Optimism returned in 2011, however. Estonia's GDP climbed by 7.5<sup>2</sup> percent by year-end and Lithuania's by 5.8<sup>2</sup> percent. Latvia, which previously trailed its neighbors, reached GDP growth of 5.4<sup>2</sup> percent in 2011.

To date, growth has not resulted in increased purchasing power and consumption patterns still reflect a strong focus on price, since a large percentage of disposable income is spent on food. Baltic consumers are also very interested in local foods.

### Performance in 2011

Net sales during the year amounted to SEK 10,089 million (10,352), down 2.5 percent compared with the previous year, but in local currency sales rose by 2.9 percent. Operating income improved to SEK 173 million (-13) and was charged with an impairment loss of SEK 21 million for the Säästumarket trademark in Estonia. The improvement in income was mainly due to higher sales and gross margins as well as good cost controls. The biggest improvements have been in Lithuania.

1) Sales of daily consumer goods excluding squares and convenience stores. Source: Nielsen.

2) Preliminary figures, February 2012

### Mission

Rimi Baltic's stores will be its customers' first choice in Estonia, Latvia and Lithuania.

### Distribution within Rimi Baltic 2011

%	procent
<b>Rimi Estonia</b>	30
<b>Rimi Latvia</b>	45
<b>Rimi Lithuania</b>	25

### Baltic countries, 239 stores

#### SuperNetto (Latvia, Lithuania) Säästumarket (Estonia)

**Format:** Discounters emphasizing price and a wide selection of everyday items.

**Number of stores:** 239

**Number of parts:** 1 800

#### Rimi Supermarket

**Format:** Wide selection for food lovers with a focus on fresh foods and good service for everyday needs. Located close to where customers live or work.

**Number of stores:** 63

**Number of parts:** 15 000

#### Rimi Hypermarket and Rimi Compact Hypermarket

**Format:** Everything under one roof at good prices. Wide selection of competitively priced

foods, combined with non-foods such as housewares and sporting goods. Rimi Compact Hypermarket focuses on atmosphere, comfort and efficient use of space. Accessible by car with generous store hours.

**Number of stores:** 43

**Number of parts:** 50 000

**Retail Sales, EUR million**

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Estonia	351
Latvia	545
Lithuania	215
<b>Total</b>	<b>1111</b>

## Important events in 2011

- **Further price cuts:** The "New Era" campaign, where Rimi Baltic cut prices on 1,000 products on several occasions, helped to strengthen Rimi's price image. The selection offered by these discount stores was expanded with 500-700 additional brand-name products.
- **Customer loyalty card in place:** The loyalty card launched in Lithuania in 2010 was introduced in early spring 2011 in Estonia and Latvia as well.
- **Mini hypermarket:** In 2010, the first Mini Hypermarket, with around 2,000 m<sup>2</sup> of space, was opened in Latvia. Additional stores were opened and converted in 2011, and at year-end Rimi Baltic had a total of eight Mini Hypermarkets. The format has proven successful, with another six to eight additional stores slated to open in 2012.
- **Employing the disabled:** During the year, Rimi Baltic increased its staff with physical disabilities. This is a unique initiative it has worked on for several years, where employees with hearing or physical impairments work as cashiers, for example. A total of 200 disabled people now work for the company, which has also resulted in several prizes and awards. During the year, Rimi Baltic in Lithuania was the first consumer goods chain to receive the National Business Award for responsible business.
- **Lids on refrigerators and freezers:** To reduce energy consumption, the refrigerators and freezers in stores have been equipped with doors and lids. Better control over energy consumption has reduced the stores' environmental impact and electricity costs.
- **Tobacco-free registers:** On a trial basis Rimi Baltic stopped selling cigarettes at its cash registers during the year. Instead, the information counter inside the entrance of each store has been converted to a shop-in-shop where cigarettes, sandwiches and other small items are sold. The result is lighter, more open check-out areas as well as less tied-up capital. Sales have not been affected.

## Focus 2012

- **Grow faster:** For Rimi Baltic, 2011 was a year of consolidation in many ways. In 2012, growth will be the priority. The rate of expansion and renovation of existing stores will increase.
- **Better prices:** Rimi Baltic will continue to strengthen its image as offering low prices and high quality with the motto "Pay less, live better."
- **Improve the loyalty card:** In 2012, Rimi Baltic will continue to bolster its CRM marketing and reward loyal customers in various ways.
- **Further develop private labels:** Since summer 2011, Rimi Baltic has been responsible for its own purchasing and product range development, which it will continue to do in the year ahead. The focus now is on growth and improved margins on private label products as well as finding sourcing synergies between ICA and Ahold when purchasing.
- **Control costs:** Rimi Baltic has applied tight cost controls in all its operations during the recent tough years. Cost controls will remain a priority in 2012.

## **ICA Bank**

# **The bank continues to invest**

2011 was another year in which ICA Bank increased both its business volume and customer base. The bank also continued to invest in building custom relations and its brand and now ranks second in customer satisfaction, according to the Swedish Quality Index. During the year, it became possible for customers to do all their banking by mobile phone.

### **This is ICA Bank**

ICA Bank, which has been active in Sweden for nearly ten years, today has agency agreements with nearly all ICA stores in the country, whereby they handle the services that ICA Bank offers. The basic idea is to offer banking services that build loyalty in the relationship with ICA's Swedish customers and to increase the share of store transactions made with ICA's own cards rather than other, more expensive external debit and credit cards. Low fees and clear, transparent terms are central to ICA Bank.

ICA Bank has had a full-service offering since 2007 and is a legitimate alternative to the major banks. Customers can choose among a number of services, from current accounts and savings accounts to various forms of bank cards and unsecured loans. Many services are provided in cooperation with outside partners. Mortgages, for example, are offered together with SBAB and insurance in cooperation with Aon. ICA Bank also has a number of business customers: ICA retailers, Group companies and other organizations. ICA Bank also administers the ICA Card, ICA's Swedish customer loyalty card. ICA Bank has been named Bank of the Year four times by the magazine *Privata Affärer*.

### **Market overview**

The Swedish banking sector consists of major banks on the one hand, and a number of niche players on the other. Customers have traditionally been reluctant to switch banks, although this has begun to change as the Internet has become a more important way for them to communicate with their bank. Importantly, it has allowed customers to do their banking on their own terms. Swedish banks are world leaders in Internet banking; 65 percent of sales are online, which has created opportunities for new competitors. The growth of niche banks has also made it more important to be seen in the right places and by the right target groups.

ICA Bank has a distinctive, stable position in the market, since it focuses on ICA's current and potential customers. It also stands out for its large retail network, which allows customers to do their banking in nearly all of the country's ICA stores. Market uncertainty has not affected ICA Bank, either.

### **Performance in 2011**

ICA Bank continued to increase both its business volume and customer base. Revenues during the year amounted to SEK 764 million (612), an increase of 24.8 percent. This was mainly due to better net interest income driven by higher interest rate levels. Business volume grew by 8.7 percent (8.8) from the beginning of the year. Operating income rose to SEK 171 million (91).

### **Mission**

To provide financial services that make every day a little easier for ICA's customers and increase their loyalty to ICA, while also reducing transaction costs for ICA stores and ICA AB from customers who use other debit and credit cards.

## Important events in 2011

- **More customers:** Business volume rose and increased to SEK 20 846 million at the end of 2011. We added more customers who use at least one of the bank's services or cards. During the year it was given out 87 470 (84 747) new cards and at year end, the total number of issued bank cards were 410 276 (363 049).
- **Low credit impairments:** ICA Bank's credit impairments, which corresponded to 0.53 percent of total lending, were its lowest ever. The reason was a financially sound customer base in the private segment as a result of restrictive lending practices.
- **Simple and fast online banking:** To make every day a little easier for customers, the bank has focused on simplifying the online user experience, e.g., through a completely new e-commerce solution. Immediate homeowners and auto insurance quotes are another new service made possible by the Internet.
- **Savings account:** In addition to current accounts, customers can now choose a savings account with an interest rate that ranks among the highest on the market.
- **Mobile banking:** In 2011, all of ICA's banking services became fully accessible by mobile phone.
- **Business segment:** The bank introduced a new organization for business customers in 2011, at the same time more payment services were added.
- **Student services:** To simplify life for students, ICA Sweden and ICA Bank together have developed a unique full-service solution with food, banking and insurance discounts. Launched in October 2011, ICA Student was an instant success and is another example of specialized marketing, where we provide competitive services for a targeted customer group.
- **Customer service:** Expanded telephone services introduced during the year improve efficiencies and give employees a better overview of each customer's relationship with the bank.
- **Collaboration terminated:** The collaboration between ICA Bank and Nordnet was terminated in May 2011. During the year, ICA worked on a new savings solution to offer its customers.
- **Improving customer satisfaction:** ICA Bank's persistent focus on customer satisfaction in ways both big and small was evident in the results of the annual survey conducted by the Swedish Quality Index. The bank's customers reported being more satisfied, thanks to which ICA Bank climbed from seventh to second place in the survey with a high value of 79.4.
- **Most responsible bank:** Sweden's largest brand survey, Sustainable Brands, ranked ICA Bank as the most sustainable company in the industry. In the survey, consumers were asked to judge the most sustainable brands in the Swedish market.

ICA Bank

## Focus 2012

- **Organic growth:** Further investments are being made in new customers to encourage them to try ICA Bank's products. This requires that we improve our offering step by step and remain visible in the market. In 2012, ICA Bank will continue its marketing to get customers to use more of its services.
- **Mutual funds:** We are in the process of creating a new mutual fund solution, which will be launched in 2012.
- **E-commerce payment solution:** During the second quarter of 2012, ICA Bank will launch its own e-commerce payment solution.

## ICA Real Estate

# Continuing to develop attractive shopping centers

Further investments in new construction and renovations, more store openings according to the energy-efficient "Sannegården" model, further development of jointly owned Ancore Real Estate and the sale of the ICA Maxi properties in Norway were among the activities ICA Real Estate worked on in 2011.

### This is ICA Real Estate

ICA Real Estate satisfies the Group's need for the right properties in the right locations in Sweden and Norway. This is done by owning, leasing and developing shopping centers. In terms of ownership, the portfolio currently consists of around 185 retail properties. Responsibilities also include buying properties with existing ICA stores to ensure access to strategic locations. In the leasing market, the company's role is to manage the Group's leases with other property owners. By maintaining full control over the entire chain, from buying land, building, managing, selling and leasing real estate, ICA Real Estate can capitalize on opportunities at every level.

ICA Real Estate has owned Ancore Real Estate together with Alecta since 2010. The company acquires, owns and manages ICA stores in strategic locations. In this way, ICA retains an influence over the centers and is able to improve opportunities for its core business.

Having an ICA store in a shopping center raises the property's value, which benefits ICA as well as others. The ICA store often serves as a magnet for shoppers. For this reason, ICA Real Estate develops retail parks with high-volume retailers near or directly beside large ICA stores. The concept is called "Good Neighbors," and the neighboring stores include both national chains and local retailers.

### Market overview

The real estate market in Sweden and Norway has not been significantly impacted by recent uncertainty. Attractive properties are maintaining a high price level, though less valuable properties are finding fewer buyers, which is affecting their prices. The market is expected to slow going forward, depending on how the sovereign debt crisis is resolved. Swedish commercial real estate typically generates considerable interest from foreign institutional investors.

With a total of 800,000 m<sup>2</sup> of space (Sweden 540,000 m<sup>2</sup> and Norway 260,000 m<sup>2</sup>), ICA Real Estate is the biggest player in the Swedish commercial real estate market. ICA is also the largest tenant of many Swedish and Norwegian real estate companies through its many leases on ICA and Rimi stores. In the leasing market, an important issue has been shared expenses between tenants and shopping center owners.

### Performance in 2011

ICA Real Estate increased its revenues to SEK 2,202 million (2,135), up 3.1 percent. Operating income increased partly due to lower overhead and higher rental income, amounting to SEK 1,005 million (917). Operating income includes capital gains on real estate sales of SEK 30 million (30) and impairments of SEK 3 million (-9). Operating income excluding capital gains and impairments amounted to SEK 978 million (878).

### Mission

To produce, own and manage strategically located properties in Sweden and Norway for the Group's operations.

## Important events in 2011

- **More stores according to the "Sannegården" model:** 2010 opened Kvantum Sannegården, which is a model for how all future ICA stores to be built. It is a store where an array of small improvements has led to major energy savings. The next store that will be built according to the principles is Kvantum Knivsta, which in addition to their energy efficiency will also meet the requirements for environment certification. The store is scheduled for completion in autumn 2012. Work to further refine Sannegården through minor measures also continued and the energy-saving environmental work is ongoing.
- **Investments:** In 2011, ICA Real Estate invested a total of SEK 830 million (825). During the year, there were seven new construction and renovation projects in Sweden. A number of renovations were completed in Norway as well, including the shopping center where ICA Maxi Sandnes opened in 2011. Several acquisitions were also made during the year.
- **Ancore acquires properties:** Ancore Real Estate acquired a commercial property in Mora where an Maxi ICA Hypermarket is a tenant. This is in line with Ancore's long-term expansion strategy to acquire and own properties containing ICA stores. The underlying property value is SEK 145 million. At the end of the year, ICA Real Estate also sold two commercial properties to Ancore Real Estate, one in Sundsvall and one in Kungsbacka. ICA Maxi Hypermarket is the largest tenant in the properties. The underlying property value is about SEK 450 million and comprises around 22,000 m2 of lettable space.
- **Property sales in Norway:** Due to the change in strategic direction in Norway to focus on the discount and supermarket segments and exit the hypermarket segment (ICA Maxi), ICA Real Estate launched a sale of the eight ICA Maxi properties. To date, the market has shown considerable interest.
- **Entrepreneurs under ICA's roof:** ICA Real Estate expanded the ICA Maxi Hypermarket in Erikslund in front of the check-out area to provide more space for other local businesses such as dry cleaners, hairdressers, shoemakers and opticians. This is a good example of measures aimed at making life a little easier for our customers.
- **ICA Kvantum in Barkarbystaden:** Construction is under way on a new shopping center in Barkarbystaden, where ICA is building a 5,000 m2 Kvantum store plus another 10,000 m2 of retail, office and medical space after a bid ICA won in 2010.
- **Electric charging stations:** ICA Real Estate continued to install charging stations for electric cars in the parking lots at ICA stores. The goal is to offer this service at around 20 large ICA stores within five years.

## Focus 2012

- **Develop shopping centers:** ICA Real Estate will continue to acquire properties with ICA stores to develop strategic shopping centers.
- **Many store openings:** Several exciting new real estate projects will begin and carried out during the year, including the Maxi ICA Hypermarket in Boländerna, outside Uppsala. All new stores follow the "Sannegården" model.
- **Continue to develop Ancore's properties:** ICA Real Estate and Alecta will continue to develop their jointly owned real estate company, which provides a platform to create the right retail locations for ICA.
- **Environmental work:** Together with the rest of the Group, ICA Real Estate will continue to invest in various energy-saving measures to contribute to the Group's emissions and energy consumption targets.
- **Complete property sales in Norway:** In 2012, the sale of the ICA Maxi portfolio in Norway will be completed.

# Our strategies

ICA's strategies are based on the three dimensions: customers, store and group. When they interact, a positive chain is formed: Better stores lead to loyal customers, loyal customers lead to a stronger group and a stronger group can reinvest to further improve its business.

## Customer strategies

### ICA will

#### ... listen to customers

Paying attention is the basis of all customer relations. By being attentive to changes in customers' needs and wishes, we can deliver new and better solutions all the time. In this way, we build trust and loyalty.

#### ... offer good prices and a wide assortment

ICA is focused on good prices, but at the same time is improving its range of both basic and premium products, so that every need can be met.

#### ... put quality first

Customer confidence that our products are safe and of high quality is a cornerstone of ICA's work. A quality reputation requires that we constantly push forward and acquire new know-how and new technology.

#### ... create personal offerings

No two customers are alike. Offerings are adapted to individual markets, and as far as possible to individual customers, since good offerings build relationships and create customer loyalty.

## Retail strategies

### ICA will

#### ...have the most inspiring stores

It should always be easy and inspiring to shop at ICA. This is why we have to stay on the cutting edge in terms of store and product development.

#### ... create common formats that can be adapted locally

The Group's format strategy crosses between markets and contains four formats: hypermarkets, supermarkets, convenience stores and discounters. Each format can then be adapted locally.

#### ... remain active in opening and updating stores

ICA will meet the varying and changing demands of its customers by continuously opening new stores and updating existing ones. Through its real estate operations, ICA can develop locations and stores in a structured way.

## Group strategies

### ICA will

#### ... work long-term and sustainably

In terms of sustainability and social engagement, ICA is always on the cutting edge. High ethical standards must be reflected in every area of operations.

#### ... create growth on a stable foundation

ICA will act from a position of financial strength. Growth is driven by the ability to be flexible and adapt.

#### ... always be cost effective

Continuous efficiency improvements make ICA strong in good times and bad. Economies of scale and synergies can be utilized at a national and international level, e.g., in private label products and purchasing. Savings will benefit customers to a great extent in the form of lower prices.

#### ... provide a workplace where people can grow

ICA will be an inspiring company with committed employees. Through strong leadership, our employees will develop and grow as professionals, and in the process ICA will grow as well.

# Goals and performance

## Economic

### ICA's most important goals

- Increase sales faster than the total market in each sector.
- Reach an operating margin of 3.5–4%.
- Reach a return on equity of at least 14–16% over a business cycle.
- Maintain an equity/assets ratio at 30–35% in the long term.

### Outcome 2011

- The operating margin fell to 2.6 (3.1) due to lower operating income, mainly as a result of goodwill impairment in the third quarter. Excluding capital gains and impairments, however, the operating margin rose to 3.3%.
- The return on equity rose to 11.2% (3.9), mainly because net income increased significantly compared to the previous year.
- The equity/assets ratio decreased to 27.7% (30.0). This was because shareholders' equity decreased mainly because the dividend to the shareholders was higher than net income for the period.

### Focus 2012

- ICA Sweden will continue to drive sales by focusing on private labels, fresh products and price. It will also continue to develop services in line with Cura pharmacies, the ICA Grocery Bag and ICA Student to make every day a little easier.
- ICA Norway will implement its new dual format strategy in 2012 with Rimi in the discount segment and Supermarked in the premium segment. As a result, the ICA Maxi Hypermarkets will be sold and the last phase of the Rimi conversions will be completed.
- Rimi Baltic will focus on growth and the rate of expansion will increase. Rimi Baltic will continue to strengthen its image as offering low prices and high quality.
- ICA Bank will continue to invest in new customers. This requires an improved offering and staying visible in the market.
- ICA Real Estate will continue to acquire properties with ICA stores to ensure the development of strategic marketplaces.

## Environmental

### ICA's most important goals

- Reduce the Group's direct greenhouse gas emissions by 20% by 2012 compared to 2006.
- Reduce the Group's direct greenhouse gas emissions by 30% by 2020 compared to 2006.

### Outcome 2011

- Since 2006, the ICA Group's direct greenhouse gas emissions has decreased by about 5%, mainly due to extensive work on several measures in energy, refrigerants and business travel. Among other things, the use of renewable electricity in the stores has increased, we have implemented measures for energy efficient operation of the stores and we have expanded the opportunities for video conferencing. Compared with 2010, emissions of greenhouse gases increased by about 4% in 2011, mainly due to increased emissions from goods transport in Sweden, and increased emissions from electricity use in Norwegian stores and warehouses.

### Focus 2012

- In 2012, great emphasis will be on efforts to reach the target of reducing greenhouse gas emissions by 20%. Measures will focus on increasing energy efficiency in stores and warehouses as well as increasing the number of stores that use renewable energy.

## Social

### ICA's most important goals

- 100% of ICA's corporate brand suppliers in high-risk countries will be socially audited by 2012.

### Outcome 2011

- At the end of 2011 67% of the production units, factories, farms or warehouses located in high-risk countries<sup>1</sup>, which produces ICA's corporate brands, were socially audited. The work has largely been done by ICA's sourcing offices in Hong Kong, Shanghai and Ho Chi Minh City, which employ a total of around 70 experts in sourcing, quality and social responsibility, who inspect suppliers, make factory visits, offer advice and training, and are responsible for follow-ups. The reason for the decrease in socially audited suppliers is that efforts to identify the production units where our corporate brands are produced continued during the year and is now in its final stages. As the mapping is done the number of production units increase, mainly in fruit and vegetables and non-food. During the year, work has been focused on conducting supplier audits using own personnel or third-party auditors. In late 2010 the

corresponding share was 68%.

**Focus 2012**

- In 2012, major focus will be on achieving the goal that all suppliers of corporate brand products in high-risk countries will be socially audited. Emphasis will be on ensuring that suppliers comply with our demands for social responsibility but also to enhance knowledge and awareness among our suppliers on these issues and to cooperate in joint training.

1) High-risk countries as defined by the UN Human Development Index and Economic Security Index (UNDP).

# Good leaders mean good business

With the right leadership, anything is possible. Based on a consistent view of good leadership within the Group, we try to create happy and productive employees who support our business goals.

From Oslo in the west to Hong Kong in the east, the ICA Group comprises over 150 different professions and 500 different positions, from systems developer to banker and pharmacist. Every day we have to adapt our operations based on our various business models and local distinctions, but one thing always remains the same: our leadership model.

By utilizing the same leadership tools, we ensure that ICA's Good Business values are reflected in every part of the Group. The work rests on four legs: leadership, competence, diversity and ICA as an employer, as well as policies for each of them.

**Policy:** The ICA Group's personnel policy.

**Group goal:** That ICA's Good Business values are reflected in every part of the Group.

ICA's leadership program, which was started in 2009, reached the three highest management levels of the company in 2011. The program has been designed exclusively for the ICA Group in partnership with the University of Oxford. It is now being offered at the ICA School, where leadership courses and other training are based on ICA's leadership model. We also worked actively to identify future leaders within the organization, since they already share our values. Our goal is that employees in senior positions will be recruited internally as far as possible.

The retail industry is rapidly changing, which means that we have to continuously update our core competencies while also building new skills. Through our partner, ICA School, we can customize training. For example, the ICA Academies are designed for the specific needs of various functions. Training and inspiring our employees is important in order to improve our customer offering and give talented employees the opportunity to develop and stay within the Group.

Diversity is a natural element in our operations. Regardless of gender, age, sexual orientation, religion, ethnic background or physical limitation, everyone should have the same chance to be recruited and develop within the Group. ICA takes a long-term approach to diversity issues consistent with values-based leadership in order to capitalize on differences and encourage enthusiasts to build complementary teams.

One example of our diversity work is the "We can do more" project in Sweden, where the goal is give 500 to 1,000 people with functional disabilities some form of employment within ICA by year-end 2012. At the end of 2011, over 900 people with functional disabilities were working in ICA's stores. In connection with Samhall's "Visa Vägen" (Lead the Way) awards, CEO Kenneth Bengtsson was given an honorary mention for ICA's work.

ICA also decided in 2011 to establish a volunteer program to call attention to its employees' personal involvement in social issues. The idea is to allow employees to volunteer in their communities during working hours, thereby giving them the opportunity to share their knowledge while at the same time learning. The program is focused on charities that work with children and young people.

The ICA brand provides both customer offering and ICA as an employer. Without a good customer offering we won't be seen as an attractive employer. Competition is fierce for the future's best talents, and we face a major challenge to keep people interested in ICA as an employer. We have to attract new employees and keep the key employees we have longer. Internal succession and long-term planning make it easier to reach our business goals.

<b>Number of annual employees *</b>	<b>2011</b>
Sweden	7,507
Norway	5,450
Baltic countries	7,776
Hong Kong	73
<b>Total</b>	<b>20,806</b>

\* Number of employees, excluding store employees in Sweden who are employed by the individual ICA stores and exclusive retail employees of franchise stores in Norway.



**Gender distribution in the ICA Group, total %****2011**

---

	%
Women	64
Men	36

**2010**

---

	%
Women	64
Men	36

**2009**

---

	%
Women	65
Men	35

**Gender distribution in the ICA Group, senior positions, %****2011**

---

	%
Women	61
Men	39

**2010**

---

	%
Women	47
Men	53

**2009**

---

	%
Women	52
Men	48

## GRI indicators

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- LA1** Total workforce by employment type, employment contract and region.
- LA2** Total number and rate of employee turnover by age group, gender and region.
- LA7** Total workforce by employment type, employment contract and region.
- LA12** Percentage of employees receiving regular performance and career development reviews.
- LA13** Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership and other indicators of diversity.

# Wellness contributes to a good work environment

LA7



Global Compact 1

Total workforce by employment type, employment contract and region.

A good work environment is created when leaders join with their staff to make the workplace safe and secure. To position the ICA Group as a healthy company, we stress early rehabilitation and prevention of disease and accidents. This improves the health of our employees and reduces rehabilitation costs.

The sick-leave within the ICA Group is quite stable. ICA Norway has the highest absenteeism, where we for several years have made intense efforts to create a turnaround of a negative financial result, which affects the work environment. Preventive wellness during the last year has improved the health among employees with one percent.

Preventive wellness gives the ICA Group's leaders a tool to effectively work with their teams. It also creates a dialogue with each employee on what they can do to improve their own health and well-being. Wellness options include massage, naprapathy and on-site occupational healthcare.

## Sick-leave, %

	2011	2010	2009	
Parent Company	2	2	2	
ICA Bank	3	3	4	
ICA Real Estate	2	4	4	
ICA Sweden	5	5	5	
ICA Norway	6	7	8	
Rimi Baltic	4	5	5	
<b>ICA Group</b>	<b>4</b>	<b>5</b>	<b>5</b>	

## Safe stores are essential

Grocery stores are a gathering place for large numbers of people, from customers and suppliers to the store staff. Preventing accidents and creating safe environments is obviously critical. In Sweden, Norway and the Baltic countries, employees receive training in fire safety, first aid and how to prevent robberies and avoid threatening situations. Preventive measures, such as neighborhood watches together with other retailers, authorities, municipalities and schools are also important.

In Sweden and Norway, the ICA Group is in the process of implementing a common safety standard for stores and periodically conducts safety audits. The aim is to prevent internal and external criminality and create a safe and secure environment.

ICA Sweden is working in several ways to support ICA retailers. All employees have the opportunity to enroll in an interactive online course on Store Safety free of charge. In addition, it is recommended that all stores implement a 13-point program to prevent threats, violence and robberies. ICA Sweden has also conducted insurance inspections to prevent damages from fires or break-ins. A coordination center in Sweden provides resources and crisis support round-the-clock if an ICA store is victimized by crime.

In 2011, there were a total of 32 robberies in Swedish ICA stores, a decrease from the previous year. This is in line with the overall trend for decrease of store robberies in Sweden.

Number of store robberies

	<b>2011</b>	<b>2010</b>	<b>2009</b>	
ICA Sweden	32	47	41	
ICA Norway	3	3	15	
Rimi Baltic	0	0	0	

 Reviewed by Deloitte

# About ICA's employees

## LA1



Global Compact

Total workforce by employment type, employment contract and region.

## LA2



Global Compact 6

Total number and rate of employee turnover by age group, gender and region.

ICA is a major employer whose mission is to be the leading retailer with a focus on food and meals in Sweden, Norway and the Baltic countries. The ability to attract and retain engaged and competent employees is an essential part of being a competitive company and a successful group. Having the right people in the right place helps to reach goals and achieve good profitability. It is therefore important for us to be the clear choice of employer for the employees that are needed to secure our goals.

A successful company is created through people and our operations are a result of the interplay between people and their competence. It is only employees who can create a really attractive workplace and a unique store experience, which in turn creates profitability. In total, the ICA Group employs about 28,500 employees.

### Number of annual employees

	2011	2010	2009
Sweden	7,507	7,322	7,101
Norway	5,450	5,367	5,379
Baltic countries	7,776	7,623	7,880
Hong Kong	73	61	52
<b>Total</b>	<b>20,806</b>	<b>20,373</b>	<b>20,412</b>

### Employee turnover, %

	2011	2010	2009
Parent Company	10	6	5
ICA Bank	7	4	4
ICA Real Estate	17	13	2
ICA Sweden	12	5	4
ICA Norway	18	22	27
Rimi Baltic	46	29	24
<b>ICA Group</b>	<b>27</b>	<b>21</b>	<b>20</b>

# Performance and development reviews

LA12



Global Compact

Percentage of employees receiving regular performance and career development reviews.

The ICA Group is trying to increase the number of performance and development reviews it conducts, and improve their quality. The goal is that all our employees will receive a review once a year. According to the results of the Temperature Survey in 2011, 71 percent have had a review in the last twelve months.

Over the year a Group-wide project has been carried out to simplify and improve the performance and career development reviews. A new and revised documentation have been produced which ensures a higher level of involvement at an early stage, as well as a better dialog and stronger commitment to Group projects.



# Diversity and gender equality initiatives

LA13

Global Compact 1, 6

Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership and other indicators of diversity.

An active approach to diversity increases our attractiveness as an employer. Everyone, regardless of gender, age, sexual preference, religion, ethnic background or disability should have the same chance of being hired and developing on the job. We condemn sexual harassment and discrimination in any form. One indication of the importance we attach to this issue is that the ICA Group has a diversity manager since 2010.

Since 2009, ICA Sweden and the Association of ICA-retailers have collaborated on a project called "We can do more," which offers a number of people with functional disabilities the opportunity to work in ICA-stores and at ICA's offices and warehouses. The goal is that between 500 and 1,000 people in total will be recruited during a three-year period. By year-end 2011, the number was 900. "We can do more" begun on the initiative of the ICA Group's CEO inspired by the Glada Hudik Theater.

Rimi Baltic has been working to integrate employees with functional disabilities for several years. Today, Rimi Baltic Estonia has around 45 employees with functional disabilities in its stores. Rimi Latvia had in the end of the year 2010, 70 disable employees and the target for 2011 is 90 employees. Rimi Lithuania is actively engaged in integrating disabled people into the working environment in close cooperation with the association of disabled people. 85 disabled employees are employed in the company, which makes more than 4% of total employee number.



## Gender distribution, all employees, the ICA Group, %

	%
Women	64
Men	36

## Gender distribution, management level, the ICA Group, %

	%
Women	61
Men	39

## Share of employees by age group, the ICA Group, %

	%
Employees (up to 19 years)	8
Employees (20-29)	33
Employees (30-39)	25
Employees (40-49)	20
Employees (over 50)	15

## Related pages

[Board of Directors](#)

# How ICA is governed

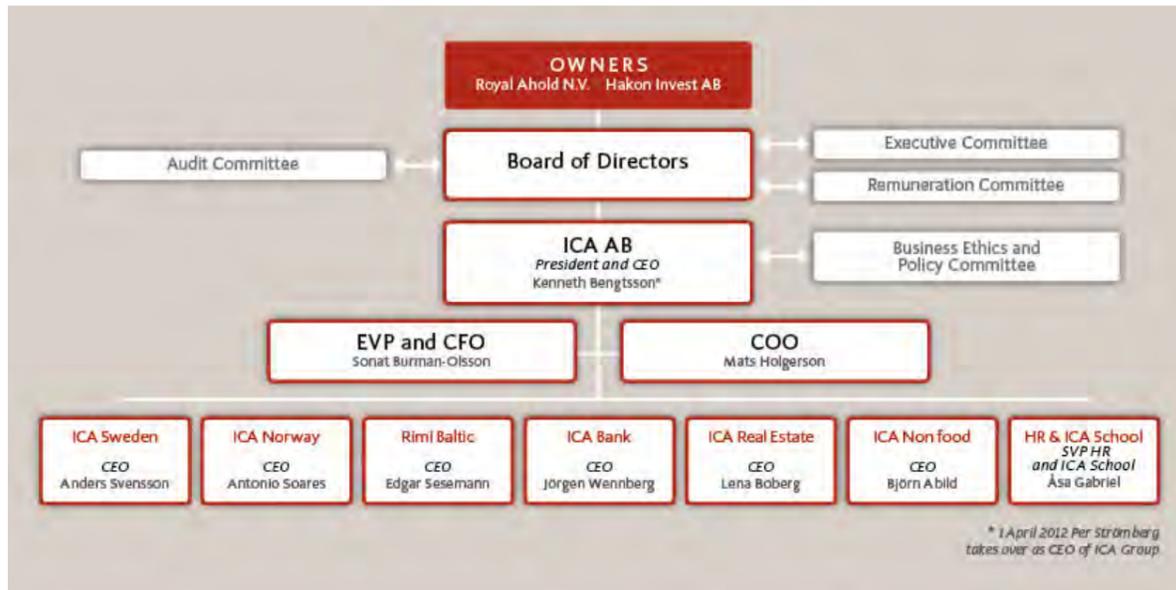
The Management and the Board of Directors are entrusted to ensure that the demands of ICA's owners and other stakeholders for efficient operational control are met.

## Ownership structure

ICA AB is a joint venture 40 percent owned by Hakon Invest AB of Sweden and 60 percent by Royal Ahold N.V. of the Netherlands. Through a shareholder agreement, Royal Ahold and Hakon Invest share joint control of ICA AB.

## Annual General Meeting

The rules on the Annual General Meeting can be found in the Companies Act and the articles of association. The meeting elects the Board of Directors and auditors and adopts the income statement, balance sheet and proposed appropriation of earnings. The Annual General Meeting on March 21, 2011 resolved, among other things, to adopt the income statement and balance sheet for 2010 and to pay a total dividend of SEK 1,566 million to the shareholders. The Board proposes a dividend of SEK 2,000 million to the shareholders for 2011. A decision on the dividend will be made by the Annual General Meeting in spring 2012.



## **Board of Directors and its work**

The Board's work follows special rules of procedure adopted at the Board meeting on May 31, 2011. In addition to the items treated in accordance with the Companies Act, the rules of procedure include committee directives and rules on quorums. In 2011, the Board of Directors of ICA AB consisted of seven members and two deputies elected by the Annual General Meeting as well as two members with two deputies appointed by the unions. The Chief Executive Officer, Chief Financial Officer and General Counsel (Secretary to the Board) are not members of the Board but participate in its work. No fees have been paid to the Board members elected by the Annual General Meeting. The employee representatives have received a fee of SEK 4,000 per meeting. This study fee is not based at present on the results of the Group's corporate responsibility work.

During fiscal year 2011 the Board held 14 meetings. The Board treated, among other things, strategic plans and the typical investment issues involving the retail network. As in previous years, special attention was given to the Norwegian operations. In 2011, the Board discussed sustainability issues and socially responsible sourcing. None of the Board members have special expertise in sustainability issues. No separate recommendations have been drafted on the qualifications that Board members should possess in terms of environmental and social issues. The Board regularly evaluates the processes for its work and its own performance on economic, social and environmental issues. In November, Jeffrey Carr, CFO of Ahold, was elected to ICA's Board, succeeding Kimberly Ross, who left Ahold and ICA's Board.

### **Nomination Committee**

ICA does not have a Nomination Committee, since the shareholder agreement between its owners gives each the right to nominate their own representatives to the Board.

### **President and other senior executives**

The Board of Directors appoints the President and CEO. According to the Swedish Companies Act, the Board's rules of procedure and the President's instruction, the President is responsible for day-to-day management of the company. The President keeps the Board continuously informed on the operations and development of the company and the Group. Together with the EVP/CFO, COO, HR Director of ICA AB, subsidiary CEOs and EVP of ICA Sweden, the President is a member of Group Management, which meets regularly to discuss the company's development and make decisions concerning operations. Compensation for senior executives generally includes a specific variable element tied to each unit's results and key indicators financially, socially and environmentally.

## **Board committees**

The Board has the option 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 a directive laid down by the Board of Directors. The Audit Committee consists of two members: Jeffrey Carr (Chairman) and Göran Blomberg. In addition, assistants to the members, the external auditors, internal auditors and ICA AB's CEO, CFO and General Counsel normally attend all or part of the Committee's meetings. In 2011, the Audit Committee held four meetings.

### **Executive Committee**

The Board has appointed Claes-Göran Sylvén, Dick Boer 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 CEO's and other senior executives of the subsidiaries in implementing and executing the decisions taken by the Board. The Committee has a mandate to decide on investments that do not require discussion by the Board.

### **Remuneration Committee**

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

# Board of Directors



## **Claes-Göran Sylvén**

Chairman

CEO of Hakon Invest, CEO of ICA-handlarnas Förbund

Born: 1959. Elected: 1999.

Other assignments: Board member of Svensk Handel.

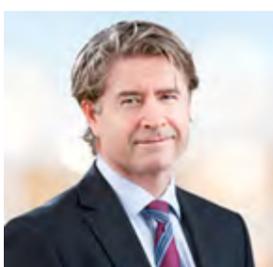


## **Dick Boer**

Vice chairman of Royal Ahold

Born: 1957. Elected: 2006.

Other assignments: President of the European Retail Round Table. Member of the executive board of The Confederation of Netherlands Industry and Employers (VNO-NCW), member of the advisory board of G-star, and a member of the supervisory board of AMS Sourcing B.V.



## **Göran Blomberg**

Board member

CFO of Hakon Invest

Born: 1962. Elected: 2009.

Other assignments: Board member of Rindi Energi AB and Retail Finance Europe AB.



## **Jeff Carr**

Board member

Executive Vice President, Chief Financial Officer and acting member Corporate Executive Board, Ahold.

Born: 1961. Elected: 2011.



## **Anders Fredriksson**

Board member  
Vice Chairman of Hakon Invest

Born: 1954. Elected: 2009.



**Lodewijk Hijmans van den Bergh**

Board member  
Executive Vice President, Chief Corporate Governance Counsel and member Corporate Executive Board, Ahold

Born: 1963. Elected: 2010.

Other assignments: Deputy chairman of the Board of the Royal Concertgebouw Orchestra



**Fredrik Hägglund**

Board member  
General Counsel of Hakon Invest

Born: 1967. Elected: 2011.



**Magnus Rehn**

Board member  
Employee representative, Swedish Commercial Employee Union Team Leader, administrative employee at ICA Non food

Born: 1966. Elected: 2007 (former deputy).



**Lee Sernehov**

Board member Employee representative, Swedish Commercial Employees' Union, logistics employee at ICA Sweden AB

Born: 1979. Elected: 2011.

**Deputies elected by the Board**

Stein Petter Ski

Guy Thomson

Anette Wiotti

**Employee representatives**

Ann Lindh

Thomas Fagerström

# Group Management



**Kenneth Bengtsson**

President and CEO of ICA AB

Born: 1961

Employed: 1999

Other assignments: Chairman of the Swedish Federation of Trade. Board member of the Consumer Goods Forum and the World Childhood Foundation.



**Sonat Burman-Olsson**

EVP and CFO of ICA AB

Born: 1958

Employed: 2007

Other assignments: Board member of the Third Swedish National Pension Fund, Lindab and KappAhl.



**Björn Abild**

CEO of ICA Non food

Born: 1955

Employed: 2009

Other assignments: Board member of Deltaco AB.



**Lena Boberg**

CEO of ICA Real Estate

Born: 1970

Employed: 2007

Other assignments: Board member of Corem Property Group AB.



**Åsa Gabriel**

SVP HR and ICA School, ICA AB

Born: 1959

Employed: 2004



**Mats Holgerson**

COO of ICA AB

Born: 1953

Employed: 2008

Other assignments: Board member of Bilia AB, Hemtex AB, Dialect AB and Global Batterier AB.



**Björn Olsson**

SVP Communications at ICA AB

Born: 1971

Employed: 2004



**Edgar Sesemann**

CEO of Rimi Baltic

Born: 1961

Employed: 1999



**Antonio Soares**

CEO of ICA Norway

Born: 1949

Employed: 2002



**Anders Svensson**

CEO of ICA Sweden

Born: 1964

Employed: 2009

Other assignments: Board member of Svensk Dagligvaruhandel, Svensk Handel and the Swedish Trade Federation.



**Jörgen Wennberg**

CEO of ICA Bank

Born: 1952

Employed: 1979

Other assignments: Chairman of Nordic Yacht AB.

# **Internal control over financial reporting**

ICA works with a structure to monitor and safeguard internal control over financial reporting. The risks in the financial reporting are defined and control points have been defined.

## **Approval of financial reports**

The financial reports included in this annual report were approved by the Audit Committee on February 10, 2012 and by the Board of Directors on February 14, 2012.

## **Auditors**

The audit firm Deloitte has been ICA's auditor since September 2000 and was reelected most recently at the Annual General Meeting in 2011 for a mandate period of one year. The company's chief auditor, Jan Berntsson, participated in one (1) Board meeting during the year.

# ICA's Good Business – the fundamental values in everything we do

ICA's Group Management has adopted seven position statements that govern operations and serve as the foundation for our corporate responsibility (CR) work. Called "ICA's Good Business," they are based on, among other things, the United Nations Global Compact's ten principles on human rights, labor conditions, the environment and anti-corruption. Policies and guidelines explain how each of these positions is put into practice.

The business ethics policy describes ICA's guidelines on suppliers and partners, gifts and bribes, fair competition and shareholdings. The quality, environmental and social compliance policy describes ICA's overarching position on quality and environment standards, socially responsible manufacturing, producer responsibility, local production, product traceability, animal welfare, biodiversity, eco-labeled products, pesticides, packaging and additives. ICA's guidelines on health issues can be found in the health policy. The personnel policy describes ICA's position on employees. Special policies govern new store openings, customer-related marketing issues, sponsorships and disclosures. In addition, there are a number of financially related policies that govern the Group's financial exposure.

ICA's Good Business and policies have been coordinated at the Group level since 2004. Although the work rests on the same foundation, there are local variations in the markets where the ICA Group is active that affect how the work is actually done. There are several reasons for the local variations:

- **Different markets:** ICA Sweden is the market leader in a mature market. ICA Norway, on the other hand, is a newcomer working hard to reverse its historically negative numbers. In Estonia, Latvia and Lithuania, Rimi Baltic operates in a potentially expansive, but also uncertain market.

- **Different customer habits:** Customer preferences tend to differ. In the Baltic countries, which were hard hit by the financial crisis and recession, the price of food is a critical issue. In Sweden, the recession and financial crisis have not affected consumption patterns to the same extent, and many consumers still seek out less price-sensitive alternatives such as organic and fairtrade products. Norwegian customers have felt the recession even less. They remain interested in healthy meal solutions.

- **Differences in opinion:** Different issues garner different responses depending on local opinion. In Sweden, food waste, additives and greenhouse gases are key issues. The Norwegians are concerned about a healthy diet and are also interested in the problem of food waste. Due to the financial crisis, the Baltic countries have been forced to focus on economic issues, but GMO, local products and litter concern people as well.

- **Similarities** Customers in all of ICA's countries share an interest in local foods. Country of origin labeling has grown in popularity. Sweden has "Svenskt Sigill" (Swedish Seal of Quality) and in Norway the "Nyt Norge" (Enjoy Norway) label has had a strong impact. Latvia has the "Green Spoon" and "Grown in Latvia with Pride" labels. Customers in all our markets also value openness and honesty by retailers on sustainability issues.

## The foundation for ICA's corporate responsibility work



# Illustration of ICA's starting starting point on ethics and sustainability

## The ten principles of the UN Global Compact

ICA is a participant in the United Nations Global Compact and supports the following ten international principles.

Businesses should:

1. Support and respect the protection of internationally proclaimed human rights.
2. Make sure that they are not complicit in human rights abuses.
3. Uphold the freedom of association and the effective recognition of the right to collective bargaining.
4. Eliminate all forms of forced and compulsory labor.
5. Effectively abolish child labor.
6. Eliminate discrimination in respect of employment and occupation.
7. Support a precautionary approach to environmental challenges.
8. Intake initiatives to promote greater environmental responsibility.
9. Encourage the development and diffusion of environmentally friendly technologies.
10. Work against corruption in all its forms, including extortion and bribery.

## ICA's Good Business

ICA's Good Business values serve as the foundation for ICA's CR work. Together with ICA's core values they are essential to achieve the Group's vision and mission.

ICA will:

- Be driven by profitability and high ethical standards.
- Listen to customers and always base decisions on their needs.
- Nurture diversity and growth among its employees.
- Maintain an open dialogue internally and with the community.
- Ensure quality and safe products.
- Promote a healthy lifestyle.
- Adopt sound environment practices to promote sustainable development.

## ICA's CR policies, with guidelines for daily operations

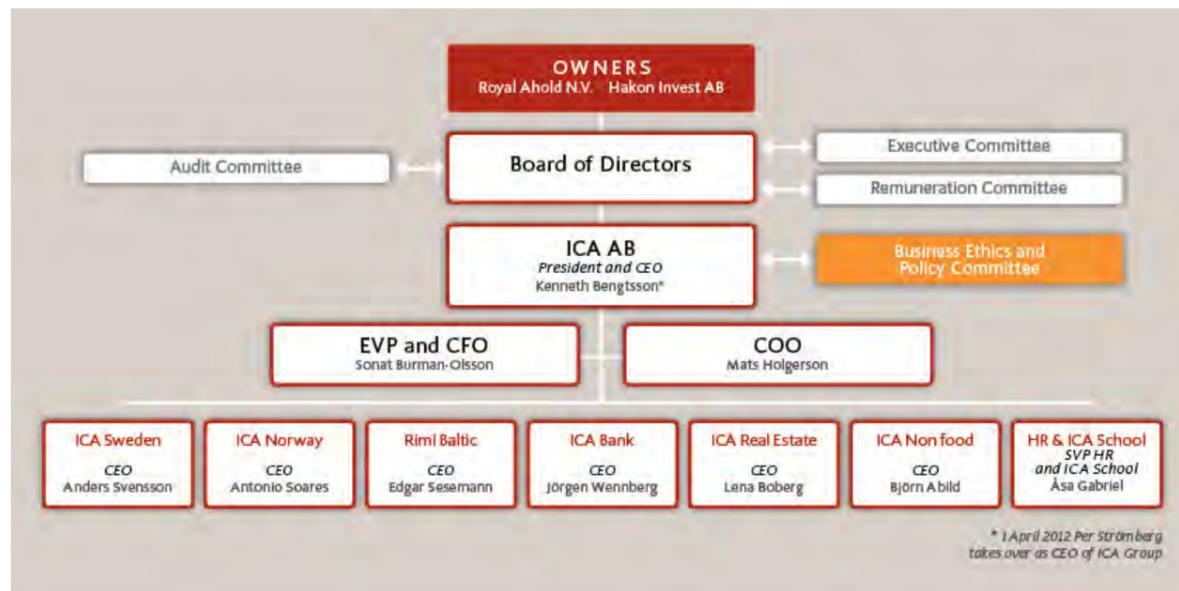
- Business ethics policy (incl. competition law compliance).
- New store policy.
- Health policy.
- Information policy (incl. guidelines for financial information).
- Customer policy.
- Personnel policy.
- Quality, environmental and social compliance policy.
- Sponsorship policy.

# How ICA's corporate responsibility work is governed

The overarching strategic direction for ICA's CR work is set at the Group level and steered through strategic planning and business planning processes. Ultimate responsibility for CR issues rests with ICA's CEO. Since 2005, the Business Ethics and Policy Committee (BEPC) has served Group Management. Policies and guidelines are evaluated and revised continuously to remain effective and maintain support in day-to-day operations. Group Management decides on policies prepared by the Business Ethics and Policy Committee, which sets the guidelines if there is a consensus. If one is not reached, Group Management will also decide on the guidelines. The Business Ethics and Policy Committee is responsible for monitoring goals and strategies for CR work and implementation of ICA's Good Business values. The committee also suggests CR priorities and monitors ethical dilemmas, risks and public opinion. This cross-organizational team is led by the head of the Corporate Responsibility department in Sweden.

The line organization can bring up issues to the appropriate policy owner, who informs and involves the Business Ethics and Policy Committee when needed. Every employee is responsible for compliance with ICA's Good Business and is encouraged to report any irregularities in ICA's Good Business and related policies. If detected early, we have a better chance of preventing risks and taking action. This benefits not only us but also employees and other stakeholders. A whistleblower function is incorporated in ICA's business ethics policy, so that employees and managers who become aware of irregularities and do not wish to report them through normal channels can do so anonymously.

 Reviewed by Deloitte



# A sustainable business idea

At ICA, good profitability and responsibility go hand in hand. If we don't take our responsibility for the environment and society today, we will be pulling the rug out from under our own business tomorrow.

With the help of strong common values and a belief that every link in the chain is important, from supplier to employee and customer, we have integrated CR work in every aspect of the Group's operations. ICA is a sustainable company with a solid financial footing, a commitment to the environment and strong social engagement.

We are convinced that taking responsibility for people and the environment goes hand in hand with good profitability. We work systematically and deliberately on an everyday basis to contribute to a sustainable society that will also benefit future generations.

We have three keystones we rely on in our CR work. The first is transparency. We want to be open about our CR work. The second is credibility. We constantly have to reflect on our responsibility and be willing to discuss our strengths and weaknesses. The third is traceability. We have to know where our products come from and under what conditions our suppliers operate.

ICA has 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 anticorruption. Through ICA's Good Business, the seven position statements that guide our CR work, we live up to the principles of the Global Compact.

One of the aims of ICA's Good Business is to ensure that we have safe products every day. Suppliers and products have to live up to our requirements in terms of quality, the environment and social responsibility. We have to reduce our impact on climate change and the environment. Other important issues are diversity, health and our role in society.

## **ICA's Good Business means that we will:**

1. Be driven by profitability and high ethical standards.
2. Listen to customers and always base decisions on their needs.
3. Nurture diversity and growth among our employees.
4. Maintain an open dialogue internally and with the community.
5. Ensure quality and safe products.
6. Promote a healthy lifestyle.
7. Adopt sound environment practices to promote sustainable development.



## **Facts**

The ICA Group offers a wide range of products in its stores, including other suppliers' brand-name products as well as its own private labels. The first ICA private label was launched in 1922. Today the following product lines are an important part of our CR work:

- ICA Gott liv, our line of healthy alternatives,
- ICA I love eco, our organic product line,
- ICA Skona, our green product line for cleaning products.

## **Related links**

- Important CR goals
- How ICA's corporate responsibility work is governed
- Policies and guidelines
- Risks and opportunities

## ENVIRONMENT

# ICA's environmental work

We are dependent on our planet to produce food for us in the future. Environmental work is therefore closely tied to our entire business.

Every part of our operations impacts the environment, so we work with environmental issues in all of them. We think sustainably in our purchasing and distribution. We develop climate-smart stores and warehouses. In several ways, we are working to protect biodiversity and further expand our range of organic and eco-labeled products. Reducing our energy consumption and waste are also important aspects of environmental work. In addition, we encourage our customers to reduce their own environmental impact in various ways.

**Policy** : The ICA Groups quality, environmental and social compliance policy

**Group goal** : Reduce the Group's direct greenhouse gas emissions by 30 percent by 2020 compared to 2006.

**Interim goal** : Reduce the Group's direct greenhouse gas emissions by 20 percent by 2012 compared to 2006.

### Important measures in 2011

- Further energy efficiency improvements in stores. Among other things, more energy-efficient lighting was installed and refrigerators and freezers were equipped with lids and doors.
- Focus on food wastage together with authorities and trade groups. Norwegian project involving best-before dates on eggs. Swedish warehouses recycle 99% of all waste. Stores prepare lunches from discarded ingredients, donate to charity and cut prices on expiring merchandise.
- ICA Sweden began development of an internal environmental management system for use in stores with tools that include electronic checklists.
- ICA participated in the "One Tonne Life" project in Sweden. The knowledge gained on how food choices can affect a family's CO2 emissions is being used in various ways to benefit customers, including in articles in the customer magazine Buffé.
- Educational material for the "Buddy with Your Body – 5 a Day" program was updated to include environmental issues for Swedish fifth graders.



### Water

Water is essential to all life on Earth. We need clean water and healthy marine ecosystems to produce foods.

### Air

Clean air is vital to human health and to avoid harming animals, plants and our cultural heritage. This is why we are working to reduce our air pollutants.

### Forests

The world's ecosystems are dependent on healthy forests. This is why it is important to avoid production methods that harm forests in various ways.

### Earth

The Earth's crops feed people and animals. Cultivating them prudently and minimizing impacts from production is a given for us.

## ENVIRONMENT

# The most important events in 2011

### Water

Water is essential to all life on Earth. We need clean water and healthy marine ecosystems to produce foods.

- All of ICA's private label **seafood** is rated **green or yellow according to WWF Sweden's seafood guide**.
- We also extend our range of MSC-certified fish, like frozen haddock and pieces of frozen cod fillets. During the year there were about **40 MSC-labeled products** in ICA Sweden's central assortment
- We **cooperated with WWF** on an annual campaign to promote a healthier Baltic Sea.
- We continued to **study the water consumption** for selected **private label products**. For example, one kg of Swedish chopped meat has a general water footprint of 14,500 liters.

### Air

Clean air is vital to human health and to avoid harming animals, plants and our cultural heritage. This is why we are working to reduce our air pollutants.

- We participated in the Earth Hour initiative in all five of our markets.
- We participated in **the "One Tonne Life" project** in Sweden to teach people how a family can reduce their annual CO2 consumption from seven to one ton per person, by living, eating and traveling sustainably.
- We continue to **offer charging stations for electric cars** at more and more ICA stores in Sweden. At year-end eight charging stations were installed at ICA stores, an increase of five compared to 2010.
- ICA Sweden's logistics operations have begun using a **new planning tool** to improve efficiencies and clearly visualize transport planning in real time. With careful scheduling and optimized loads, ICA can make its deliveries using fewer, more effectively loaded trucks. This means less driving and directly benefits the environment. The stores can track scheduled deliveries online in real time to better manage incoming shipments and reduce unnecessary waiting by both its staff and the driver. The tool is widely used by foreign retailers, but is new to the Swedish market, where ICA is the first to test it. The rollout will continue in 2012.
- The number of **ethanol-powered trucks** delivering to stores in the Stockholm area was raised by seven in 2011 to a total of twelve. This means that most downtown stores in Stockholm now receive their merchandise by ethanol or biogas fueled vehicles, which produce two thirds less CO2 emissions than traditional diesel trucks. This is a collaborative project with Clean Truck, which is paving the way for low-carbon transports in the Swedish capital.
- We continued to **test solar panels** on 300 m2 of store roofs in Sweden. In total, we have 1 million m2 of roof space on warehouses and stores that can be used to generate solar energy.
- In Norway, we received a grant from Enova, whose mission is to contribute to environmentally sound energy consumption, to **continue the roll-out of "Cool ICA"**, which is used in Norway to monitor energy consumption and temperatures. Significant energy savings have already been reported.
- We are positive to **testing additional alternative fuels** and are carefully following developments with the hope that a combination of fuels will provide a future solution. To be scaled up, alternative fuels must be reliable and accessible.

### Forests

The world's ecosystems are dependent on healthy forests. This is why it is important to avoid production methods that harm forests in various ways.

- ICA's private-label **charcoal** sold in Sweden is **FSC-certified** (Forest Stewardship Council), guaranteeing that it comes from responsibly managed forests. In addition, all **outdoor tropical woods furniture in our main assortment is made from FSC-labeled tropical woods**.
- **The FSC label** can now be seen on our **private label packages**. One example is ICA's crushed tomatoes, whose packaging is produced from sustainably harvested forest products.
- Our goal is that the **2,700 tons of palm oil** used each year in our Swedish private label products will be **certified as sustainably produced by 2015**. Until that volume is available, we will buy Green Palm certificates. During the year we further reduced the use of palm oil in our Swedish private label products.

### Earth

The Earth's crops feed people and animals. Cultivating them prudently and minimizing impacts from production is a given for us.

- We are continuously expanding our range of **organic and eco-labeled products**, since they are produced more sustainably. In 2011, there were 1,100 organic products in the main Swedish assortment.
- **Sales of organic products** in the main assortment in Swedish ICA stores have more than doubled since 2007. In 2011, the sales of organic in total rose by 4.3 percent and sales of **ICA I love Eco** products rose by 23 percent in Sweden. The big organic sellers are milk, buttermilk, natural yogurt, coffee, eggs and baby food. A total of around twenty new ICA I love Eco products were added, including around ten meat products and a baby bodysuit in organic cotton, which has been included since January in the baby bag distributed free of charge to new parents at many of Sweden's maternity wards. ICA I love Eco is sold in every market. In 2011, price cuts were introduced on ICA I love Eco in Sweden.
- A number of initiatives are under way at ICA to **reduce food shrinkage** in stores and behind the scenes. A survey of about 600 ICA stores in 2011 showed that 9 out of 10 are working actively with the problem. Some prepare meals with food that will soon expire. Others cut the prices of these products or give them away. ICA Supermarket in Skurup serves as a model. In one year, it has managed to cut visible shrinkage in half by documenting each item that is thrown out and calculating shrinkage costs. We have several local **partnerships with charities** to donate food from our warehouses that is soon expiring or cannot be sold in stores because of damaged packaging, even though the food itself is fully edible. These products meet the same basic food safety requirements as ICA's other products. Food that has passed its best-before date is never donated.
- Food wastage has also been **a priority in Norway**: in stores and in the media. We are participating in a **national project, ForMat**, which is trying to reduce food waste by 25% by 2015. As part of an industry-wide effort, we are helping to resolve problems in the way eggs are processed. Around 850 tons eggs are thrown out each year in Norway due to expiration date requirements despite the unique national requirements for low temperature in the cold chain.
- The central agreement between ICA Sweden and **the Nordic Ecolabel** was renegotiated after the Nordic Ecolabel's criteria for grocery stores were changed in 2010. In Sweden, many ICA stores are certified according to Nordic Swan eco-label that has tough rules for energy efficiency and waste separation. In 2011, **360** (377) Swedish ICA stores were certified according to the **Nordic ecolabel**.



## ENVIRONMENT

# Priorities going forward

Water supplies, changes in cultivation practices and new ways to protect biodiversity are among our priorities going forward.

Public interest in environmental and climate issues has dropped off in connection with the recession. We are convinced, however, that it is important to our customers that we remain committed to environmental work and are prepared to satisfy growing demand for openness and honesty. New issues will arise in the years ahead and set the tone globally, e.g., water supplies, changes in cultivation practices, and new illnesses due to climate change. We will continue to work on energy efficiencies as well as reduce food wastage and road transports. We will also look for new ways to protect biodiversity when selecting ingredients and further improve our line of organic foods.

### Important activities in 2012

- Our Swedish sourcing office will try to receive ISO14001 environmental certification.
- Audit of sensitive ingredients and how we buy them, e.g., cocoa, soy and nuts.
- Further energy efficiencies throughout the supply chain.
- Contractual terms concerning the environment, quality and social compliance will be updated.
- Further activities and collaborations to reduce food wastage.
- Continuous efforts to reduce waste.
- We will test semi trailers that can be used on both roads and rails to increase green transports in Sweden.
- ICA's internal environmental management tool will be tested and launched in Swedish stores during the fall.

 Reviewed by Deloitte

## ENVIRONMENT

### ICA's energy and material audit

Reducing environmental impacts from our operations is an important and overarching goal. This illustration shows the results of ICA's energy and material audit, i.e., the resources we consume and what we leave behind. The audit comprises the Group's operations, but excludes raw materials used in production and waste generated by households.

#### Prioritize energy efficiency of stores and warehouses

In 2011 refill of refrigerants in the Baltic states increased due to the long, cold winter in the beginning of the year. Many efforts in recent years has led to increased energy efficiency in warehouses and stores, but the long, cold winters and very hot summers in recent years has been a challenge. The energy efficiency of stores, warehouses and transportation remains a priority area for the entire group.

#### Continued focus on reducing climate impact

In 2011, carbon emissions from Norwegian stores and warehouses increased as they went back to using conventional electricity due to strict savings requirements. Compared with 200, we have reduced our climate impact by five percent. The long, cold winters and very hot summers in recent years has been a challenge. The work of reducing our climate impact continues to be a priority area for the entire group.



#### Keep transports under control and introduce renewable fuels

The fuel consumption for goods transports in Norway and the Baltic countries decreased slightly during the year, while it increased in Sweden, mainly because we take over goods transports from our suppliers to not drive empty trucks back from stores to warehouses. In 2011, ICA Sweden increased the number of ethanol-powered trucks to a total of twelve. The Swedish business travel by air and car increased slightly during the year while rail travel declined. This can be attributed to the problems in train traffic over the snowy first quarter.

#### Minimise waste and increase recycling rates

During the year the recycling rate increased in all markets. This is a result of targeted work to reduce waste going to landfill and to achieve an improved degree of sorting. How waste is treated, however, is strongly dependent on the national and local conditions in each market. The total amount of waste was reduced, mainly due to reduced amounts of waste in Norway. This is an effect of improved waste management by for instance compression of compostable waste.

## ENVIRONMENT

# GRI indicators

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- EC2** Financial implications and other risks and opportunities for the organization's activities due to climate change.
- EN3** Direct energy consumption by primary energy source.
- EN4** Indirect energy consumption by primary source.
- EN5** Energy saved due to conservation and efficiency improvements.
- EN6** Initiatives to provide energy-efficient or renewable energy-based products and services, and reductions in energy requirements as a result of these initiatives.
- EN7** Initiatives to reduce indirect energy consumption and reductions achieved.
- EN12** Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.
- EN13** Habitats protected or restored.
- EN14** Strategies, current actions and future plans for managing impacts on biodiversity.
- EN15** Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations.
- EN16** Total direct and indirect greenhouse gas emissions by weight.
- EN17** Other relevant indirect greenhouse gas emissions by weight.
- EN18** Initiatives to reduce greenhouse gas emissions and reductions achieved.
- EN22** Total weight of waste by type and disposal method.
- EN29** Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.



### Related pages

PR3

# Risks and opportunities with climate change

EC2



Global Compact 7

Financial implications and other risks and opportunities for the organization's activities due to climate change.

The ICA Group must constantly adapt to the increased transparency of the company, that laws may change and a growing demand on account of sustainability aspects in all stages of the supply chain. Our overall risk analysis also includes the assessment and management of risks related to climate change.

Change	Risks	Opportunities
New laws	Society's growing awareness of climate change is likely to result in new laws and regulations, which in turn affect our operations financially and operationally. We continuously monitor these issues so that we are ready to quickly adapt. Important areas include emissions limits on goods transports, taxes that lead to more expensive fossil fuels and society's transition to renewable energy sources	Challenges give rise to new ideas. The climate change debate is likely to lead to stricter limits on CO2 emissions from transports. This increases the need for environmentally friendly solutions. New technology is also being developed for new demands, which provides opportunities for eco-friendly solutions. For example, a tax on synthetic cooling agents would steer development toward more eco-friendly alternatives in everything from transports to refrigeration systems in stores. Since we are working on the issue today, we can strengthen our position in the market if and when new rules are introduced.
Physical changes	The physical risks that climate change could cause – temperature changes, drought, floods, etc. – affect everyone in society. For us, it means that access to various crops could change over time due to new growing patterns. Goods transports could be affected if extreme weather conditions were to limit our access. New store openings could also be affected. Flooding in certain areas, for example, would be a risk that would have to be considered in such decisions. Reduced access to fossil fuels also represents a potential risk if ICA cannot handle the transition of its operations to renewable fuels	As customer demand for products adapted to climate change and environment safety increases, we can also find new opportunities, e.g., by developing new products or finding locations within biking or walking distance of residential areas. Moreover, the ability to better manage wastes in society in general means that our stores can also manage their wastes more safely. The attention being given to the impact of food waste on climate change is leading to a greater focus on reducing shrinkage. Through an early transition to renewable energy sources, we can ensure that our operations will remain viable even if access to fossil fuels were reduced. Reducing energy consumption is also a way to save money.
Other changes	New spending patterns due to a growing awareness of climate change could constitute a risk unless the ICA Group adapts quickly enough to shifting customer demands.	Satisfied customers are a competitive advantage. By being open, inventive and ambitious, we can improve customer relations. This can give us a business advantage.



# Energy consumption

## EN3



Global Compact 8

Direct energy consumption by primary energy source.

## EN4



Global Compact 8

Indirect energy consumption by primary source.

In 2011 refill of refrigerants in the Baltic states increased due to the long, cold winter in the beginning of the year. Many efforts in recent years has led to increased energy efficiency in warehouses and stores, but the long, cold winters and very hot summers in recent years has been a challenge. The energy efficiency of stores, warehouses and transportation remains a priority area for the entire group.

The stores are gradually becoming more energy efficient. The first step is to install systems that measure energy consumption and provide knowledge and inspiration in order to reduce consumption. In Sweden, many ICA stores are certified according to Nordic Swan eco-label that has tough rules for energy efficiency and waste separation. Maxi ICA Stormarknad, ICA Kvantum and ICA Supermarket are all striving to meet the Nordic Swan criteria.



### Total energy consumption in warehouses and stores, ICA Group, MWh

MWh	Total
09	1527359
10	1542976
11	1560801

### Distribution of ICA Group's energy sources 2011 (electricity consumption in warehouses and stores), %

	procent
Renewable energy	66
Fossil fuels	15
Nuclear power	18

### Energy consumption in warehouses, MWh

	2011	2010	2009
Sweden	73584	83920	84023
Norway	23561	24609	24246
Baltic countries	14795	15504	13418

### Average energy consumption in warehouses, kWh/m<sup>2</sup>

	2011	2010	2009
Sweden	272	270	270
Norway	197	193	220
Baltic countries	196	185	176

### Energy consumption in stores, MWh

	2011	2010	2009
Sweden	931966	877311	875478
Norway	319002	328736	333501
Baltic countries	197893	212897	196694

### Average energy consumption in stores, kWh/m<sup>2</sup>

	2011	2010	2009
Sweden	472	401	406
Norway	534	548	547
Baltic countries	462	470	425

### Cooling agent consumption, tons

	2011	2010	2009
--	------	------	------

<b>Sweden* **</b>	0.1	0.1	0.3
<b>Norway* ***</b>	0	0.3	0.2
<b>Baltic countries</b>	15	14	10

\* Comprises only warehouses in Sweden and Norway. \*\* Sweden 2009: 0,3 tons. Sweden 2010: 0,1 tons. Sweden 2011: 0,1 tons. \*\*\* Norway 2011: 0.0 tons.

**Share of Swan-labeled ICA stores, %**

%	%
2009	28
2010	28
2011	27

# Measures to reduce energy consumption

## EN5



Global Compact 8, 9

Energy saved due to conservation and efficiency improvements.

## EN7



Global Compact 8, 9

Initiatives to reduce indirect energy consumption and reductions achieved.

The operation of stores and warehouses accounts for a large part of the ICA Group's total energy consumption. The stores are gradually becoming more energy efficient. The first step is to install systems that measure energy consumption and provide knowledge and inspiration in order to reduce consumption. In Sweden, many ICA stores are certified according to Nordic Swan eco-label that has tough rules for energy efficiency and waste separation. Maxi ICA Stormarknad, ICA Kvantum and ICA Supermarket are all striving to meet the Nordic Swan criteria.

The following activities are under way in all markets:

- A growing number of stores in the ICA Group are putting lids on freezer cases and doors or curtains on refrigerators and freezers. This applies on a widespread basis in Sweden and Norway. In the Baltic countries, stores are upgrading their refrigerators and freezers in connection with Rimi's rebranding.
- The stores are gradually replacing their lighting with more modern, energy efficient alternatives. A number of Rimi Baltic's Lithuanian stores have automated lighting. Savings are estimated at up to 50 percent, and for the whole store it can generate energy savings of 10–15 percent.
- Kvantum Sannegården in Sweden, which was built in 2010 entirely based on our guidelines on maximum energy efficiency, now serves as a model for all future ICA stores and in 2011 we opened four new stores designed according to the model. With an array of simple improvements we manage to achieve substantial energy savings, approximately 35 percent. For example, we install locks and doors on refrigerators and freezers, and we control both lighting and temperature as required.
- In Sweden, 360 ICA stores were certified according to the Nordic Swan eco-label at year-end 2011, compared to 377 a year earlier. The requirements to have a store Swan certified were tightened in 2010 in terms of waste sorting and energy efficiency, among other things. The ICA Maxi Hypermarket, ICA Kvantum and ICA Supermarket formats are all trying to meet the Nordic Swan criteria.
- The Cool ICA system, which is used in Norway to monitor energy consumption and temperatures, has been installed in 408 (393) stores, which is 74 percent of all stores.
- Rimi Baltic uses an Automatic Monitoring System to control temperatures in refrigerators and freezers. Several stores have hired energy consultants and conduct energy audits.
- Rimi Baltic in Latvia encourages store employees to share their knowledge of energy savings.



# Energy efficient products and services

EN6



Global Compact 8, 9

Initiatives to provide energyefficient or renewable energy-based products and services, and reductions in energy requirements as a result of these initiatives.

- We have initiatives to reduce the environmental impact of carrier bags in all our markets, among other things, we offer various types of durable cloth bags that can be used multiple times. ICA Sweden offer bags made of sugar canes, so called green polyethen. If the bag is incinerated it emits 80% less CO<sub>2</sub> than a conventional plastic bag. Rimi stores in all three Baltic markets offer bags made from 33 percent recycled material, as well as cotton and paper bags.
- In 2010, ICA Sweden began installing charging stations for customers with electric cars in the parking lots outside ICA stores. The goal is to have stations at about 20 ICA stores around the country within five years. At the end of 2011 eight charging stations were installed at ICA stores, an increase of five compared to 2010.
- In 2011, ICA Sweden ran a campaign offering regular customers discounted prices on energy-saving light bulbs. If customers use the bulbs sold during the year instead of conventional incandescent bulbs, CO<sub>2</sub> emissions in total are expected to be reduced.
- ICA Sweden participated in the project "One Tonne Life," together with Ahus, Volvo, Vattenfall and Siemens, which began in January 2011. The goal was to reduce annual carbon dioxide emissions per person from seven to one ton by living, traveling and eating sustainably. The results was followed through a test family that lived in a specially built, sustainably equipped home. The family reached 1,5 tons in the end.



# Initiatives to preserve oceans, forests, meadows and species

## EN12



Global Compact 8

Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.

## EN13



Global Compact 8

Habitats protected or restored.

## EN14



Global Compact 8

Strategies, current actions and future plans for managing impacts on biodiversity.

## EN15



Global Compact 8

Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations.

The ICA Group sells large amounts of food every day in five different countries. In the process, our operations use the Earth's resources. But we are careful to do so cautiously. If the oceans are overfished and the rainforests are plundered, it will affect us not only as people but also as a retail company. This is why we constantly look for new ways to protect and preserve biological diversity. One of the key partners in our work with biological diversity is WWF (World Wide Fund for Nature).

### Free range beef and open landscapes

Since we started working with WWF in Sweden in the 1990s, more than 90,000 acres of pastureland have been restored in a common project on beef from grazing cattle. Grazing cattle keep the landscape open and ensure a rich diversity of flora and fauna. Their grazing and waste are important to the biodiversity in the pastureland.

In 2010, the cooperation entered a new phase when WWF transitioned from primarily restoring overgrown pasture to ensuring that the results achieved to date are maintained in the long term, as well as spreading the concept to new landowners and other stakeholders. To avoid seeing restored pasture abandoned once again requires owners who remain committed to their preservation. The strongest driver is the demand for free range beef.

ICA Sweden's product line of free range beef now consists of a total of 13 products. Sales in 2011 correspond to around 2,000 head of free range cattle, while about 5,000 acres of Swedish pastureland have been preserved.

### Healthy oceans have enough fish

The ICA Group has taken a stand in several ways to protect endangered species of fish. We utilize WWF Sweden's guide with red, yellow and green listed fish in Norway and Sweden. As far as possible, we avoid red listed fish in the main assortment sold to the stores. During the year there were only a few red listed items in our central assortment, shrimp from Greenland. The shrimp, however, is in the process to be MSC-certified and expected to be certified in 2012. We are also expanding our range of MSC-certified fish such as frozen haddock and cod fillets. During the year there was around 40 MSC-certified products in ICA Sweden's central assortment.

Consumers can trace the cod, haddock and alaska pollock sold under ICA's brands on the Group's Swedish website, where they can follow its journey from the Baltic Sea outside Norway to ICA's warehouses and stores and find out what is being done to protect the species. ICA Sweden's website also shows how our seafood products are classified according to WWF Sweden's fish guide.

### Soy, palm oil and tropical wood from preserved forests

The manufacture of ICA's corporate food brands in the Swedish market annually requires around 2,700 tons of palm oil. We have decided that all palm oil used in ICA's private labels must by 2015 be certified by the Roundtable on Sustainable Palm Oil (RSPO). This is part of an effort to encourage palm oil plantations to meet environmental, social and economic criteria and preserve the rainforests. The volumes are limited, however. We are therefore buying Green Palm certifications to support more palm oil plantations in their efforts to meet RSPO criteria.

We are also involved in the issue of soy, whose cultivation can have a major long-term impact on tropical forests and savannas, including in Brazil. Through the ICA Group's owner, Ahold, we are a member of the Roundtable for Sustainable Soy and carefully monitor developments in this area.

ICA Sweden has decided to sell only FSC-certified private-label charcoal and that all products made of tropical woods, such as outdoor furniture, must be FSC-certified. The stores in Sweden annually sell around 10,000 tons of certified charcoal. ICA also offers FSC-labeled disposable grills, notebooks and copy paper.



## **Relaterade sidor**

# Emissions

## EN16



Global Compact 8

Total direct and indirect greenhouse gas emissions by weight.

## EN17



Global Compact 8

Other relevant indirect greenhouse gas emissions by weight.

## Emissions

### Carbon dioxide emissions from energy in stores, tons

	2011	2010	2009
<b>Sweden</b>	49166	48810	48857
<b>Norway *</b>	30065	9547	33350
<b>Baltic countries</b>	59359	69951	54369

\* During 2010 a vast share of the Norwegian stores use renewable electricity.

### Total carbon dioxide emissions\*, ICA Group, tons

	Tons
2009	276529
2010	282723
2011	308720

\* Excluding offset air travel emissions.

### Carbon dioxide emissions from energy in warehouses, tons

	2011	2010	2009
<b>Sweden</b>	903	1270	1106
<b>Norway*</b>	2189	31	30
<b>Baltic countries</b>	5256	5535	3690

\* Since 2011 all warehouses in Norway have changed from renewable to conventional electricity due to strict savings requirements. Norway 2009: 30 tons. Norway 2010: 31 tons.

### Carbon dioxide emissions from cooling agent consumption in warehouses and stores, tons

	2011	2010	2009
<b>Sweden* **</b>	182	229	717
<b>Norway* ***</b>	19	900	654
<b>Baltic countries</b>	52679	50341	38902

\* Comprises only warehouses. \*\* Sweden 2009: 717 tons. Sweden 2010: 229 tons. Sweden 2011: 182 tons. \*\*\* Norway 2009: 654 tons. Norway 2010: 900 tons. Norway 2011: 19 tons.

### Carbon dioxide emissions from goods transports between warehouses and stores, tons

	2011	2010	2009
<b>Sweden</b>	83842	69736	67780
<b>Norway*</b>	12315	13019	14584
<b>Baltic countries</b>	11109	11875	11048

\* Calculation updated for leased transports in Sweden all years, and in 2010 for Norway.

### Carbon dioxide emissions from business travel by air, train and car, tons

	2011	2010	2009
<b>Sweden</b>	5322	4975	4310
<b>Norway*</b>	931	866	707
<b>Baltic countries**</b>	n.d.	n.d.	n.d.

\* Norway 2009: 707 tons. Norway 2010: 866 tons. Norway 2011: 931 tons. \*\* Data from the Baltic countries are not available.

**Distribution of ICA Group's carbon dioxide emissions\*, 2011, %**

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	<b>procent</b>
<b>Business travel, 1%</b>	1
<b>Cooling agents, 17%</b>	17
<b>Energy in warehouses, 3%</b>	3
<b>Energy in stores, 45%</b>	45
<b>Goods transports, 35%</b>	35

\* Excluding offset air travel emissions.



# Greenhouse gas reduction initiatives

EN18



Global Compact 7, 8, 9

Initiatives to reduce greenhouse gas emissions and reductions.

Since 2006, the ICA Group's direct emissions of greenhouse gases have decreased by around five percent. Compared with 2010, emissions of greenhouse gases increased by about four percent in 2011, mainly due to increased emissions from goods transport in Sweden, and increased emissions from electricity use in Norwegian stores and warehouses. In Sweden, ICA is taking over goods transports from its suppliers so that trucks do not return from stores to warehouses empty. As a result, ICA's transports have increased, but the overall environmental impact has likely been reduced. Due to strict savings requirements Norwegian stores and warehouses went back to using conventional electricity which increased the CO2 emissions. The long, cold winters and very hot summers in recent years has been a challenge. The work of reducing our climate impact continues to be a priority area for the entire group.

Work for greenhouse gas emission reductions is under way in several areas, including:

- ICA Sweden offers renewable electricity to all ICA retailers via a central electricity agreement. A decision has been made that all Maxi ICA Hypermarkets will use it. About 20 percent of Swedish ICA stores were using renewable electricity via the central agreement at year-end 2011.
- All warehouses in Sweden have renewable electricity, reducing carbon dioxide emissions by 85 percent compared to normal electricity.
- ICA Sweden a large number of stores use 100 percent natural coolants, and the number is growing. Coolant levels in refrigeration and freezer systems have been greatly reduced. Large stores primarily use glycol, which circulates in the system and cuts the amount of cooling agents. Glycol is used in the refrigeration systems and carbon dioxide is used for freezers at ICA Maxi, Kvantum and Supermarket. ICA Sweden is well-positioned in this area relative to the competition.
- ICA Sweden participated in the project "One Tonne Life," together with Ahus, Volvo, Vattenfall and Siemens, which began in January 2011. The goal was to reduce annual carbon dioxide emissions per person from seven to one ton by living, traveling and eating sustainably. The results was followed through a test family that lived in a specially built, sustainably equipped home. The family reached 1,5 tons in the end.
- To draw attention to the issue of climate change, we participate since a number of years in WWF's "Earth Hour" campaign in all our markets. We turn off the lighting in a number of warehouses, offices and stores and encourage our customers to turn off their lights for an hour for the sake of the environment. In Sweden retailer Stig and his employees in ICA's popular advertising soap opera participated in 2011 by turning off the lights in the store.

 Reviewed by Deloitte

# Our waste and how we manage it

EN22

Global Compact 8

Total weight of waste by type and disposal method.

We work to minimise waste and maintain high recycling rates in our warehouses and stores.

- In Sweden, ICA retailers prepare lunches made from products near expiration, sell blemished fruits and vegetables at a discount and have introduced a concept called "Eat Soon," which allows customers to buy products that otherwise would go to waste at sharply discounted prices. ICA Norway has a "50%" concept where products near their expiration date are discounted by 50 percent in stores, which reduces shrinkage.
- ICA Sweden's warehouses sort all their waste, and in 2011 99 percent was recycled, which is in line with previous year.
- ICA Norway has introduced a new quality control system for fruit and vegetables in five warehouses. The system is clearly reducing inventory shrinkage. The quality of fruit and vegetables has improved and thereby reduced shrinkage in stores as well.
- ICA Norway has joined with the Church City Mission, the Ministry of Agriculture and Food and the Norwegian Food Safety Authority to create a food bank in Oslo that accepts items that the industry must discard for practical or legal reasons and distributes them to charities.
- In Latvia, Rimi Baltic works with around 30 zoos and animal shelters that receive soon-to-expire products.

## General explanation of waste

1. Sweden comprises waste from logistics, Norway and the Baltic countries comprise waste from logistics and stores.
2. Updated 2009 figures for Baltic countries to clarify the waste handling method.



## Total waste volume, tons

	2011	2010	2009
Sweden	10928	11227	10597
Norway	20883	29464	28906
Baltic countries	36262	35795	33046

## Recycled, %

	2011	2010	2009
Sweden	99	99	98
Norway	99	97	95
Baltic countries	49	47	39

## Incinerated waste, tons

	2011	2010	2009
Sweden	1733	2345	2305
Norway	8163	7435	6434
Baltic countries	1258	1263	614

## Recovered/recycled, tons

	2011	2010	2009
Sweden	4273	4547	4371
Norway	6056	11886	13882
Baltic countries	15723	15562	12194

## Compostable, tons

	2011	2010	2009
Sweden	4842	4226	3724
Norway	6386	9231	7002
Baltic countries *	1015	0	0

\* From 2011, this fraction also includes the Baltics.

## Landfill, tons

	2011	2010	2009
Sweden*	80	110	197

<b>Norway</b>	278	912	1589
<b>Baltic countries</b>	18266	18970	20238

\* Sweden 2009: 197 tons. Sweden 2010: 110 tons. Sweden 2011: 80 tons

# Initiatives for greener transports

EN29



Global Compact 8

Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.

ICA's Swedish logistics operations have been ISO 14001 environmentally certified since 1997. Maintaining the certification is an important seal of quality of the active work being done. One third of ICA's total environmental impact comes from warehouse operations and transports. The logistics operations are working actively to reduce their environmental impact and are primarily monitoring such aspects as CO2 emissions from transports, energy consumption and waste (sorted vs. landfill).

The fuel consumption for goods transports in Norway and the Baltic countries decreased slightly during the year, while it increased in Sweden, mainly because we take over goods transports from our suppliers to not drive empty trucks back from stores to warehouses. In 2011, ICA Sweden increased the number of ethanol-powered trucks to a total of twelve. The Swedish business travel by air and car increased slightly during the year while rail travel declined. This can be attributed to the problems in train traffic over the snowy first quarter.

To reduce the total mileage our vehicles drive, we continue to raise efficiencies in our infrastructure and distribution network, including by ensuring that trucks are well-filled and have carefully planned routes. In 2011, ICA Sweden's logistics operations began using a new planning tool to improve efficiencies and clearly visualize transport planning in real time. With careful scheduling and optimized loads, ICA can make its deliveries using fewer, more effectively loaded trucks, which do less driving in total. The stores can track scheduled deliveries online in real time to better manage incoming shipments and reduce unnecessary waiting by both its staff and the driver. The tool is widely used by foreign retailers, but is new to the Swedish market, where ICA is the first to test it. The rollout will continue in 2012.

The ICA Group currently does not own any trucks, with the exception of Norway, where we use our own and lease others. Modern engine technology and alternative fuels reduce emissions, which we require our trucking companies to verify. In Sweden, alternative fuels are blended with diesel and the trucks are equipped with tires with low rolling resistance to reduce fuel consumption and environmental impacts.

ICA Sweden has since 2009 been a member of KNEG – Climate-Neutral Goods Transport – and has therefore been committed to promoting future fossil-free distribution in Stockholm. At the moment 12 of our trucks are powered by ethanol and have less climate impact than traditional diesel. We are open to testing other alternative fuels and are carefully following developments in the belief that a mix of alternative fuels will be the best future solution. Biogas is one alternative, although it is sometimes in short supply. Using alternative fuels on a large scale requires both reliability and access.

We are also trying to shift more transports from road to rail. Today ICA Sweden transports practically all its beverages by rail. ICA Norway transports imported, refrigerated and frozen products, as well as fruit and vegetables by train to the distribution terminal in Narvik.

ICA Sweden, ICA Norway and Rimi Baltic in Estonia require their drivers to practice eco-driving. Since 2009, all trucks that drive for ICA Sweden are equipped with alcohol locks.

The ICA Group limits air shipments to products that do not keep the quality on boat shipments like sensitive fruit, vegetables and flowers.

Initiatives for greener business travel

ICA employees in Sweden have guidelines on choosing company cars. In 2011, the number of eco-friendly cars in ICA's fleet decreased from 42 to 38 percent. ICA's central leasing agreement for Swedish employees steers drivers toward eco-friendly choices, but according to the general trend in Sweden the number of ethanol cars has decreased during 2011. The emission limit for company cars has been tightened even further during the year.

Since 2008, ICA buys carbon offsets for air travel by employees in Sweden and Norway when they book through our main travel agency. The money helps to finance wind power turbines in China. The offsets are purchased according to the Clean Development Mechanism (CDM) Gold standard. CDM is a project model that meets the requirements of Kyoto Protocol's directive for greenhouse gas-reducing measures in developing countries.

ICA Sweden and ICA Norway have in 2011 increased their number of videoconferences by 66 percent and teleconferences by 12 percent compared to 2010.

**Fuel consumption from goods transports between warehouses and stores,  
thousand liters \***

	<b>2011</b>	<b>2010</b>	<b>2009</b>
<b>Sweden</b>	32229	26821	26069
<b>Norway</b>	4736	5007	5609
<b>Baltic countries</b>	4114	4398	4092

\* Fuel consumption is related to diesel except for Sweden where ethanol also included with 82 000 liters (2010) and 208 000 liters (2011). Calculation method is updated for outsourced transports

**Business travel by air, thousand km**

	<b>2011</b>	<b>2010</b>	<b>2009</b>
<b>Sweden</b>	13397	12873	10625
<b>Norway</b>	3319	3110	2535
<b>Baltic countries *</b>	n.d.	n.d.	n.d.

\* Data from the Baltics are not available.

**Business travel by rail, thousand km**

	<b>2011</b>	<b>2010</b>	<b>2009</b>
<b>Sweden</b>	1489	1993	2153
<b>Norway *</b>	n.d.	n.d.	n.d.
<b>Baltic countries *</b>	n.d.	n.d.	n.d.

\* Data from Norway and the Baltic states are not available.

**Business travel by car, thousand km**

	<b>2011</b>	<b>2010</b>	<b>2009</b>
<b>Sweden</b>	8809	7919	7714
<b>Norway *</b>	n.d.	n.d.	n.d.
<b>Baltic countries *</b>	n.d.	n.d.	n.d.

\* Data from Norway and the Baltics are not available.

## QUALITY

# ICA's quality work

Customers should feel safe shopping at ICA, which is why we carefully monitor our suppliers and how our products are handled all the way to the customer.

Our ambition is to make sure that our products live up to our own and the markets requirements with the help of supplier audits, product label reviews, product tests and structured quality assurance work in logistics and in stores. We also try to inspire our customers to make healthy choices on a daily basis. In addition, we will offer a wide range of eco-labeled, organic and fair trade products.

**Policy** : The ICA Group's quality, environmental and social compliance policy

**Group goal** : We will offer safe products of good quality that live up to our customers' expectations

### Key measures 2011

- We participated in the international Global Food Safety Initiative (GFSI), which is developing common food safety norms for suppliers. In 2011, GFSI developed tools and expanded its cooperation with the U.S. and Asia, among other places.
- We played a driving role in the development of Sweden's food handling standard, the world's first third-party standard for stores. By year-end 2011, 326 stores were certified according to the standard and over 1,000 were applying it. Our Norwegian and Baltic stores are also introducing the standard. To facilitate certification in these countries, we are now drafting an international standard as part of a project by our Swedish trade group, Svensk Dagligvaruhandel.
- In 2011, 1,228 Swedish ICA stores were internally audited by ICA's quality coaches in an effort to ensure consistently high food safety standard regardless of their size or amount of food handled.
- Two warehouses in Sweden were certified according to BRCS & D in 2011. BRC stands for British Retail Consortium and is an international quality standard for retailers.
- In Norway, we have audited suppliers and supported them on issues involving food safety, at the same time that the stores have continued their own food safety work with the help of coaches and Hazard Analysis and Critical Control Point (HACCP) principles.



### Origin

Our products must be manufactured under fair conditions. Animals must be treated humanely and natural ingredients should not be altered without good reason.

### Ingredients

Our products should be nutritious, safe and balanced. We are always careful in choosing ingredients for our private labels.

### Taste

Eating is an integral part of our daily lives. Food should not only be healthy and safe to eat but also appeal to a variety of tastes and preferences.

### Safety

Customers should be able to trust that our products are safe. This is why food safety is so critical, from producer to warehouse to handling in stores.

## QUALITY

# The most important events in 2011

### Taste

Eating is an integral part of our daily lives. Food should not only be healthy and safe to eat but also appeal to a variety of tastes and preferences.

- In 2011, we conducted around **3,000 sensory** tests on new and existing products to ensure that they taste right.
- In Sweden, we are now producing **more accurate descriptions of the taste characteristics of fruit and vegetables** as the result of several years of sensory research.

### Ingredients

Our products should be nutritious, safe and balanced. We are always careful in choosing ingredients for our private labels.

- In 2011, **our customer service line in Sweden and Norway responded to 95,000 calls and e-mails** about products and services from ICA.
- In response to customer demand, we **phased out** the much-debated **flavor enhancer monosodium glutamate, E621**, from our private labels in Sweden. Today it is used only in ICA's instant noodles. We are **working to remove** the additive there as well. At the same time we have taken the opportunity to explain that E621 isn't actually hazardous.
- In Sweden the base for our private label product information, **the product specifications**, were updated & approved by experts.
- In 2011, ICA Sweden continued to **focus on its fresh product selection** – meats, produce, poultry and charcuterie – through new marketing and packaging design as well as new training and tools for local communications. The focus on fresh products will continue in 2012. We want to offer the market's most complete range of fresh meats and are working to supply stores with locally sourced meat.
- In May 2011, ICA launched its **own lactose-free products** in Sweden, the latest addition for food allergy sufferers. In connection with the launch, the "Friendly Products" label on all of ICA's products for allergy sufferers was replaced by "Free from" to make it easier for customers to find their way. Demand for these products is growing for every year.
- We made sure that our own line of healthy products, **ICA Gott Liv**, contains less sugar, salt, fat and additives compared to other products.
- We further reduced the palm oil used in our Swedish private labels.

### Origin

Our products must be manufactured under fair conditions. Animals must be treated humanely and natural ingredients should not be altered without good reason.

- ICA's **organic line continues to grow** in terms of both sales and number of products. In 2011, sales of **ICA I love Eco** products rose by 23 percent, and ICA's total organic sales climbed by 4.3 percent in Sweden. The big organic sellers are milk, buttermilk, natural yogurt, coffee, eggs and baby food. A total of around twenty new ICA I love Eco products were added, including around ten meat products and a baby bodysuit in organic cotton, which has been included since January in the baby bag distributed free of charge to new parents at many of Sweden's maternity wards. ICA I love Eco is sold in every market. In 2011, price cuts were introduced on ICA I love Eco in Sweden.
- **The overall organic line** in the central assortment at ICA Sweden consists of around 1,100 products.
- Swedish meat production will be promoted and customers will more easily be able to find Swedish products at the deli counter. ICA has been a driving force behind the **new Swedish label for deli products** launched collaboratively in 2011 by retailers, the Federation Swedish Farmers and Svenskt Kött. The label, which guarantees that the product contains only Swedish meat, is currently used on around 50 deli products, including ICA's private label and other labels.
- ICA Sweden was involved in developing a **Swedish standard for animal welfare** in pork production as well as transports and slaughter together with Sigill Kvalitetsstandard.

### Safety

Customers should be able to trust that our products are safe. This is why food safety is so critical, from producer to warehouse to handling in stores.

- In 2011, 80 percent of ICA Sweden's **private label food suppliers** had quality systems **approved according to GFSI**.
- During the year, **72 (31) public recalls** were made, that is where suspected health risk existed. 1,170 (951) products which did not live up to the Group's quality

requirements were withdrawn from stores and warehouses. 371 (363) of them were private label products.

- ICA stores in Sweden continued to work with the national **quality standard for food handling** . The industry-wide standard has been accepted by the Swedish Board for Accreditation and Conformity Assessment (Swedac) as a so-called third-party standard since 2009. ICA now has **326 certified stores** in Sweden, an increase of 46% from the previous year, and a total of around 1,000 ICA stores have applied the standard.
- 1,228 of ICA Sweden's stores have been **internally audited** . The internal audit is done by ICA's quality coaches as part of ensuring a high and consistent quality at all stores regardless of size or scope of the management of the store.
- ICA Sweden's new **digital self-inspection system** (IDE 2.0) was test launched in December. The system was developed by ICA's personnel in collaboration with outside IT experts. In 2012, there will be a widespread launch and conversion of the current system to IDE 2.0. In Sweden, 1,050 ICA stores are now using the system on a daily basis for food safety inspections.
- Through its partners, ICA Sweden has supported **purchases from local producers** . The support is given to stores ensure the same high food quality from local producers as from central suppliers. During the year, a list of **over 600 local suppliers** was created to support local purchases by stores.
- ICA's Swedish logistics operations have been ISO 14001 environmentally certified since 1997. For nearly two years, ICA Sweden has also been preparing for **quality certification according to the international BRC S&D standard** issued by the British Retail Consortium. BRC S&D is a quality standard for retailers that covers product safety, quality and compliance. ICA's warehouses in Kallhäll and Västerås were the first to be certified according to the standard, which requires detailed quality and safety routines. The certification process is now continuing at ICA's other warehouses in Arlöv, Borlänge, Helsingborg and Kungälv with a goal to be certified in 2012.
- In Norway, we have **audited suppliers** and supported them on issues involving food safety, at the same time that the stores have continued their own food safety work with the help of **coaches and Hazard Analysis and Critical Control Point (HACCP) principles** .

 Reviewed by Deloitte

## QUALITY

# Priorities going forward

Where does our food come from, and is it nutritious? Going forward we will continue to increase transparency on the contents and origins of the products we sell.

The growing focus in recent years on food safety and foods produced close to where customers live remains strong. We are seeing an increased awareness among customers about the ingredients in the foods they eat and where they come from. Many of them are making conscious decisions about how and where their food is produced. It is important for us to be as transparent as possible on these issues and to continue to maintain control over the entire supply chain, from manufacturing all the way to the customer. We will also continue offering a varied range of high quality products at fair prices.

### Important activities in 2012

- Quality work in stores will continue, e.g., through the introduction of new quality inspections for fresh produce in Norway.
- Certification work is continuing in areas where possible such as stores, sourcing operations and distribution centers. For example, quality certification work will continue at ICA's warehouses in Arlöv, Borlänge, Helsingborg and Kungälv with the goal of being BRC S&D certified in 2012. Another goal is to quality certify ICA Sweden's sourcing operations in 2012.
- Continue the work to get full control and proof of all of our suppliers' quality status and certificates.
- Continue the work to get full control of our product information, tests and labels.
- Further training for store and distribution employees on food safety.
- Continue inspections of suppliers and products, as well as internal audits in Swedish ICA stores.
- Continue implementation of IDE 2.0 (digital self-inspection system) in Swedish ICA stores.
- Finalize a quality standard for stores that can be used internationally.
- We will continue our work to ensure acceptable animal welfare standards for example by follow up that our suppliers of meat follow our requirements.
- Standardize logistics processes.



## QUALITY

# Control from factory to store

We conduct over 11,000 tests of our private label products every year, of which 3,000 are sensory tests. This is only one of many aspects of the work involved in producing a private label product. Here you can follow the entire road from factory to store.



### 1. Demand

Do customers want a new product or another alternative? Is there an empty space on the store shelf? The product being developed is given detailed specifications that must be met.

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### 2. Select a supplier

The supplier must meet ICA's quality, environmental, health and social compliance requirements. The production must be inspected according to international standards or ICA's own standard.

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### 3. Product samples

Selected suppliers produce samples based on ICA's requirement specification. A great deal of effort is devoted at this early stage to avoiding unnecessary additives and allergy-causing substances.

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### 4. Tough quality tests

Does the product meet the specifications? Under the guidance of ICA's quality lab, the product is subjected to sensory testing to evaluate its appearance, odor, taste and consistency as well as quality and function tests.

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## 5. Product specification

When a product is approved, it receives a product specification detailing its ingredients, nutritional data and packaging.

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## 6. Label inspection

Packaging information is reviewed to ensure that it complies with laws and regulations. The product must be traceable, so that ICA can easily go back to the facility where it was produced.

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## 7. Finally – a product!

After the product reaches the store shelf, ICA's quality lab begins its periodic inspections. ICA also monitors sales and returns.

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 Reviewed by Deloitte

## QUALITY

# GRI indicators

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- PR1** Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.
- PR2** Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services, by type of outcomes.
- PR3** Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.
- PR4** Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.
- PR5** Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.
- PR6** Programs for adherence to laws, standards and voluntary codes related to marketing communications, including advertising, promotion and sponsorship.



# Structured quality work

PR1

Global Compact 1

Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.

We monitor compliance of our sustainability demands with the help of audits, product label reviews, product tests and structured quality assurance in logistics and stores. Taking responsibility for a sustainable product range also means inspiring customers to make well-informed, healthy choices on a daily basis. In addition, we offer a wide range of eco-labeled, organic and ethical labeled products.

## Quality assurance of our suppliers

We require ICA's private label food suppliers to be third-party certified according to a product safety standard approved by the Global Food Safety Initiative (GFSI). These standards cover food safety management systems, Hazard Analysis and Critical Control Points (HACCP) plans and good manufacturing practices.

The ICA Group's objective was that 80 percent of all food suppliers of our corporate brands should be third party certified under GFSI by 2010 but it was not reached. Efforts to ensure that we continually have updated certificates in our systems have continued during 2011 but enforcing GFSI-requirement takes longer than expected. ICA Sweden, however, reached the target in late 2010. The result for the group as a whole was 74 percent for 2011 and the target has been pushed until 2012.

We also have our own quality standard in markets where third-party certification is not yet established or where we feel there are higher product quality risks.

In 2008, we played a part in developing a third-party standard for small-scale food production, IP Livsmedelsförädling (IP Food Processing), and reached an agreement to offer reduced auditing prices to small producers.

Suppliers of corporate brand cosmetics and hygiene products are required to be certified by BRC Global Standard Consumer Products (BRC CP) or similar standards. For other private label non-food suppliers, the goal is to be certified according to BRC CP, ISO 9001 or similar standards.

## Quality assurance of our products

All of ICA's private label products undergo sensory and quality tests on their way to becoming finished products. The sensory tests evaluate appearance, odor, taste and consistency. Ingredients, nutritional information and other properties are detailed in internal product specifications. In addition to sensory and quality tests, we test each product's function, as in the case of baking powder, washing detergent and housewares. All products are examined and approved to ensure that they live up to ICA's policies and internal guidelines. Packaging information is also inspected and approved. Rimi Baltic has expanded its corporate brands in recent years and now has its own quality organization to assure the quality of these brands in the Baltic markets.

In 2011, we conducted a total of around 11,000 tests on our private labels, around 3,000 of which were sensory tests on new and existing products.

## Quality assurance of distribution

High quality is maintained throughout the supply chain until our products reach the store. Product quality is assured through self-assessments and product safety work. This includes a fully implemented HACCP plan, which is required by law and describes how the company investigates, evaluates and inspects food risks.

In 2011, ICA's warehouses in Kallhäll and Västerås were quality certified according to the international standard BRC S&D, which stands for the British Retail Consortium Storage and Distribution and is a quality standard for retailers that covers product safety, product quality and compliance. The remaining warehouses in Sweden will apply for certification in 2012. Certification of its warehouses is an important contribution to ICA's quality work and proof of thorough, well-functioning quality assurance. For ICA, certification has created security, understanding and efficiency in these efforts through demand specifications, clearly defined routines and tools. The requirements in the BRC S&D standard are often very clear, and re-audits are periodically conducted to decide whether the certification will be retained.

The logistic function in Sweden continues to improve its operations by working in a structured

method with various improvements. One of them is 5S, an acronym in Swedish that stands for sort, structure, clean, standardize and create a habit, which its operations apply to improve quality and efficiency in their work and create benchmarks for further improvements. The roll-out of 5S began in 2011 and is now being implemented in all warehouses. In 2012, 5S will systematically continue to ensure high-performing, stable operations.

### Quality assurance of stores

Since 2009, ICA stores in Sweden have applied the Swedish standard for food handling. ICA Sweden played a decisive role in developing what became the world's first third-party food safety standard for food stores. In Sweden, the routines are being introduced in stores under the leadership of our quality coaches. In total, around 1,000 stores have implemented the standard and 326 (223) have been audited and certified by an inspection body, including all Maxi ICA Hypermarkets, an increase with 46 percent compared to last year.

The ICA Group has begun promoting the standard internationally, in part to allow ICA Norway's and Rimi Baltic's stores to be certified. ICA Norway has begun building systems and an organization to meet the requirements of the standard. In Norway, quality coaches have been hired since early 2010 to support and inspect food safety in stores. Measures to adapt the quality systems in the stores to the standard were accelerated in 2011. To date, all ICA Supermarked stores have implemented the standard. ICA has followed up around 20 stores to confirm that they they are at the right level for certification. So far, ICA Norway measure quality in stores based on hygiene inspections.

Rimi Baltic conducts internal audits to see how well its stores comply with the quality standard; deviations have been few in number.

<b>Hygiene inspections, ICA Norway, Number</b>	
	<b>Number</b>
<b>2009</b>	340
<b>2010</b>	458
<b>2011</b>	313

<b>Quality-certified ICA-stores and stores that have implemented the Swedish food handling standard, ICA Sweden, Number</b>		
	<b>Accepted by inspection body</b>	<b>Implemented the standard</b>
<b>2009</b>	100	882
<b>2010</b>	223	1125
<b>2011</b>	326	1068

 Reviewed by Deloitte

# When we recall or withdraw a product

## PR2



Global Compact 1

Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services, by type of outcomes.

## PR4



Global Compact 8

Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.

When we suspect that a product we have sold may pose a health risk, we contact the responsible supervisory authority, take the product off the shelves and distribute a press release. In total, the ICA Group had 72 (31) public recalls during 2011; ICA Sweden 17 (10), ICA Norway 44 (17), and Rimi Baltic 11 (4).

The public recalls of corporate brands included for example ICA Grillchips 300 g and Euro Shopper instant noodles containing an undeclared allergen, which was stopped on January 18. ICA 10% Nötfärs was recalled June 3 because certain batches contained salmonella. In some of the products for Euro Shopper Hot Dogs listeria was found during a routine check and the batch was recalled on August 29. In all these cases, the suppliers have been followed up through visits and feedback in documentation.

For less serious quality problems, such as different texture, different appearance, problems with labels and small labeling mistakes, we withdraw the party from the warehouses and stores. As a total for 2011, the ICA Group withdrew 1 098 (920) products; ICA Sweden 99 (99), ICA Norway 72 (57) and Rimi Baltic 927 (764).

<b>Withdrawn products, the ICA Group, Number</b>		
	<b>Corporate brand</b>	<b>Withdrawn</b>
<b>2009</b>	440	919
<b>2010</b>	363	951
<b>2011</b>	371	1170



# Our value-added products

PR3



Global Compact 8

Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.

The products we sell obviously have to comply with laws on labeling and ingredients. All corporate brands are inspected to ensure that they meet these requirements. The aim is also to offer a large variety of healthy, eco-labeled, organic and Fairtrade products and to always apply environmental thinking when selecting products.

## Healthier eating habits for everyone

The ICA Group goal is to be seen as a leader in inspiring people to eat healthy. This includes being a source of inspiration for people with food intolerances, which is a growing customer group in our Nordic markets. We are already an industry leader in products for allergy sufferers in Sweden.

## Keyhole-labeled products

In 2009, the keyhole became a Nordic health symbol and is now used by the entire Nordic food retail industry. ICA Norway introduced the keyhole to Norwegian consumers in 2006. The number and the sale of keyhole-labeled products in Sweden and Norway

Keyhole-labeled products in ICA and Rimi stores

	2011	2010	2009
Sweden, number (sales trend)	1,242 (-14%)	1,158 (-5%)	1,373 (-5%)
Norway, number (sales trend)	800 (+11%)	670 (-15%)	620 (+5%)

## Keyhole top 5<sup>1</sup>

- 1: Dairy products
- 2: Cold cuts, prepackaged
- 3: Vegetables, fresh packaged
- 4: Fruits and berries
- 5: Bread

1) Based on sales in Swedish ICA stores.

## Gluten- and lactose-free alternatives

To give food allergy sufferers more options, we offer a wide range of gluten- and lactose-free alternatives. All recipes that we develop are adapted to make every day a little easier for food allergy sufferers.

Food intolerance products in ICA and Rimi stores

	2011	2010	2009
Sweden, number (sales trend)	640 (+13%)	630 (+7%)	586 (+44%)
Norway, number (sales trend)	261 (+44%)	177 (+53%)	127 (n.d.)

## Organic products

Our organic corporate brand, ICA I love Eco, is available in all our markets. The launch in the Baltic countries in 2010 has been received very positively. In Norway and the Baltic countries, ICA I love Eco is seen as an economical organic alternative and sells well despite that other organic sales have trended lower. ICA I Love Eco is also a success in Sweden and accounts for a significant share of organic sales.

Products in the ICA I love Eco brand are certified according to the EU's organic criteria and sometimes also according to KRAV rules in Sweden or Debio in Norway. Animal-based ingredients in ICA I love Eco-products must be approved according to KRAV in Sweden or Debio in Norway, both of which place more stringent requirements on animal welfare than the EU.

#### Organic products in ICA and Rimi stores

	2011	2010	2009
Sweden, number (sales trend)	1,077(4%)	1,138 (5%)	1,036(+44%)
Norway, number (sales trend)	479 (3%)	426 (-4%)	563 (+14%)
Baltic countries, number (sales trend)	1,156 (n.d.)	771 (n.d.)	461 (n.d.)

#### Organic top 5<sup>2</sup>

- 1: Milk
- 2: Buttermilk/natural yogurt
- 3: Coffee
- 4: Eggs
- 5: Baby food

2) Based on sales in Swedish ICA stores.

#### Fairtrade products

In 2010, a new packaging design was introduced in Sweden for ICA's ethical private labels to make it easier for customers to find them on the shelf and to spark interest in what the various labels stand for. Rimi Baltic increased the amount of Fairtrade-certified products in 2011.

#### Fairtrade products in ICA and Rimi stores

	2011	2010	2009
Sweden, number (sales trend)	79 (4,6%)	113 (+8%)	96 (+78%)
Norway <sup>3</sup> , number (sales trend)	n.d. (n.d.)	45 (-8%)	45 (0%)
Rimi Baltic, number (sales trend)	71 (n.d.)	36 (n.d.)	34 (n.d.)

3) Due to the new computer system in 2011 which led to uncertain data quality, this is not reported.

#### Fairtrade top 5<sup>4</sup>

- 1: Bananas
- 2: Coffee
- 3: Sugar
- 4: Confectionery (mainly chocolate bars and pralines)
- 5: Tea

4) Based on sales in Swedish ICA stores.

#### Our stance on E-numbers and chemicals

The debate in Sweden on food additives is still ongoing. Many consumers find it difficult to understand what E-numbers stand for and whether they are really necessary. Our position is that they should be used restrictively and only if they add value to the consumer, e.g. by improving food safety. In accordance with current laws, we clearly label all additives in the list of ingredients, so that customers can make informed decisions.

We are also working actively to limit the use of chemicals that could be hazardous to humans and the environment. According to the European regulation on chemicals, REACH, we are required upon request to inform customers whether specific products contain any substances that could be classified as toxic. Our goal is not to sell any products containing such substances. In our agreements, suppliers must pledge to comply with our chemical restrictions. We ensure that they do so through samples and inspections.

### **Our stance on animal welfare and GMOs**

Our products must be manufactured under fair conditions. Animals should not be put at risk, and natural ingredients should not be altered without good reason. Products sold by ICA should be traceable to when and where they were manufactured. When it comes to fresh meat, we place stricter requirements on animal welfare than the EU, and we refuse to sell Belgian Blue breed of cattle.

The Swedish Animal Rights Organization undertook in 2011 a campaign of letters to the editor and emails directed to ICA and other retail companies in Sweden to get the stores to remove eggs from caged hens. The organization has also visited a few stores and handed out leaflets. 100 percent of the eggs under the ICA brand in the Swedish central assortment come from free range hens. From other suppliers 88 percent come from free-range hens, depending on insufficient availability. During the year we conducted a dialogue with The Swedish Animal Rights Organization in this issue.

In the ICA I love eco line, all animal-based ingredients are KRAV-certified to ensure that the animals are treated with respect. KRAV's requirements have been chosen because they are stricter than the EU's organic rules on animal welfare. Our ICA Selection pork and free range beef are also ways to protect the well-being of animals.

We take a fundamentally positive view of new technology that provides consumers with better products. For ethical and environmental reasons, however, we do question the production and cultivation of genetically modified foods and seeds that are not produced in a closed environment. Genetically modified foods (GMO) and ingredients shall be kept separate and shall be traceable. Consumers are entitled to information on whether a product comprises or contains ingredients with genetically modified origins. No such products shall be a part of our assortment. Decisions on whether to include such products in the product range are taken by the ICA management team.



### **Sales of keyhole-labeled products**

#### **ICA stores in Sweden, SEK million**

	<b>MSEK</b>
<b>2009</b>	9385
<b>2010</b>	8915
<b>2011</b>	7679

#### **ICA and Rimi stores in Norway, NOK million**

	<b>MNOK</b>
<b>2009</b>	2780
<b>2010</b>	2371
<b>2011</b>	2621

### **Sales of food intolerance products**

#### **ICA stores in Sweden, SEK million**

	<b>MSEK</b>
<b>2009</b>	1616
<b>2010</b>	1725
<b>2011</b>	1949

#### **ICA and Rimi stores in Norway, NOK million**

	<b>MNOK</b>
<b>2009*</b>	28
<b>2010</b>	43
<b>2011</b>	62

\*Norway 2009: 28 NOK million

### Sales of organic products

#### ICA stores in Sweden \*, SEK million

	<b>MSEK</b>
<b>2009</b>	1844
<b>2010</b>	1940
<b>2011</b>	2023

\* Total organic sales are higher, since these figures include only products supplied från ICA's central warehouses, not products that stores source directly from local suppliers, for example.

#### ICA and Rimi stores in Norway, NOK million

	<b>MNOK</b>
<b>2009</b>	128
<b>2010</b>	123
<b>2011</b>	126

### Sales of Fairtrade products

#### ICA stores in Sweden, SEK million

	<b>MSEK</b>
<b>2009</b>	179
<b>2010</b>	193
<b>2011</b>	202

#### ICA and Rimi stores in Norway, NOK million

	<b>MNOK</b>
<b>2009</b>	14
<b>2010</b>	13
<b>2011</b>	n.d.

\* Due to the new computer system in 2011 which led to uncertain data quality, this is not reported.

# How we are perceived by the customers

PR5



Global Compact

Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.

We work systematically with both internal and external customer surveys to communicate with consumers and hear what they think about us and our products, for instance the Swedish Quality Index, SKI, for the Swedish retail industry. Although the score in the recent SKI (2011) has gone down ICA in Sweden maintained a leading position among Swedish food retailers and is above industry average. In general, retailers in the 2011 survey got significantly lower satisfaction ratings than in previous years. Overall product quality for retailers decreased while service quality, ie attitude of the staff, dedication and advice, increased or remained in the same level as last year. ICA Banken makes a huge lift and moves from sixth place in the last poll to second place which they share with the small group of unidentified banks called "Other bank".

In our own Customer Satisfaction Index which is conducted every year we have for several years recieved good customer ratings in Sweden and each profile stands strong against its market segment (hypermarket, supermarkets and convenient store). In this year's poll customer satisfaction for ICA has risen and is now back on the same level as before the downturn in 2008.

ICA's call centers are there to maintain contact with customers, stores and suppliers. In 2011, the volume of calls and e-mails from customers in Sweden and Norway reached almost 95,000. The questions mainly concerned our products, specifically nutritional information, ingredients, packaging and origin.

<b>Customer contact via ICA's call center i Sweden and Norway</b>			
<b>Number</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
E-mails	43,834	52,181	50,431
Telephone calls	51,470	49,981	49,554

 Reviewed by Deloitte

# Codes of market communication

PR6



Global Compact

Programs for adherence to laws, standards and voluntary codes related to marketing communications, including advertising, promotion and sponsorship.

In general, our sponsorships support the Group's long-term business plan and emphasize food and health, social responsibility, the environment and sustainable development. We commit in various ways and especially in Sweden and Norway we prefer projects that target children and young adults. The sponsorship policy and guidelines follow the principles of the International Code of Sponsorship.

During 2011, an amount of undercover purchases was done in Swedish ICA stores. Undercover purchases are intended to verify that cashier's check identification of customers who are buying products with an age limit, such as tobacco and beer. The undercover purchases are undertaken by people who are between 18 and 22 years old. They must also look young. The intention is for cashiers to suspect that the "customer" is under 18 and therefore will ask for ID. Undercover purchases are intended in part to keep the cashier's alert to the issue, but they are also part of an ongoing education and reminder. From the frequency of undercover purchases, we see that increased attention, that is, more frequent purchases, provides better and better results. Undercover purchasers buy products from the following product groups: Beer, tobacco products, prescription drugs and gambling. In total 50,921 undercover purchases from these product groups were made during the year, of these 76 percent were approved.

In Norway, all the stores are now hiding tobacco products according to a new law. The ICA-retailers in Sweden are discussing a similar decision at a later point.

Since 2009 there was change in the Swedish pharmacy market, which meant that the vast majority of ICA stores decided to sell certain non-prescription drugs. During 2010 ICA Sweden also opened full-scale pharmacies under the name of ICA Cura in a number of major ICA stores around the country. At the end of the year Cura pharmacy launched its first own-label products and more products will be introduced continuously. In rural areas, many ICA-stores already has a history as pharmaceutical agents, and thus already offered drugs.

The new pharmacy market offer great opportunities but also challenges for us as a food retailer. The Medical Products Agency (MPA) has strict requirements on how the non-prescription drugs should be exposed to prevent them from falling into the wrong hands. We have an ongoing dialogue with MPA and see the regulations as a good starting point for the stores to ensure customer safety.

In 2011, customer demand for low prices increased and ICA Sweden and the Swedish ICA retailers made price reductions in several steps. During the year, the Consumer Ombudsman (KO) decided to review the price cut and in early 2012 issued an order to ICA for the price campaign and criticized the fact that not all ICA stores reduced prices on 200 items or more.



**ETHICAL TRADE**

## ETHICAL TRADE

# ICA's work with suppliers

A growing number of customers are asking where the products they buy come from and under what conditions they were produced. It is our firm conviction that international trade must be conducted on human terms.

We sell products from around the world, and our goal is that all of them will be produced while respecting human rights. We will not accept discrimination, infringements on the right to organize and collectively bargain, child labor or failures to comply with human rights. This is clarified in our policy guidelines and in the agreement all of our suppliers must sign. We also travel the world to assist suppliers on site and inspect their production. Our requirements are based on the Universal Declaration of Human Rights, the Convention on the Rights of the Child and the International Labour Organisation's (ILO) core conventions.

**Policies** : The ICA Group's quality, environmental and social compliance policy and business ethics policy

**Group goal** : 100 percent of ICA's corporate brand suppliers from high-risk countries<sup>1</sup> will be socially audited by 2012

### Important measures in 2011

- Our goal was that all of ICA's corporate brand suppliers in high-risk countries\* would be socially audited by 2011. This has been delayed until 2012, since it proved to be more time-consuming than originally anticipated. By the end of 2011, about 67% of the production units, factories, farms and packaging plants in high-risk countries which produce ICA's corporate brands were socially audited. At year-end 2010, the corresponding figure was 68%.
- Our suppliers have made around 280 third-party inspections and through our sourcing offices in Asia, 175 ICA Social Audits have been performed to monitor and follow up work in the factories that produce our private label products.
- During the year, our sourcing office in Hong Kong entered into a partnership with CCR CSR (Centre for Child Rights and Corporate Social Responsibility) in China. We cooperate in several projects, including training of young migrant workers.
- After alarming reports about the plight of seasonal berry pickers in Sweden, we were the first food retailer to conduct our own inspections in the forests.
- An analysis has been launched to identify sensitive ingredients such as cocoa, soy and nuts and how we purchase them.

1) High-risk countries as defined by the UN Human Development Index and Economic Security Index (UNDP).



### People

Behind every product are people. Protecting the rights of those who work in various ways to produce the goods we buy and sell is a given.

### Cooperations

You are never strongest when alone. To promote fair trade and ensure that our work has greater impact, cooperations are sometimes the best solution.

### Products

It should be easy to decide. Customers should know how a product is made and whether it was done under acceptable conditions.

### Methods

Ethics are important throughout the supply chain. Using sophisticated methods and clearly defined routines, we can improve control from production to customer.

## ETHICAL TRADE

# The most important events in 2011

### People

Behind every product are people. Protecting the rights of those who work in various ways to produce the goods we buy and sell is a given.

- **67 percent of our suppliers and production locations in Asia have now been inspected** by us or a third party. The work has largely been done by ICA's sourcing offices in Hong Kong, Shanghai and Ho Chi Minh City, which employ a total of around 70 experts in sourcing, quality and social responsibility, who inspect suppliers, make factory visits, offer advice and training, and are responsible for follow-ups. In 2012, we will continue to inspect and approve the remaining suppliers and production locations.
- In fall 2011, we were the **first company to inspect working conditions for Thai berry pickers in northern Sweden**. A three-day visit outside Lycksele, where 1,000 people were employed by one of ICA's berry suppliers, showed that laws and regulations were being followed, but several details about the pickers' contracts and living arrangements had to be corrected. We are following up the action plan in 2012.

### Cooperations

You are never strongest when alone. To promote fair trade and ensure that our work has greater impact, cooperations are sometimes the best solution.

- We participate in the **Global Social Compliance Program (GSCP)** to establish common social responsibility norms for suppliers. In 2011 GSCP launched a reference tool for mutual recognition between major existing codes (benchmark) and we have been involved in one of the working groups for developing the tools.
- Through our co-owner, Ahold, we are active in the **Business Social Compliance Initiative (BCSI)**, a European audit system for suppliers in high-risk countries. In 2011, BSCI conducted a number of training activities for Asian suppliers, which ICA was involved in and supported.
- ICA has been a member since 2001 of the Norwegian **Ethical Trading Initiative (ETI)**, a forum for ethical trade and challenges in global supply chains. In 2011, an industry initiative was launched to look closer at production conditions for Omega-3 fish oils.

### Products

It should be easy to decide. Customers should know how a product is made and whether it was done under acceptable conditions.

- Among the **ethical labels** we approve are Fairtrade, Rainforest Alliance and UTZ Certified.
- In Swedish stores, **sales of Fairtrade products** in our main assortment have more than tripled since 2007. In Norway, they have increased by 17 percent since 2007.

### Methods

Ethics are important throughout the supply chain. Using sophisticated methods and clearly defined routines, we can improve control from production to customer.

- We **stopped production at five factories** in 2011 after suppliers failed to meet ICA's human rights requirements.
- Since 2008, ICA has its **own personnel in Asia** who visit suppliers to build greater understanding of sustainability issues, among other things. During the year, our sourcing office in Hong Kong entered into a partnership with CCR CSR (Centre for Child Rights and Corporate Social Responsibility) in China. We cooperate in several projects, including training of young migrant workers.
- **All suppliers of ICA's corporate brand products** in countries that the UN defines as high risk **must be inspected and approved by us or a third party**. Through third-party inspections and our ICA Social Audits, we monitor and follow up work in the factories that produce our private label products. Our goal was that all 900 suppliers and production sites in Asia would be approved before the end of 2011. We reached about 95% and now expect to complete the process in 2012. The reason why the goal was not achieved in 2011 is that approvals have taken longer than originally expected. ICA's sourcing offices in Hong Kong, Shanghai and Ho Chi Minh City, which together employ around 70 experts in sourcing, quality and social responsibility, are working daily to inspect suppliers, visit factories, offer advice and training, and follow up.
- An analysis has been launched to **identify sensitive ingredients** such as cocoa, soy and nuts and how we purchase them.

## ETHICAL TRADE

# Priorities going forward

Ensuring that our own and the market's requirements are met will remain an important task.

We have a long tradition of demanding compliance with human rights norms in the production of our products. Moreover, we continue to pursue the goal of having all our corporate brand suppliers in high-risk countries\* socially audited in 2012. We will continue working with suppliers to ensure that our own and the markets requirements are met and will report our progress and setbacks openly and honestly. We will also continue to develop our own line of fair trade products.

### Important activities in 2012

- We will complete our inspections of manufacturers in high-risk countries and create a better overview of all our suppliers.
- We will continue to identify critical ingredients and which additional requirements we have to place on purchases of them.
- In Norway, we will be more active in the Ethical Trading Initiative (IEH).



## ETHICAL TRADE

# ICAs world of suppliers

ICA does business around the world. That means that our responsibility also needs to reach across borders. Below we list where in the world we are active when it comes to sourcing and producing our corporate brands.



The number of production units is not static since it is depending on the assortment in our stores and seasonal changes. Efforts to identify the production units where our corporate brands are produced continued during the year and is in its final stages. As the mapping is done the number of production units increase, mainly in fruit and vegetables and non-food.

### ICAs home markets

Most of our products like dairies, meat, bread, fruit, vegetables and root vegetables are bought from our closest markets. We also buy goods like garden furniture, wet wipes, charcoal and disposable articles.

Production units: Around 500

### Rest of Europe

In Europe, we focus on buying foods like biscuits, crushed tomatoes, French fries and pasta. We also buy products for home and personal care, such as laundry detergents, toothpaste, frying pans, candles and household cleaners.

Production units: Around 900

### Asia

Rice, canned vegetables and noodles are typical examples of products we buy from Asia. It is also from Asia that we mainly buy textiles, for example clothes, towels and sheets, and household utensils, toys and office products.

Production units: Around 760

### South- and central America

ICAs corporate brand coffee and bananas are examples of what we buy in South- and Central America. Other examples of products we buy are dried fruits and vegetables such as broccoli.

Production units: Around 130

### Africa

From our African suppliers we mainly buy fruits and vegetables, for example mango, kiwi and grapes, and also avocado and tomatoes. We also buy other products such as roses from Africa.

Production units: Around 60

### North America

We also buy some products from North America. Popcorn and almonds are examples of two products we buy from here.

Production units: Around 20

### Australia & Pacific Rim

From New Zealand and Australia we buy for example lamb, onions, apples like Royal Gala and Jazz, and kiwi. Another example of what we buy is wool.

Production units: Around 10



### Sales share own products \*

	%
Own products	30
Other	70

\* Sales Percentage of ICA's corporate brands; i.e. private label products, including fruit and vegetables, and a majority of non-food products.

## ETHICAL TRADE

# GRI indicators

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- HR2** Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.
- HR3** Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.
- HR4** Total number of incidents of discrimination and actions taken.
- HR5** Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.
- HR6** Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.
- HR7** Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor.



### Related pages

PR3

# Social audits lead to faster improvements

HR2



Global Compact 1-6

Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.

**Group target:** 100 percent of ICA's corporate brand suppliers in high-risk countries will be socially audited by 2012. High-risk countries are defined according to the UN Development Programme (UNDP) Human Development Index and Economic Security Index.

To monitor and help suppliers that produce our corporate brands to meet our requirements, we conduct social, environmental and quality audits. Starting in 2008, the ICA Group have opened sourcing offices in Hong Kong, Shanghai and Ho Chi Minh City, staffed by teams for product quality, environmental safety and social responsibility. Being close to our Asian suppliers gives us better insight and valuable experience that helps these collaborations. After four years, our efforts have resulted in a greater mutual understanding and better compliance with our social requirements.

In our Asian sourcing offices we have around 25 auditors employed, whose job it is to verify human rights compliance. They also work preventively by reviewing our suppliers' employment routines and discussing what they can do, for example, to avoid hiring underage workers and improve work environments. The ICA Group has its own control system, ICA Social Audit, whose requirements are based on similar criteria as the Business Social Compliance Initiative (BSCI).

The combination of our own inspections and third-party audits has successfully sped up the often time-consuming process of obtaining an audit from a third party. Through the ICA Social Audit, we can help suppliers to more quickly improve work conditions in their production.

Our supplier inspections are focused on countries that are classified as high-risk of human rights violations, based on an analysis of the Human Development Index and the Economic Security Index, which are updated about every second year. We also inspect suppliers in other countries when we see a risk of human rights violations. For example, in fall 2011, after reports of foreign berry pickers who had been poorly treated, we were the first retail company to inspect working conditions for Thai berry pickers in northern Sweden. With the help of an interpreter and colleagues from ICA's sourcing office in Hong Kong, the pickers were interviewed about their contracts, wages, working hours, living arrangements, equipment and other conditions. A three-day visit outside Lycksele, where 1,000 people were employed by one of ICA's berry suppliers, showed that laws and regulations were being followed, but several details about the pickers' contracts and living arrangements had to be corrected. We are following up the action plan in 2012.

67 percent of the production units, factories, farms or warehouses, that produce ICA's own products and are located in high-risk countries were socially audited at the end of 2011. In late 2010, the corresponding share was 68 percent.

Share of socially audited corporate brand suppliers %

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	2011	2010	2009
Total ICA Group	67	68	47



# Increased knowledge increases understanding

HR3



Global Compact 1-6

Total number of employee training hours devoted to human rights policies and routines relevant to the business and the share of employees who have completed such training.

Educating our employees on corporate responsibility guidelines and routines is critical. Internal training is provided continuously in the product assortment and purchasing organization. Group employees are taking web-based courses in ICA's Good Business values and related policies. The goal is that all ICA employees in Sweden and Norway will complete it. In 2011, 35 percent did so, to be compared with 22 percent in 2010.

Transferring knowledge to our suppliers is of great importance to our improvement efforts.



# Human rights measures

## HR4



Global Compact 1, 2, 6

Total number of incidents of discrimination and actions taken.

## HR5



Global Compact 1, 2, 3

Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.

## HR6



Global Compact 1, 2, 5

Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.

## HR7



Global Compact 1, 2, 4

Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor.

We regularly buy goods from suppliers in countries where human rights are not taken for granted. If ICA's own auditors or third-party auditors detect violations at a production facility we use, a concrete action plan is established and followed up in a re-audit. The first time a supplier violates our contractual requirements, they generally get a second chance to correct the problem. If they do so to our satisfaction, we will keep working with them. If a serious offense is repeated, the cooperation with the supplier will be terminated.

In social audits conducted with our own personnel in Asia during the year we identified a number of shortcomings among our suppliers. These are mainly concentrated in five areas:

- health and security
- management routines
- overtime hours
- the possibility for employees to join trade unions
- minimum wage

In five cases, the auditors identified so serious violations in production locations that we chose to stop buying products from them. On the other hand, several suppliers have received larger orders after they demonstrated positive results and improved working conditions in their production.

It is very important for ICA also to work with enforce and respect the fundamental right for its own employees. Based on the analysis of high risk countries it is seen that the risk of not respecting human rights is larger in some of the countries where our products are produced and therefore the report of our work within this area is focused within this area. During the year no incident regarding discrimination came to the management's attention.

### **Our stance on child labor**

Our basic rule when it comes to child labor is that individuals younger than 15 may not work for any of our suppliers. If national laws have stricter limits, we apply them. In China, for example, the legal working age is 16, so there we do not allow employees below this age. We also require our suppliers to give special consideration to young workers (younger than 18) in terms of the right to limited working hours, for example.

If we detect or suspect that an employee is not of legal age, the supplier is obligated, through ICA's contract, to take measures to protect the best interests of that person. Together with the supplier, we try to find the best possible solution in light of the child's age, education and social situation.

During the year, our sourcing office in Hong Kong entered into a partnership with CCR CSR (Centre for Child Rights and Corporate Social Responsibility) in China, an organization started

by the Swedish Save the Children. We collaborate in several projects together with our suppliers. We will also have access to expertise from CCR CSR and get in contact with buyers from other companies that we can share experiences with. One project is training of young migrant workers. It aims to give young people a better opportunity to manage their lives far from home, such as how to utilize the internet, handle relationship problems and plan their own development. The idea is also that the factories learn more about their young workforce and as a result reduce the risk of underage labor in production. Another project is to collaborate with social workers if we find cases of underage labor in China. It is neither simple nor obvious to bring a young person to school and training again from a workplace and professional management is needed in order to find reasonable solutions in each case.



## HEALTH

# ICA's work with health issues

Inspiring our customers to make healthy choices is one of the most rewarding things we do, while also helping us to develop our product assortment and paving the way for new business.

Health-related issues concerning additives, diets, allergies and lifestyle are important to us and our customers. We take responsibility for maintaining a sustainable product range, sharing knowledge and inspiring customers to make healthy choices every day. Our work is based on official Nordic dietary advice and nutritional recommendations. For years we have been providing healthy tips through recipes, customer magazines, websites and stores based on our customers needs.

**Policy** : The ICA Group's health policy.

**Group goal** : To be regarded as a leader in inspiring healthy eating habits.

### Important measures in 2011

- We made sure that our healthy product line, ICA Gott Liv, contains less sugar, salt, fat and additives compared to other products.
- We transitioned from the "Friendly Products" concept to "Free from" in Sweden and launched the first products in the series, around ten. The launch was supported by information material for stores.
- In May 2011, ICA launched its own lactose-free products in Sweden, the latest addition for food allergy sufferers. In Norway, ICA Supermarked expanded its line of "Free from" products, which contain no gluten, dairy, eggs or soy.
- In Sweden, we calculated nutritional information and adapted recipes from the ICA Kitchen for allergy sufferers.
- The Cura pharmacies in Sweden are becoming a natural part of a healthy ICA. More customers are discovering the benefits of shopping for food, nonprescription medications and prescription drugs in one location, with extended hours.



### Heart

A healthy life requires a healthy heart. Products that promote a sound lifestyle are a cornerstone of our business.

### Brain

The road to health begins in your head. Knowledge and understanding of good eating habits are the first step to a healthy lifestyle.

### Stomach

A healthy stomach makes every day a little easier. We offer products and solutions for every stomach, even those with food allergies.

### Muscles

An important ingredient in a healthy life is exercise. Group exercise builds both muscles and camaraderie.

### Related links

Employees

## HEALTH

# The most important events in 2011

### Heart

A healthy life requires a healthy heart. Products that promote a sound lifestyle are a cornerstone of our business.

- We want to **prevent cardiovascular disease** at an early age. During the year, 25,000 young students received a lesson on fruit and vegetables and their connection to a healthy lifestyle in Swedish ICA stores. Similar programs are being held for children in our Baltic markets.

### Brain

The road to health begins in your head. Knowledge and understanding of good eating habits are the first step to a healthy lifestyle.

- Fast can also be nutritious. **ICA To Go**, which was named health food restaurant of the year in Sweden in 2010, has added two new stores in the Stockholm area.

### Stomach

A healthy stomach makes every day a little easier. We offer products and solutions for every stomach, even those with food allergies.

- We made sure that our own healthy products, **ICA Gott Liv**, contain less sugar, salt, fat and additives than other products. ICA Gott Liv won first prize for its new design in the Cannes Lions competition.
- In May 2011, ICA launched its **own lactose-free products** in Sweden, the latest addition for food allergy sufferers. In connection with the launch, the "Friendly Products" label on all of ICA's products for allergy sufferers was replaced by "Free from" to make it easier for customers to find their way. Demand for these products is growing for every year. Today we have **640 (630) products for food allergy sufferers** in our main Swedish assortment.
- In 2011, **sales of products for allergy sufferers** grew during the year by 13 (7) percent in Sweden and by 44 (55) percent in Norway compared to 2010.
- We provided **nutritional information** on all recipes included in ICA's "**Grocery Bags**" in Sweden.
- In Sweden, we calculated nutritional information and adapted recipes from the ICA Kitchen for allergy sufferers.
- The "One Tonne Life" project in 2011 clearly showed that **a low-carbon lifestyle** can also be **healthy** by calculating the nutritional value of the family's food. We are now sharing this information with our customers.

### Muscles

An important ingredient in a healthy life is exercise. Group exercise builds both muscles and camaraderie.

- ICA has been the chief sponsor of Sweden's "**Blodomloppet**" **road races** for eight years. In 2011, 84,000 runners participated all over Sweden.
- Many ICA retailers in Sweden and stores in Norway support **youth athletics** through local sponsorships.
- Rimi Baltic in Lithuania has added **parking for 200 bicycles** in Vilnius for those who prefer not to travel by car.



## HEALTH

# Priorities going forward

Continuing to inspire customers to make healthy choices is one of the most rewarding and important things we do.

Health issues have been a focus for many years, and we have long maintained a healthy image. We expect to see continued interest in healthy food with fewer additives and less salt and sugar. We will continue to work with the keyhole criteria in Sweden and Norway and follow them, for example, in terms of the salt content in all our products, even those that are not keyhole labeled. Food sensitivity is a steadily growing issue and we are expanding our Free from line.

### Important activities in 2012

- Promote sales of keyhole-labeled products.
- Expand the cooperation with Cura pharmacies in Sweden.
- Continue efforts to strictly limit ingredients in private label products, including saturated and trans fats.



## HEALTH

# GRI indicators

For health-related employee issues, see ICA's activities: Employees.



### Related pages

PR3

## ICA IN THE COMMUNITY

# ICA in the community

Diversity, community and compassion. These terms are important to us, since we want to be a force for good in society.

Our goal is to achieve profitable long-term growth from a well-managed business that creates value for all our stakeholders. We want to be a force for good in society and make wise investments for the future, not least through collaborations and a strong local presence. We partner with charitable organizations that work with public health, the environment, humanitarian efforts and diversity. With our sport involvement, we contribute to an active leisure time for many adolescents and their parents across the country. We want to draw attention to important issues and contribute to local development that benefits everyone. We therefore engage in debates and external initiatives as well as support local projects in all our markets.

**Policy** : The ICA Group's sponsorship policy, business ethics policy, new store policy and information policy

**Group goal** : To be a force for good in society

### Important measures in 2011

- Our sponsorships are focused on health, well-being and everyone's equal value. Among the organizations we worked with during the year were World Childhood Foundation, the Swedish Cancer Society/Pink Ribbon, the Red Cross, the Worldwide Fund for Nature (WWF), the Scouts, H.M. King Carl XVI Gustaf's Young Leadership Foundation, the Swedish National Association for Persons with Intellectual Disability (FUB), the Glada Hudik Theatre, The Swedish Vasaloppet and Blodomloppet, the Swedish national team football school, ICA Skona Cup and Milan Junior Camp.
- During the year, we reviewed our sponsorship strategy in Sweden and will now continue working to achieve the goals of our collaborations.
- Through the "We can do more" project in cooperation with Samhall and Sweden's municipalities and county councils, we are finding work for people with functional disabilities in our stores, offices and warehouses. At year-end 2011, we had created jobs for 900 people, compared to the goal of 500 to 1,000 people by year-end 2012.
- The Swedish Scouts were during the summer hosts for the World Scout Jamboree. ICA Sweden was one of the main partners, accounting for food supplies to the 40,000 participants.
- Through Rimi, ICA Norway has a close cooperation with Vålerenga, where the two parties are sharing experiences and supporting each other to help young people find work.



### Health

Good eating habits are the cornerstone of a healthy life. It is important therefore to encourage children and young people to eat right.

### Diversity

Utilizing people's knowledge and experience gives us perspective and ideas how to develop. In the long run, everyone wins.

### Community

Life is more fun when shared. We support sports and other activities that encourage exercise and teamwork.

### Neighborhood

Taking responsibility for our neighborhoods in terms of the environment and social causes is how we create a future for our business.

## ICA IN THE COMMUNITY

# Important events in 2011

### Health

Good eating habits are the cornerstone of a healthy life. It is important therefore to encourage children and young people to eat right.

- In cooperation with the **Swedish WWF** and the **Swedish Cancer Society**, we have an annual health education activity called "Buddy with Your Body - 5 a Day" in Sweden to encourage children to eat more fruit and vegetables. In this year's campaign 25,000 children in second and fifth grade learned about fruit and vegetables and why these products are good for the body. New this year was that the children in the fifth grade also learned about how climate and food relates.
- ICA Sweden also sponsored Sweden's "**Blodomloppet**" road races all around Sweden where more than 84,000 persons participated as well as **ICA Kortvasan and Tjejvasan**, part of Sweden's biggest cross country skiing event, with more than 15,000 participants and **Cykelvasan**, a biking event with 9,500 participants.
- For the ninth consecutive year, ICA Sweden was the chief sponsor of **the Pink Ribbon campaign**, which collects money for Swedish cancer research with the goal of raising awareness of the connection between food and breast cancer. In 2011, the Pink Ribbon and promotional products were sold in ICA's stores and customers contributed through payment cards in the customer magazine Buffé, which raised SEK 7.8 million.
- Together with **A Non Smoking Generation**, local ICA retailers have been able to book lecturers in schools near their stores.

### Diversity

Utilizing people's knowledge and experience gives us perspective and ideas how to develop. In the long run, everyone wins.

- Since 2009, ICA Sweden and the Association of ICA-retailers have collaborated on a **project called "We can do more"**, which offers a number of people with functional disabilities the opportunity to work in ICA-stores and at ICA's offices and warehouses. By year-end 2011, 900 people had been recruited.
- We offer a **growing range of multicultural products**, in total about 250 from around 40 different countries.

### Community

Life is more fun when shared. We support sports and other activities that encourage exercise and teamwork.

- ICA and **the Scouts** have been working together for years, and since 2010 ICA is the organization's chief sponsor. In 2011, the World Scout Jamboree was held outside Kristianstad and attracted around 40,000 visitors. ICA supplied all the food.
- ICA has supported H.M. King Carl XVI Gustaf's **Young Leadership Foundation** since 2007. The foundation supports values-based leadership training for young people.

### Neighborhood

Taking responsibility for our neighborhoods in terms of the environment and social causes is how we create a future for our business.

- **The Red Cross, Childhood** and the **WWF** are the main partners in our social engagement.
- Since 2003, ICA Sweden has been the principal partner of the **World Childhood Foundation**, where we are working to help marginalized children. We contribute by collecting money for Childhood's projects. In the 2011 Christmas campaign ICA Sweden sold Jill Johnson's Christmas album and donated one percent of total private label sales in stores during a two-week period in December. This year's campaign and other activities generated SEK 7.3 million.
- In cooperation with city officials in Stockholm and Göteborg, **ICA School** has given long-term **unemployed young people training** and a chance at a trainee position in a store. The project has been very successful and more than half of the participants have found a job in the store where they worked or for another employer and are now self-sufficient.
- Through several local charitable partnerships, ICA **donates food** from its warehouses around Sweden that is soon expiring or cannot be sold in stores because of damaged packaging, even though the food itself is fully edible. These products meet the same basic food safety requirements as ICA's other products. Food that has passed its best-before date is never donated. Among the charities ICA works with are the **Salvation Army, Kvinnojouren women's shelter** and the **Skansen Open-Air Museum**.
- ICA Norway has joined an initiative with, among others, the Church City Mission, the

Ministry of Agriculture and Food and the Norwegian Food Safety Authority to create a **central distribution point for food waste in Oslo**. The center will receive food that the industry for practical or legal reasons must throw out and distribute it in an organized fashion to charitable organizations.

- In Norway, ICA supports **Fattighuset (The Poor House)** and in 14 locations in Latvia Rimi Baltic supports **local soup kitchens**.
- Through Rimi, ICA Norway has formed a close **collaboration with Vålerenga**, where the two parties are sharing experiences and supporting each other to help **young people find work**.
- In Norway, we purchased **local foods** from Toten and Brekk.
- Rimi Baltic in Latvia **cooperates with around 30 zoos and animal shelters** that receive products that are soon expiring.

 *Reviewed by Deloitte*

## Priorities going forward

We want to continue to be seen as a force for good in society. Maintaining a strong local presence is an essential aspect of this work.

We have been collaborating for many years with various organizations and participating in networks that focus on corporate social responsibility, the environment, health and food safety, and this is a tradition we want to protect. In the years ahead, we will continue to review our collaborations to ensure that our goals and values are maintained.

### Important activities in 2012

- Continue to more systematically process food waste through collaborations with NGO:s
- Engage more people; retailers, employees and customers.
- Develop existing and new projects and partnerships in line with our strategy.
- Clarify our partnerships and highlight our knowledge of food in our events in Sweden.
- In Norway, we will continue the partnership with NAV to help disadvantaged people find jobs.
- Our activities must be rooted in ICA's fundamental values and business plan.



## ICA IN THE COMMUNITY

# Cooperation partners and stakeholder dialogues

Among the most important dialogue partners are:

**Global Compact:** The UN initiative to promote corporate citizenship internationally. ICA has signed the Global Compact's Caring for Climate action platform and is a member of a Swedish government initiative (Globalt Ansvar) overseen by the Ministry for Foreign Affairs to encourage Swedish companies to be ambassadors for human rights, fair labor practices, a better environment and anti-corruption practices, in accordance with the principles of the Global Compact.

**Global Social Compliance Program (GSCP):** International alliance seeking to build consensus on best practices for labor standards in consumer goods supply chains. The program is run by the Consumer Goods Forum, which is a principal partner of ICA.

**Global Food Safety Initiative (GFSI):** Alliance between a number of the world's leading experts on food safety from retailers, manufacturers, food service companies and service suppliers in the food industry. Coordinated by the Consumer Goods Forum.

**Ethical Trading Initiative (ETI):** A forum for ethical trade and other challenges in global supply chains. ICA is a member of the Norwegian ETI since 2001.

**Business Social Compliance Initiative (BSCI):** European platform for companies to improve work conditions at consumer goods suppliers in high-risk countries. ICA participates together with one of its owners Ahold, which is a member.

**WWF (World Wide Fund For Nature):** ICA has worked with the environmental organization WWF for a number of years on several issues, among others sustainable fishing, palm oil and free range meats.

**World Childhood Foundation, Red Cross, the Scout Movement, the Glada Hudik Theatre, the H.M. King Carl XVI Gustaf's Foundation for Young Leadership and the Swedish Cancer Society/Pink Ribbon:** ICA Sweden has longstanding cooperations with these organizations.

**Swedish Society for Coeliacs and Swedish Asthma and Allergy Association:** Annual campaigns at the Swedish ICA Maxi and ICA Kvantum stores offering the local organizations a platform to highlight the allergy handicap. At the same time the consumers get hands on assistance in food allergy issues in the stores.

**Swedish National Institute of Public Health:** ICA cooperates on a project called "A healthier Sweden" to draw attention to the importance of a proper diet and exercise.

**Federation of Swedish Farmers (LRF):** ICA Sweden and LRF have cooperated for years and are now working together on various projects. The goal is to meet the increased demand for foods made from Swedish commodities.

By cooperating with consumer and environmental organizations, trade organizations, sports clubs and other interest groups, ICA has the opportunity to compare and improve the way we work. The aim is to use different methods to structure the dialogue. Key interest stakeholders include:

- Consumer Goods Forum (CGF)
- Dagligvarehandelns Miljöforum (DMF)
- Dagligvareleverandørens Forening (DLF),
- Employers' Confederation of Latvia
- "Employers will fight against HIV" (Rimi Baltic is a member)
- EU Animal Welfare Platform
- Forest Stewardship Council (FSC)
- Good Pharmacy Practice (GPP)
- Greenpeace
- Green Warriors of Norway
- Handels- og Servicenæringens Hovedorganisasjon, (HSH)
- International Chamber of Commerce (ICC)
- Investors Forum in Lithuania
- KRAV/Debio
- Latvian Association of Food retailers
- Latvian Chamber of Commerce and Industry (LCCI)
- Livsmedelshandlarna (SSLF)
- Marine Stewardship Council (MSC)
- Mattilsynet
- Roundtable on Sustainable Palm Oil (through Ahold)
- Roundtable on Responsible Soy (through Ahold)
- Swedish Trade Federation

- Svensk Dagligvaruhandel
- Swedish Food Federation
- Swedish Institute for Food and Biotechnology (SIK)
- Swedish National Food Administration
- Swedish Society for Nature Conservation
- Swedish Association of Environmental Managers
- Sweden Forest & Trade Network
- Swedish Consumer Coalition
- Swedish Pharmacy Association
- The Association of Lithuanian Trade Enterprises (ALTE)
- The Foreign Investors' Council in Latvia
- The Swedish Trade Council in Lithuania
- Ziedot Lv



## ICA IN THE COMMUNITY

# GRI indicators

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- EC1** Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.
- EC6** Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.
- EC8** Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.
- EC9** Understanding and describing significant indirect economic impacts, including the extent of impacts.
- S02** Percentage and total number of business units analyzed for risks related to corruption.
- S03** Percentage of employees trained in organization's anti-corruption policies and procedures.
- S05** Public policy positions and participation in public policy development and lobbying.



# Value generated and distributed

EC1



Global Compact

Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.

SEK million

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<b>The ICA Group</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
<b>Value generated</b>			
Revenue	95,179	93,860	94,651
<b>Value distributed</b>			
Cost of goods and services sold	-84,565	-82,922	-84,012
Value-added (Revenue – cost of goods and services sold)	10,614	10,938	10,639
Salaries and other cash compensation	-6,626	-6,548	-6,494
Taxes and social insurance costs	-2,244	-3,516	-2,154
Net interest expenses	-349	-327	-404
Dividend	-1,900	-1,566	-888
Retained in operations	-505	-1,019	699

## How we share our profit

In 2011, we were involved in a number of well received activities and campaigns together with NGOs:

Since 2003, ICA Sweden has been the principal partner of the World Childhood Foundation, where we are working to help marginalized children. We contribute by collecting money for Childhood's projects. In the 2011 Christmas campaign ICA Sweden sold Jill Johnson's Christmas album and donated one percent of total private label sales in stores during a two-week period in December. This year's campaign and other activities generated SEK 7.3 million.

For the ninth consecutive year, ICA Sweden was the chief sponsor of **the Pink Ribbon campaign**, which collects money for Swedish cancer research with the goal of raising awareness of the connection between food and breast cancer. In 2011, the Pink Ribbon and promotional products were sold in ICA's stores and customers contributed through payment cards in the customer magazine Buffé, which raised SEK 7.8 million.

## Charitable donations SEK million

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<b>ICA Sweden</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
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Donations from ICA Sweden	11	14	12
Donations from customers, suppliers and employees through ICA Sweden	16	20	20



# Our local responsibility

EC6



Global Compact

Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.

One similarity in all of the ICA Group's markets is customer interest in local foods. In addition to several initiatives to label local products in all our countries, we are doing several things to satisfy the growing interest from consumers.

Rimi Baltic in Lithuania has launched the concept "Vikis," a shop-in-shop that sells only local products. In a Vikis store, customers can find everything from dairy products, meat, vegetables and bread to jams, oils and honey. Lithuanian producers have their own ways of making the products and their own recipes. Today customers can find Vikis in several stores. Plans call for an eventual launch in all three Baltic markets.

ICA Selection pork, launched in Sweden in 2010, is locally produced by four selected farms in southeastern Sweden. The breeding pigs are raised on feed made only from Swedish commodities, i.e., without any imported soy. The sows farrow on thick straw. The farms are expected to run primarily renewable electricity from wind and hydropower. Production is certified according to IP Sigill (Swedish Seal of Quality), which guarantees that certain criteria are met in terms of animal welfare, environmental protection and food safety.

ICA Sweden has launched an intranet marketplace, ICA Torget, where local producers and retailers can meet. Local producers also have the opportunity to come into contact with retailers and stores at network meetings and at the annual ICA convention, where a number of local producers market their products. Marketing templates have been produced in Sweden to help local producers get their products seen in stores. Through its partners, ICA Sweden supported purchases from local producers during the year. The support is given to stores ensure the same high food quality from local producers as from central suppliers. A list of over 600 local suppliers has been created to support local purchases by stores.

Rimi Baltic's promotions in Latvia for freshly harvested local products have received an enormous response. In Estonia, Rimi Baltic cooperates with the Association of Estonian Food Industry to label local products with the Estonian flag.



# Community development initiatives

## EC8



Global Compact

Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.

## EC9



Global Compact

Understanding and describing significant indirect economic impacts, including the extent of impacts.

The ICA Group wants to be a positive force with a local presence in society. We therefore participate in debates and various initiatives, in addition to sponsoring and supporting projects in local communities. In Sweden, there is a connection through local ICA retailers, who own their stores and live and work in the local area. In connection with new store openings, we work with municipalities, regions and authorities to support local development.

- We are constantly refining the retail network that has been built up over more than 90 years, so that it remains sustainable and attractive. This means considering the local environment when deciding where to open new stores. We also try to balance customer needs with transports to and from stores in a way that benefits the local community. For example, new stores are given priority along existing thoroughfares to avoid increased traffic and allow customers to get to the store on bike paths or walkways or by using mass transit.
- We also try to maintain clear-cut rules on new stores with effective decision-making channels that emphasize the autonomy of local municipalities. Our dialogue and strong local connections with decision-makers, local businesses and interest groups are important to the development of the retail network.
- We are positive to local production and have for years been using an Internet-based tool in Sweden to help ICA retailers and local producers come into contact with each other. Through its partners, ICA Sweden supported purchases from local producers during the year. The support is given to stores ensure the same high food quality from local producers as from central suppliers. A list of over 600 local suppliers has been created to support local purchases by stores.
- In rural Swedish communities, ICA stores serve as an agent for Apoteket and Systembolaget, the state-run pharmacy and alcohol monopolies, as well as for the postal service.
- In cooperation with Kuponginlösen, ICA Bank has been handling payment services since 2008 for rural communities that were dropped when Svensk Kassaservice went out of business.
- Through local mail carriers and services of the ICA Bank, residents in about 70 rural routes can pay bills and cash checks.
- ICA Bank has an agreement with the Swedish Migration Board to pay out assistance to asylum seekers, who receive a debit card from ICA Bank where the money is deposited. The cardholder can then withdraw cash or make purchases at any ICA store.
- ICA Bank has joined together with ECPAT, 12 other Swedish banks and the police to stop online purchases of child pornography. ECPAT is a global network of organizations working to eliminate child prostitution, pornography and trafficking.
- ICA is an active partner in "Arena for Growth," a public-private partnership to promote local and regional growth through collaboration and growth-promoting processes.
- We support projects like "Jobbsjansen" in Oslo, ICA's trainees in the Göteborg suburb of Bergsjön, and Merit.nu in Stockholm. Besides that Rimi Baltic has an initiative to integrate employees with functional disabilities in the stores. ICA Sweden in collaboration with the ICA retailers association and local ICA retailers also employ people with functional disabilities through Samhall and municipal day care facilities.
- ICA Norway continues to work together with Fattighuset and contributed the food distributed to needy families twice a week. At Christmas, all employees have the opportunity to donate to Fattighuset.
- Rimi Baltic's hypermarkets in Lithuania and Estonia have set up boxes where customers can donate products to families in need.

# Strong business ethics provide a foundation

## S02



Global Compact 10

Percentage and total number of business units analyzed for risks related to corruption.

## S03



Global Compact 10

Percentage of employees trained in organization's anti-corruption policies and procedures.

We work systematically to prevent ethically questionable incidents and corruption. Business ethics are covered in the ICA Group's overarching risk analysis, where every area of operations is analyzed.

The Group's business ethics policy is based on the assumption that the ICA Group must be managed profitably and with high ethical standards. This includes how managers and employees behave on a daily basis and in contacts with suppliers, competitors and other parties. All employees of the Group receive information about ICA's Good Business and related policies, for example thorough web-based courses in Sweden and Norway. The goal is that all ICA employees in Sweden and Norway will complete it. In 2011, 35 percent did so, to be compared with 22 percent in 2010.



# Engagement in society's decision-making processes

S05



Global Compact 1-10

Public policy positions and participation in public policy development and lobbying.

The ICA Group cooperates with organizations and participates in networks focused on social responsibility, the environment, health and food quality. Our most important partners and commitments include:

- We signed the UN Global Compact in 2004 and Caring for Climate in 2007. ICA has also pledged to follow the European Consumer Goods Forum's sustainability program. ICA's CEO is a member of its board.
- We support and follow the OECD's sustainability guidelines for multinational companies, the International Chamber of Commerce's (ICC) Business Charter for Sustainable Development and the ICC's anti-corruption and anti-bribery principles.
- ICA Sweden's SVP Corporate Responsibility is ICA's representative in the UN Global Compact, including the Nordic network.
- ICA Sweden's SVP Corporate Responsibility is ICA's representative in Globalt Ansvar, working on issues related to corporate social responsibility. The project belongs to the unit for international trade policy and is lead by the Minister for Trade Ewa Björling at the Ministry for Foreign Affairs.
- ICA Sweden's SVP Corporate Responsibility is a member of the Monitoring Board of The Swedish Chemicals Agency.
- ICA Sweden's SVP Corporate Responsibility is a member of the Committee for Quality and Health at the Royal Swedish Academy of Agriculture and Forestry.
- ICA Sweden's head of environmental and social responsibility is since 2011 board member of SVN Sweden. SVN is an international network of companies and organizations looking to combine business benefits with a greater focus on social responsibility, business ethics and environmental work.
- ICA Norway participates in a CR network organized by the Federation of Norwegian Commercial and Service Enterprises, HSH, where experience in the CR area is shared with others in the retail community. In 2011, ICA Norway participated in HSH's lobbying efforts to maintain the current law mandating temperature requirements for chop meat in stores. In Sweden, a similar organization, Svensk Dagligvaruhandel, is working to protect the interests of consumers.
- ICA Norway participates in a network arranged by the Norwegian-Swedish Chamber of Commerce to strengthen relationships between Scandinavia and the Balkan region.
- Rimi Baltic in Lithuania is a standing member of "Baltoji Banga" (The White Wave), which promotes transparency in Lithuanian business.
- Rimi Baltic in Latvia is one of the founders of the Latvian Food Retailers' Association, which was established in 2010.



# About the ICA Group's Corporate Responsibility Report

The ICA Group's corporate responsibility report follows the latest version of the Global Reporting Initiative's (GRI) G3.1 guidelines, covers all significant principles in the UN's Global Compact and describes corporate responsibility issues of interest to our stakeholders.

We will continue to refine the report in line with the GRI's guidelines, ICA's Good Business philosophy and the UN's Global Compact. The ICA Group's corporate responsibility report 2011 has been reviewed by a third party and complies with level B+ according to GRI.

The ICA Group's corporate responsibility report describes our work on economic development, the environment, ethical trading, quality, health, employees and community engagement. We have published an annual environmental and corporate responsibility report since 1995. As of 2006, it is published together with ICA's Annual Report. As of 2004, we also report in accordance with the GRI reporting standard and as of 2008 the corporate responsibility report has been reviewed by a third party. This report follows the ICA Group's financial year, and covers thereby the period January 1, 2011 to December 31, 2011. The previous report was published in March 2010.

Information and performance indicators in this report have been selected based on the CR aspects that are relevant to our operations. The opinions of our stakeholders are important to consider when defining the key issues in our CR work, and in order to make continuous improvements. With the help of the GRI's "Guidance on Defining Report Content," we have conducted a materiality analysis, where the demands and expectations of our stakeholders, among other things, served as a basis. The materiality analysis was defined for the first time in 2008 and is revised each year.

## Boundaries

The report mainly comprises operations that have a significant, direct impact from a CR perspective, i.e. the Group's own operations. In Sweden, we collaborate with around 1,400 independent retailers through agreements. Information on them is presented when relevant to the overview of the ICA Group's CR work, e.g.:

- Electricity consumption.
- Waste collected from deliveries of goods to stores.
- Sales data from stores.
- The number of stores that are certified according to food standards and are Swan-labeled.

Operations outside ICA's direct control, such as suppliers and customers, are not included in the report. Information on suppliers of ICA's corporate brands is included in the report when applicable.

ICA's Good Business philosophy and policies are shared by the entire Group. Although this work rests on the same foundation, there are local variations in the markets where the ICA Group is active that affect conditions on a practical level. There are several reasons for these local variations:

**Different markets:** ICA Sweden is the leader in a mature market. In Norway, on the other hand, ICA Norway is in an upstart working hard to turn around a negative long-term trend. In Estonia, Latvia and Lithuania, Rimi Baltic operates in a potentially expansive, but uncertain market.

**Differences in customer behavior:** Customer preferences tend to vary. In the Baltic countries, which still are hit hard by the financial crisis and recession, food prices are a critical issue. In Sweden, the recession and financial crisis have not affected spending patterns as much, and consumers have the freedom to buy less price-focused alternatives such as organic and Fairtrade products. Norwegian customers have felt the recession to an even lesser extent. They remain interested in healthy meal solutions.

**Different opinions:** Different topics garner different responses depending on local opinions in the country. In Sweden, food shrinkage, additives and greenhouse gas emissions are major concerns. Norwegians feel strongly about healthy living and nutrition. Interest in not throwing food away unnecessarily has also grown in Norway. Due to the financial crisis, the Baltic countries have been forced to focus on economic issues, although the public is also concerned about GMO's and littering.

**Similarities:** The common denominator is an interest in local foods. Country-of-origin labeling has grown in popularity in all our countries. Sweden has the Swedish Seal of Quality, and in Norway a new industry trademark, "Nyt Norge" ("Enjoy Norway") has had a major impact. Latvia uses the same type of labels, "Green Spoon" and "Grown in Latvia with Pride".

Also, consumers on all our markets appreciates openness and honesty from a retailer in corporate responsibility matters.



## **Contact**

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# Dialogue with ICA's stakeholders

Maintaining a continuous dialogue is an important part of ICA's CR work. Based on our stakeholder dialogues, we have made a materiality analysis and identified relevant CR issues. The most important stakeholder groups are customers, employees, owners, independent ICA retailers in Sweden, franchisees in Norway, suppliers, government authorities and a number of NGOs. These groups have different expectations and place different demands on the Group's CR work.

Stakeholder	Key issues	Dialogues/activities to manage these issues
Customers	<ul style="list-style-type: none"> <li>• Climate change.</li> <li>• Food safety.</li> <li>• Additives and chemicals in products.</li> <li>• Green, Fairtrade and healthy product range.</li> <li>• Local foods.</li> <li>• Food prices.</li> </ul>	<ul style="list-style-type: none"> <li>• Annual customer surveys.</li> <li>• Customer contacts in stores, social media and through ICA call centers.</li> <li>• Information in Buffé magazine and on ICA.se.</li> <li>• Display material in stores.</li> <li>• Product labels, e.g., organic, eco-labeled, Keyhole labeled and Fairtrade.</li> <li>• Descriptive product information, e.g., hangtags used on ICA's ethical labeled products.</li> <li>• Modernized, improved healthy product range through the re-launch of the line ICA Gott liv.</li> <li>• New pricing policy at Rimi Baltic providing price reductions at least for 2000 products. In Norway and Sweden ICA also worked hard to reduce prices.</li> </ul>
Employees	<ul style="list-style-type: none"> <li>• Opportunities for skills training and professional development.</li> <li>• Strong leadership.</li> <li>• Good work environments.</li> <li>• Diversity.</li> </ul>	<ul style="list-style-type: none"> <li>• Annual employee survey.</li> <li>• Performance reviews.</li> <li>• ICA School and ICA's Good Business.</li> <li>• Values-based leadership, i.e., the HR department supports leaders with coaching, relationship building and employees' career development.</li> <li>• Preventive wellness by giving leaders tools to work with their employees.</li> </ul>
Owners	<ul style="list-style-type: none"> <li>• Integrated and strategic CR work.</li> <li>• Oversight of ethical issues and responsible behavior in value chain.</li> </ul>	<ul style="list-style-type: none"> <li>• Annual board review on governance, sustainability risks and opportunities.</li> <li>• Meetings and reports on shared sustainability issues.</li> <li>• Respond to investors' questionnaires, e.g. the Carbon Disclosure Project.</li> <li>• Annual stakeholder dialogues on a specific theme, in 2011 it was corporate responsibility and labor rights for individuals picking berries in Swedish woods.</li> <li>• Continuous coordination and follow up of, for example, key performance indicators.</li> </ul>
Retailers, franchisees	<ul style="list-style-type: none"> <li>• Energy efficiency in stores.</li> <li>• Food safety.</li> <li>• Food waste.</li> <li>• Value-added products.</li> <li>• Environmental management.</li> <li>• Quality management.</li> </ul>	<ul style="list-style-type: none"> <li>• Reduce energy consumption in stores by providing tools, solutions and ideas for new and existing stores.</li> <li>• Information and training activities with quality coaches, retail intranet, etc.</li> <li>• Continuous meetings and consultations with ICA retailers.</li> <li>• Daily contacts with ICA stores through ICA call centers and operations managers.</li> <li>• Quality coaches who visit and support stores by introducing the food quality standard.</li> <li>• The magazine ICA's Good Business which covers sustainability issues.</li> <li>• New central agreement with Svanen, Nordic eco label license for stores.</li> <li>• Continue to develop the assortment of organic and Fairtrade products.</li> </ul>
Suppliers	 <ul style="list-style-type: none"> <li>• Local purchases.</li> <li>• Impact on climate change.</li> <li>• Electronic invoices.</li> </ul>	<ul style="list-style-type: none"> <li>• Supplier audits on quality, environment and social responsibility.</li> <li>• Training in social engagement.</li> <li>• ICA Torget, ICA Sweden's marketplace for local entrepreneurs and retailers.</li> <li>• Supplier contacts through ICA call centers.</li> <li>• Annual stakeholder dialogues on a specific theme. In 2011 it was corporate responsibility and labor rights for individuals picking berries in Swedish woods.</li> </ul>
Authorities		

# Risks and opportunities with our CR work

ICA's CR work entails both risks and opportunities. We must constantly adapt to demands for greater transparency, regulatory changes and increasing requirements placed on sustainability in every level of the supply chain.

Unless we can satisfactorily meet the market's expectations and our own goals, there is a risk that the brand and ICA's position in the market will suffer. There is also a risk that cost efficiencies will be affected unless satisfactory measures are taken to conserve energy and reduce waste, among other things.

On the other hand, our market position could improve if ICA can meet customer demand for transparency, quality, human rights issues and environmentally friendly and healthy products better than the competition. We can also be more cost-effective by reducing consumption of energy and materials in our operations. Generally, we are best able to address sustainable development issues through our local presence in each market and by educating and informing customers.

Based on our corporate values, ICA's Good Business, sustainability issues are integrated into our daily operations and contribute to greater transparency of the company. It also allows adjustments for changes in legislation and increased demands for sustainability issues. We are constantly developing our sustainability efforts, notably by pursuing issues such as climate, energy efficiency, water use in production, social responsibility in the supply chain, health and wellbeing and community involvement.

In order to assure ourselves that what we sell live up to both legal requirements and ICA's Good Business, with its demands for quality, health, environment and social responsibility the group-wide initiative I Care started 2009. The goal of this initiative is to create tools and models to ensure the ICA Group's product flow, in every market, from sourcing to logistics and stores. This is done by certifying the purchasing, logistics and retail processes by selected and established standards.

The certification process is under way and the Swedish logistics and store operations have reached the furthest. ICA Sweden's logistics operations are certified according to ISO 14001 since 1997, and two warehouses were certified according to BRC S & D in 2011. 326 of the Swedish ICA stores were certified by the Swedish industry standard for food quality in stores in 2011 and over 1,000 stores were working according to the standard. The Swedish sourcing operations are working according to both ISO 9001 and ISO 14001 with the goal of becoming certified in 2012. The Norwegian and Baltic operations use the Swedish model to implement sustainability issues and are aiming for certification in 2013.

The model below shows ICA's degree of influence and ability to affect every part of the value chain.

## ICA's influence on its supply chain

ICA can affect various parts of the chain to a certain degree. All parts of the chain include activities that ICA can control.

<b>Lot of influence</b>		<b>Little influence</b>	
<p><b>ICA's own stores</b></p> <ul style="list-style-type: none"> <li>Choice of products.</li> <li>Choice of store locations.</li> <li>Choice of energy sources.</li> <li>Waste management.</li> <li>Periodic self-assessments.</li> <li>Internal training and HR development.</li> </ul> <p><b>ICA's own warehouses &amp; transports</b></p> <ul style="list-style-type: none"> <li>Choice of warehousing facilities.</li> <li>Choice of energy sources.</li> <li>Waste management.</li> <li>Choice of transport roads.</li> <li>Choice of transport</li> </ul>	<p><b>Purchased transports</b></p> <ul style="list-style-type: none"> <li>Choice of shippers.</li> <li>Requirements on transport roads, transport modes, fuels and eco-driving.</li> <li>Periodic inspections and monitoring.</li> </ul> <p><b>Franchisees</b></p> <ul style="list-style-type: none"> <li>To a large extent the choice of products.</li> <li>Agreements and cooperations.</li> <li>Information and lobbying.</li> </ul>	<p><b>Suppliers</b></p> <ul style="list-style-type: none"> <li>Choice of suppliers.</li> <li>Contracts and terms.</li> <li>Choice of products.</li> <li>Product quality and environment audits.</li> <li>Social audits.</li> <li>Dialogue and cooperation with suppliers and stakeholders.</li> <li>Information and lobbying.</li> </ul> <p><b>Independent retailers</b></p> <ul style="list-style-type: none"> <li>To some extent the choice of products.</li> <li>Agreements and cooperations.</li> <li>Information and lobbying.</li> </ul>	<p><b>Customers</b></p> <ul style="list-style-type: none"> <li>Product offerings.</li> <li>Loyalty programs.</li> <li>Dialogue and cooperation with suppliers and stakeholders.</li> <li>Information and lobbying.</li> </ul>

- modes.
- Eco-driving training.

**ICA's main product range**

- Product range strategy, e.g., selection of value-added products like eco-labeled, organic, Fairtrade, keyhole-labeled.
- Product quality aspects.
- Choice of products.

 *Reviewed by Deloitte*

## Important Corporate responsibility awards in 2011

- In connection with Samhall's "Visa Vägen" (Lead the Way) awards, CEO Kenneth Bengtsson was given an honorary mention for ICA's work.
- ICA Norway was again ranked among the top ten companies in Norway for the Group's work with human rights, according to an Amnesty report.
- Rimi Baltic received a National Business Award in Lithuania in 2011 for Rimi Baltic's efforts to hire the disabled in its stores, many of whom with hearing and physical impairments are now working the cash registers, for example.
- ICA Banken was ranked best in the banking and pension companies in the survey Sustainable Brands 2011 and ended on a 59th place in the overall rankings. ICA Sweden came in second place with 119 points out of 200 possible. Clients have ranked 150 Swedish companies according to which are the best performers of environmental and social issues.
- Our healthy line, ICA Gott Liv, which contains less fat, sugar and salt, won first price for its new design in the Cannes Lions competition.
- At the international design competition Pentawards ICA won silver in the category Beverages for its packaging design for the Lactose-free range.
- During the year, the magazine ICAs Goda Affärer won prizes in several competitions, including silver in the Swedish Design Award. The magazine conveys ICA's views on environment, health, quality and responsibility issues and is published by ICA Sweden and distributed to all employees in Sweden.
- The magazine ICAs Goda Affärer received gold in the category of Best Cover in the competition Gold leaf, organized by Sveriges Uppdragspublicister/The Swedish Association of Custom Publishers. The Swedish customer magazine Buffet and cookbook Sweden's new landscape dishes were awarded the silver in respective category.
- The magazine ICAs Goda Affärer was awarded the Swedish Publishing Award in the category "Employee Magazine - business." The ICA Group's annual report was also nominated in the category of "Annual reports - business" and ended up in third place. The Swedish customer magazine Buffé was nominated in the category of "Customer magazines."



# ICAs Materiality analysis

SIGNIFICANCE TO STAKEHOLDERS	VERY HIGH	<ul style="list-style-type: none"> <li>• Additives and chemical substances in products</li> <li>• Eco-friendly, ethical and healthy product range</li> </ul>	<ul style="list-style-type: none"> <li>• Local foods</li> <li>• Food safety</li> <li>• Safe products</li> <li>• Food prices</li> <li>• Profitable economic growth</li> <li>• Greenhouse gas emissions</li> <li>• Quality management</li> <li>• Responsible sourcing and social responsibility</li> <li>• Energy use</li> <li>• Public health</li> </ul>
	HIGH	<ul style="list-style-type: none"> <li>• Sponsorships</li> <li>• Food waste</li> <li>• Diversity</li> <li>• Water use</li> </ul>	<ul style="list-style-type: none"> <li>• Opportunities for skills training and professional development</li> <li>• Integrated and strategic CR work</li> <li>• Good work environment</li> <li>• Use of raw materials</li> <li>• Biodiversity</li> <li>• Strong leadership</li> <li>• Energy efficiency in stores</li> </ul>
		HIGH	VERY HIGH
SIGNIFICANCE TO ICA			

 Reviewed by Deloitte

# Measurement and calculation methods

ICA Sweden, ICA Norway and Rimi Baltic use a common IT system to collect data on CR issues. The system supports continuous reporting with the aim to ensure the long-term quality of the indicators included in ICA's continuous monitoring and annual CR report. The company in each country reports data according to the Group's definitions and routines for CR reporting. ICA's calculation and reporting parameters are described in detail below.

## Charitable contributions

- Include voluntary donations from ICA Sweden, as well as donations from customers, employees and suppliers collected through ICA in Sweden. The recipients are charitable organizations and NGOs.

## Energy

- Includes stores and warehouses, as well as offices belonging to logistics departments. The ICA To Go stores are not included.
- To calculate electricity consumption in Swedish and Norwegian stores, a sampling of stores in each format is used. Their actual consumption is then extrapolated in order to report the total energy consumption at the end of the report period.
- To calculate energy consumption per square meter in warehouses and stores, the area of the stores and warehouses in operation at year-end is used.

## Goods transports and climate impact

- Include goods transports between stores and ICA's warehouses. Transports by suppliers to warehouses are not included.
- ICA Sweden and Rimi Baltic are calculated based on distances driven and average fuel consumption. Diesel consumption for own goods transports in ICA Norway and Rimi Baltic is obtained directly from the diesel supplier. Measurement does not take into account the amount of renewable fuel used. A revised method is scheduled to be introduced in 2011.
- Leased transports between warehouses and stores in Norway are estimated on driven transport distance and average diesel consumption for their own transportation.
- Cooling agents
- Include cooling agents refills in all warehouses and Rimi Baltic's stores. Stores in Norway and Sweden are not included.
- Data on ICA Sweden's warehouses are based on official coolant reports.

## Business travel

- Includes business travel by air booked through ICA's central travel agency for employees of ICA Norway and ICA Sweden. As of 2008, we buy carbon offsets for air travel.
- Includes business travel by rail made by employees within ICA Sweden booked through ICA's central travel agency or directly through travel providers with ICA's customer number.
- Includes business travel by car made by employees in Sweden.

## Climate change

The following factors are used to calculate CO2 emissions:

- Emissions factor for 2006 Nordic electricity for conventional electricity in Sweden and Norway.
- Supplier-specific emissions factor for units that have signed ICA's central electricity agreement.
- The International Energy Agency's average for the years 2000–2005 for each Baltic country's electricity production.
- The Swedish Society for Nature Conservation's specific emissions factor for Good Environmental Choice electricity.
- Swedish average for district heating from the Swedish Energy Agency (according to the recommendation of the GHG Protocol).
- The emissions factor for Sweden's electricity mix is used to calculate CO2 savings from sales of low-energy light bulbs.
- Emissions factor for diesel from the Nätverket för Trafik och Miljö (NTM).
- Global Warming Potential (GWP) for each type of cooling agents according to the Montreal Protocol and IPCC.
- CO2 emissions from air and rail travel are obtained from ICA's carbon offset suppliers or the travel provider.
- The GHG Protocol's emission factor for business travel by car.

## Waste

- Includes all warehouses, as well as ICA Norway's and Rimi Baltic's stores. Soft plastics from stores are not included for Rimi Baltic, but for ICA Sweden and ICA Norway, since

this type of waste is returned from stores to warehouses.

- National laws and regional waste management systems define the types of waste included.
- Information on waste management methods and amounts is obtained from waste contractors.
- Waste volumes in ICA Norway and Rimi Baltic stores are based on actual waste amounts collected during the year for a significant part of the stores. Generated waste is extrapolated using the number of stores at year-end.
- Rimi Baltic's waste is based on actual waste data extrapolated by the number of stores at year-end. Waste from outsourced warehouse in Estonia is excluded.
- Waste reported for Rimi Baltic also includes packaging waste for products that Rimi Baltic introduces on the market.
- Compostable waste comprises biodegradable organic waste, i.e. waste sorted as compostable and 90 percent of organic waste fractions with packaging.
- Combustible waste comprises combustible waste fractions and 10 percent of organic fractions with packaging. In Norway, 75 percent of unsorted production waste is included as well.
- Recycled/reused waste includes glass, metal, wood, plastics and other non-landfill waste. ICA Norway also includes 10 percent of unsorted production waste in recycled/reused fractions and 15 percent in landfill waste fractions.

### **Supplier-related data**

- GFSI-certified suppliers comprise ICA's corporate brand suppliers approved according to one of the quality standards approved by the Global Food Safety Initiative (GFSI).
- Information on socially audited suppliers refers to active suppliers in high risk countries and their production units, which have been socially audited according to ICA Social audit or any of the third party audit schemes accepted by ICA.
- The definition of a high risk country is based on a combination of the UN Development Programme (UNDP ) Human Development Index and Economic Security Index. A country is considered a high-risk country if it has <0.85 in the Human Development Index and <0.50 in the Economic Security Index. Unless the two index levels are consistent, the level of the Human Development Index will be crucial when a country's level of risk is assessed.

### **Sales trends and number of products**

- Includes sales from Swedish and Norwegian ICA and Rimi stores. In Sweden, only ICA Sweden's central assortment of the products described below is included.
- The number of products corresponds to the total number of unique EAN codes in ICA's range of food intolerance products or those labeled according to Fairtrade (not reported for ICA Norway), Keyhole, organic (KRAV/Debio, EU organic).
- Keyhole labeled products and products for food intolerances are available in Swedish and Norwegian ICA stores.

### **Quality work and product safety**

- Recalls comprise all recalled products from warehouses and/or stores. Recalls that are considered a risk to human health or the environment are public recalls, i.e., the public is informed through a press release, among other measures.
- Tests comprise the number of internal and external product tests on ICA's corporate brands, both new and existing products.

### **Quality in stores**

- Certified stores in Sweden refer to stores approved and certified by a third party, according to the Swedish standard for food quality.
- Stores that have implemented the food quality standard refer to Swedish ICA stores that apply the standard, but are not certified by a third party.
- Hygiene inspections comprise the number of inspections performed by ICA Norway's own employees at ICA and Rimi stores in Norway.

### **Employees**

- Comprises personnel employed by the Group, i.e., including employees in stores owned by ICA.
- The number of full-time equivalents (FTE) comprises full-time employees, probationers and temporary employees hired for longer than three months.
- Employee turnover is calculated as the number of individuals who leave during the year in relation to the average number of probationers and permanent employees.
- Absenteeism is calculated as the number of hours of sick leave in relation to scheduled working hours.
- The gender distribution at the management level refers to all management levels within the Group and is based on the number of full-time equivalents (FTE).
- Store robberies include robberies or attempted robberies of merchandise or money from stores or store employees, as well as physical violence or threats of physical violence.

### **Significant changes since the previous reporting period**

Compared to previous years, the following changes were made in the reporting and calculation principles in 2011:

- The calculation method for fuel consumption and CO2 emissions from purchased goods transports in ICA Sweden have changed during the year. The new calculation method has been used for 2006-2011.



## **Auditor's Review Report on ICA AB's Sustainability Report**

This is the translation of the auditor's report in Swedish

To the readers of ICA AB's Sustainability Report

### **Introduction**

We have been engaged by the executive team of ICA AB to review the ICA AB Sustainability Report for the year 2011. Our review is limited to the information related to 2011. Our review covers the ICA Group's Sustainability Report on the Internet (<http://reports.ica.se/ar2011en>) based on the information included as per publication date 5 March 2012. The webpages covered by our review have been marked "Reviewed by Deloitte". The Board of Directors and the Executive Management are responsible for ongoing activities regarding the environment, health & safety, quality, social responsibility and sustainable development, and for the preparation and presentation of the Sustainability Report in accordance with the applicable criteria. Our responsibility is to express a conclusion on the Sustainability Report based on our review.

### **The Scope of the Review**

We have performed our review in accordance with RevR 6 Assurance of Sustainability Reports issued by Far. A review consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with IAASB's Standards on Auditing and Quality Control and other generally accepted auditing standards in Sweden. The procedures performed consequently do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

The criteria on which our review are based are the parts of the Sustainability Reporting Guidelines G3, published by The Global Reporting Initiative (GRI), which are applicable to the Sustainability Report, as well as the accounting and calculation principles that the Company has developed and disclosed. We consider these criteria suitable for the preparation of the Sustainability Report.

Our review has, based on an assessment of materiality and risk, e.g. included the following procedures:

- a. an update of our knowledge and understanding for ICA AB's organization and activities
- b. assessment of suitability and application of criteria in respect to stakeholders need of information
- c. assessment of the result of the company's stakeholder dialogue
- d. interviews with responsible management, at group level, subsidiary level and at selected business units with the aim to assess if the qualitative and quantitative information stated in the sustainability report is complete, correct and sufficient
- e. read internal and external documents to assess if the information stated in the sustainability report is complete, correct and sufficient
- f. analytical review of reported information
- g. assessment of the company's stated application level according to GRI's guidelines
- h. overall impression of the sustainability report, and its format, considering the information's mutual correctness with applicable criteria
- i. reconciliation of the reviewed information against the sustainability information in the company's annual report for 2011.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the information in the ICA Group's Sustainability Report 2011 has not, in all material respects, been prepared in accordance with the abovestated criteria.

Stockholm 5 March 2012

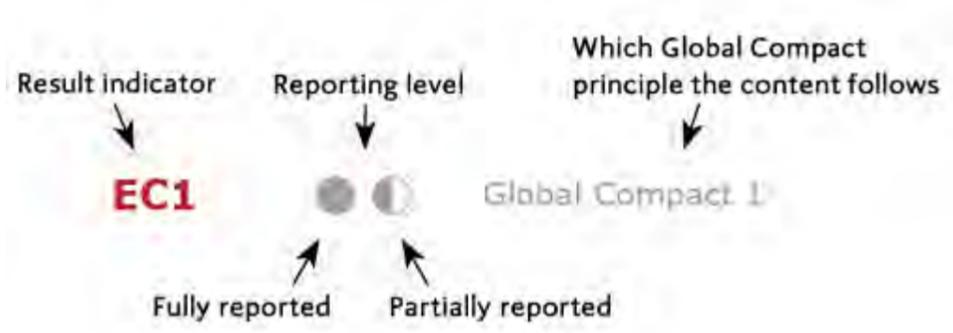
Deloitte AB

Jan Berntsson  
Authorized Public Accountant

Lennart Nordqvist  
Expert Member of Far

# Reading our GRI Report

Each performance indicator begins with the following symbols, which describe what the indicator means, the level to which we report it and whether the content also follows one of the Global Compact principles.



 Reviewed by Deloitte

## **Financial review**

The Board of Directors and the President of ICA AB hereby present the annual report for the financial year January 1, 2011 – December 31, 2011. All amounts are in millions of Swedish kronor (SEK million) unless indicated otherwise.

The Board of Directors and the President of ICA AB hereby present the annual report for the financial year January 1, 2011 – December 31, 2011. 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 2,150 of its own and retailer-owned stores in Sweden, Norway and the three Baltic states. 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 Real Estate owns and manages real estate. ICA Bank AB offers financial services to Swedish.

# Financial summary

<b>Summary of key financial ratios for the ICA Group SEK million</b>	<b>Jan-Dec 2011</b>	<b>Jan-Dec 2010</b>
SEK million		
Net sales	95,179	93,860
Operating income	2,505	2,924
Operating income excluding capital gains and impairment losses <sup>1)</sup>	3,101	2,936
Operating margin, %	2,6	3,1
Operating margin excluding capital gains and impairment losses, % <sup>1)</sup>	3,3	3,1
Income after net financial items	2,156	2,597
Net income for the year	1,395	547
Total assets	40,961	39,703
Cash flow from operating activities	3,256	3,188
Equity/assets ratio, %	27,7	30,0
Return on equity excluding ICA Bank, % <sup>2)</sup>	11,2	3,9
Return on capital employed excluding ICA Bank, % <sup>3)</sup>	12,5	15,5

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

<sup>2)</sup> 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.

<sup>3)</sup> 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 January 2011, SEK 1,187 million was paid to the Swedish Tax Agency as a result of the County Administrative Court's ruling in December 2010 on a tax dispute regarding interest deductions for the period 2004-2008. The payment was made after ICA's request for deferment was denied. The amount has been booked as receivable from the Tax Agency. ICA has appealed the County Administrative Court's ruling to the Administrative Court of Appeal.
- In March, the Supreme Administrative Court denied ICA's appeal and request for leave to appeal a tax dispute concerning interest deductions for the period 2001-2003. The decision means that the Administrative Court of Appeal's ruling has been upheld. The decision has no financial effect on ICA, since the tax claim of SEK 747 million was paid in 2009 and expensed in the second quarter of 2010.
- In August, ICA decided to discontinue the ICA Maxi concept in Norway and to initiate a sales process for the ICA Maxi stores.
- Per Strömberg was appointed the new CEO of the ICA Group in October. Formerly CEO of Lantmännen, he will take over on April 1, 2012, succeeding Kenneth Bengtsson, who is stepping down after 11 years.

## **Important events during the year**

- Thorbjørn Theie was appointed new CEO of ICA Norway. He was former CEO of Kjøpmanngruppen, part of the Norwegian chain Norgesgruppen. Thorbjørn will assume his new post in June 2012, succeeding Antonio Soares, who is retiring.

# Financial year 2011

In light of the economic turbulence and weak development in our markets, we are very pleased with the ICA Group's results for 2011. Net sales rose by 2.6 percent at constant exchange rates as a result of higher sales in ICA Sweden and increased income for ICA Bank and ICA Real Estate. The ICA Group delivered operating income excluding capital gains and impairments of over three billion Swedish kronor, our highest profit until now. The reasons were a strong recovery by Rimi Baltic, a very successful year for ICA Bank and ICA Real Estate, and stable development by ICA Sweden. ICA Norway remained a major challenge, but a lower loss in the fourth quarter was a cautious sign of a recovery.

For ICA Sweden, 2011 was a challenging year in which the consumer goods market saw slow growth and stiff price pressure. We continued to implement strategic long-term price cuts, which resulted in increased sales and a stronger market position. The price cuts also contributed to higher sales of private label products. Lower margins in certain product categories and temporarily higher logistics costs as a result of the warehouse shutdowns in Umeå and Årsta weakened the operating income to some extent, however. During the year we opened another 12 Cura pharmacies, now giving us a total of 42.

ICA Norway's challenges and changes continued during the year. Its loss increased, mainly due to goodwill impairment of SEK 592 million in the third quarter, but also because of higher expenses, since more stores are now company-owned. During the year, 76 stores were converted to the successful new Rimi concept. Today there are a total of 266 new Rimi stores, including six Mini Rimi stores. Sales in the new Rimi stores remained positive, with growth of 8.1 percent compared with the previous year. Intense efforts to execute the business plan continue on schedule, and at the end of the year we saw some stability in terms of expenses and margins. The process to sell the ICA Maxi stores is continuing, and as part of current efficiency improvements the logistics structure is now being revised. In January of this year we announced that Thorbjørn Theie will take over as CEO by June at the latest, succeeding Antonio Soares, who is retiring. As a whole, we believe that the overall measures being taken will gradually lead to an improved result for 2012, and that a solid foundation has been laid for ICA Norway to reach a satisfactory profitability in the years ahead.

Rimi Baltic reported very positive development and a strong recovery during the year, returning to the same profit level as before the financial crisis in 2008. This was thanks to a number of margin-improving measures and solid cost controls throughout its operations. Sales in local currency increased in a market still faced with tight competition and massive price pressure. Operations in all three countries improved, with the biggest recovery in Lithuania. The number of new store openings will gradually increase in 2012.

ICA Bank's performance was very positive during the year, with increased revenue, improved income, more customers and higher loan volumes. We are pleased to say that the measures taken to create a full-service bank have been successful. The launches of ICA Student and a new savings account are recent examples.

ICA Real Estate had a successful 2011. An unseasonably mild winter in the fourth quarter and increased rental revenue from new properties and acquisitions had the biggest positive impact on income.

# Income summary

## Group

Net sales during the year amounted to SEK 95,179 million (93,860), up 1.4 percent. Net sales at constant exchange rates rose by 2.6 percent. Operating income amounted to SEK 2,505 million (2,924). Operating income includes capital gains of SEK 32 million (27) and impairments of SEK 628 million (39), which mainly consist of goodwill impairment of SEK 592 million in ICA Norway. Operating income excluding capital gains and impairments amounted to SEK 3,101 million (2 936). Income after net financial items was SEK 2,156 million (2,597). Net income for the period amounted to SEK 1,395 million (547). The previous year was charged with a tax expense of SEK 747 million for a tax dispute for the years 2001-2003 as well as SEK 632 million for a reversal of deferred tax in ICA Norway.

## ICA Sweden

Net sales during the year amounted to SEK 62,500 million (60,596), up 3.1 percent. The increase was mainly due to higher sales to stores and the addition of more Cura pharmacies. Operating income amounted to SEK 2,617 million (2,750). The lower result was largely due to temporarily higher logistics costs resulting from changes in the logistics structure as well as lower margins.

## ICA Norway

Net sales during the year amounted to SEK 20,679 million (21,225), down 2.6 percent. Sales in local currency rose by 0.2 percent. More company-owned stores and converted Rimi stores affected sales positively while fewer franchised stores and closed stores affected sales negatively. The conversion of stores to the new Rimi concept continued according to plan during the year. As of December 31 there were a total of 266 converted stores, including six Mini Rimi stores. The total number of stores operated by ICA Norway on the same date was 550. Operating income amounted to SEK -1,255 million (-588). Operating income includes goodwill impairment of SEK 592 million. Operating income excluding impairments was SEK -663 million (-588). The higher loss was mainly caused by increased costs for retail operations due to more unprofitable company-owned stores.

## Rimi Baltic

Net sales during the year amounted to SEK 10,089 million (10,352), down 2.5 percent. Sales in local currencies increased by 2.9 percent. Operating income amounted to SEK 173 million (-13). Operating income for the year was charged with an impairment loss of SEK 21 million for the Säästumarket trademark in Estonia. The previous year was charged with closure costs for stores in Lithuania, consisting of SEK 37 million in impairments and SEK 33 million in liquidation costs for personnel and premises. The improvement in income excluding these costs was SEK 137 million and was mainly due to higher sales and gross margins as well as good cost controls. The biggest improvements have been in Lithuania.

## ICA Bank

Revenues during the year amounted to SEK 764 million (612). The increase of 24.8 percent was mainly due to better net interest income driven by higher interest rate levels. Business volume grew by 8.7 percent (8.8) from the beginning of the year. Operating income rose to SEK 171 million (91). The improvement was mainly due to better net interest income.

## ICA Real Estate

Revenues during the year amounted to SEK 2,202 million (2,135), up 3.1 percent. Operating income increased partly due to lower overhead and higher rental income, amounting to SEK 1,005 million (917). Operating income includes capital gains on real estate sales of SEK 30 million (30) and impairments of SEK 3 million (-9). Operating income excluding capital gains and impairments amounted to SEK 978 million (878).

## ICA Group Functions

Operating income during the year amounted to SEK -206 million (-233).

## **Net financial items and taxes**

The ICA Group's net financial items during the year amounted to SEK -349 million (-327). The tax expense was SEK 761 million (2,050). The previous year was charged with a tax expense of SEK 747 million for a tax dispute for the years 2001-2003 as well as SEK 632 million for the reversal of deferred tax in ICA Norway. The fourth quarter of 2011 was positively affected by tax components in the year's goodwill impairment.

## Financial position

The Group's total assets amounted to SEK 40,961 million (39,703). The increase in total assets is largely due to the receivable from the Swedish Tax Agency, see note 19. Capital employed increased by SEK 1,008 million to SEK 28,068 million. The equity/assets ratio was 27.7 percent (30.0). As of December 31, 2011, the Group had net debt excluding ICA Bank of SEK 1,143 million (SEK 201 million in net cash reserves).

## Statement of cash flows

Cash flow from operating activities during the year amounted to SEK 3,256 million (3,188). In 2011, SEK 1,187 million was paid to the Swedish Tax Agency for a dispute for the years 2004-2008. Changes in ICA Bank's deposits, lending and investments affected cash flow by SEK 214 million (-1,101). Cash flow from investing activities amounted to SEK -2,242 million (-2,453). Cash flow from financing activities was SEK -1,104 million (-1,045). The Group's liquid assets totaled SEK 3,009 million on December 31, 2011 (3,102).

# 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. The Supreme Administrative Court denied ICA's request for leave to appeal which means that the Administrative Court of Appeal's ruling has been upheld.

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 confident that the deductions complied with applicable tax laws. This opinion 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 Administrative Court of Appeal has not set a date for oral arguments. 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 in 2011. The amount is recognized 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 and feels it is unfounded. The amount is reported as a contingent liability. Proceedings in the Borgarting Court of Appeal in Oslo began in January 2012. A ruling is expected during the first quarter of 2012.

# Investments

Investments during the year amounted to SEK 2,388 million (2,319), distributed according to the table below. The biggest investment of the year was ICA Maxi Härnösand. Investments have increased in the Baltic countries and decreased in Norway.

<b>Investments</b>	<b>2011</b>	2010
Retail locations	<b>1,813</b>	1,919
Distribution	<b>98</b>	128
Investment properties	<b>188</b>	103
Intangibles	<b>237</b>	144
Other	<b>52</b>	25
<b>TOTAL</b>	<b>2,388</b>	2,319

# Risks and risk management

Risks are a natural part of every business. Since 2010, ICA has been working at the Group level to systematically identify and manage the risks associated with its operations. The risk management process, which is designed according to recognized methods, is integrated in the strategy and budget work. Risks are consolidated and their management is reported to and monitored by ICA's Group Management and Board of Directors. The largest risk areas that have been identified and how they are managed are presented below.

## Legal risks

A large number of laws and regulations apply to ICA's operations, which are diversified in terms of products and services as well as geographically. ICA attaches great importance to complying with laws, regulations and its own values as expressed in ICA's Good Business. To limit the risk of losses owing to a failure to comply with laws, regulations, policies and agreements, Group functions are available to assist the business units on a continuous basis with training, setting guidelines, analysis and support in decision-making processes. However, the application of laws and regulations can sometimes affect ICA's results negatively, for example, if gains cannot be realized on the sale of properties.

Information on current disputes is reported continuously to Group Management. ICA is involved, for example, in a dispute with the Swedish Tax Agency concerning its denial of interest deductions to a Dutch subsidiary for the period 2004-2008, corresponding to a tax claim of SEK 1,187 million. ICA has appealed the County Administrative Court's ruling to the Administrative Court of Appeal.

As part of its efforts to maintain an open dialogue, ICA is in continuous contact with regulatory authorities and other actors through its membership in trade organizations. The introduction of a new industry-wide food standard is one example of ICA's willingness to contribute its expertise to help the industry.

## Market risks

Competition in the food retail industry is fierce. ICA's relative competitive strength in the market affects its ability to reach established goals. An inability to compete in terms of price, product range, quality and service would negatively impact the Group's results. Changes in economic conditions and demand for specific products and services are also extremely important to meeting its goals. To manage these fluctuations, ICA continuously carries out market analyses and listens to customers to increase its chances of meeting their needs.

The ability to attract committed and competent employees is critical if ICA is to remain competitive. ICA strives to be an inspiring company by taking a long-term approach and providing training, so that employees stay with us and grow. A consistent view of the importance of strong leadership helps to ensure that employees are satisfied and that ICA reaches its business objectives.

## Sustainability and product safety risks

An inability to live up to the market's and our own expectations with regard to sustainability and product safety entails a risk that ICA's brand and financial position could be adversely affected. Based on the Group's shared values – ICA's Good Business – corporate responsibility is integrated in day-to-day operations and contributes to greater transparency within the company. This also makes it easier to adapt to legal changes and tougher sustainability requirements. We are constantly adjusting our work to issues in areas such as climate change, energy efficiency, water consumption in production, social responsibility in the supply chain, health and well-being, and social engagement.

A Group-wide initiative called "I Care" was established in 2009 to ensure that the products we sell and handle live up to legal requirements as well as ICA's Good Business philosophy and its standards on quality, health, the environment and social responsibility. The goal is to create tools and models to safeguard the ICA Group's product flow, in every market, from sourcing and logistics to the store. This is done by certifying the sourcing, logistics and retail processes based on selected, established standards.

Certification processes are under way, with the Swedish logistics and retail operations having made it the furthest. ICA Sweden's logistics operations have been certified according to the ISO 14001 environmental management standard since 2002 and two warehouses were quality certified according to BRC S & D in 2011. Of the Swedish ICA stores, nearly 350 have been certified according to the Swedish standard for food handling in stores and over 1,000 comply with it. The Swedish sourcing operations apply the certification process according to both ISO 9001 and ISO 14001 with the goal of being certified in 2012. The Norwegian and Baltic sourcing, logistics and retail operations use the Swedish models to implement their CR work and will seek certification in 2013.

## Brand risk

ICA must protect its reputation and brand to avoid damaging public confidence in the company, which in turn could lead to a loss of customers and affect opportunities to recruit and retain the right people. ICA is working in several areas to strengthen loyalty to its brands. This includes banking services, the ICA card, personalized offerings and digital services. ICA's Good Business values are integrated in the way we conduct operations at every level, and together with our policies and guidelines provide guidance on how we act toward our customers, employees and suppliers.

### **Continuity risk**

A large part of ICA's operations are outsourced, which makes monitoring supplier commitments critical in order to maintain properly functioning operations. A serious disruption to the infrastructure could significantly affect deliveries, store operations, payment transactions, administrative operations, etc. Efficiency improvements to logistics and IT operations in 2011 have also led to greater concentration and increased vulnerability. Priority has therefore been given to preventive efforts, continuity planning and planning for unforeseen events.

### **Financial risks**

Financial risks are managed centrally within the ICA Group through its finance function, except for the banking operations, where risks are managed by ICA Bank. The financial strategy of the ICA Group is conservative and focuses on defining and managing financial risks. The Board of Directors is responsible for establishing the Group's financial policy, which governs the Group's financial risk management.

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.

<b>Five-year summary for the ICA Group</b>					
<b>Condensed income statement</b>					
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Net sales	82,326	90,963	94,651	93,860	95,179
Operating income before depreciation/amortization	4,080	3,753	4,272	4,529	4,608
Depreciation/amortization	-1,478	-1,636	-1,559	-1,605	-2,103
Operating income	2,602	2,117	2,713	2,924	2,505
Financial income	115	95	49	51	72
Financial expenses	-435	-418	-453	-378	-421
Income after net financial items	2,282	1,794	2,309	2,597	2,156
Tax	-116	-66	-722	-2,050	-761
Net income for the year	2,166	1,728	1,587	547	1,395
<b>Condensed balance sheet</b>					
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Intangible fixed assets	3,599	3,742	3,940	3,590	2,967
Tangible fixed assets	14,959	15,544	15,755	15,364	14,638
Financial fixed assets	3,368	3,772	3,701	5,368	5,327
Other fixed assets	276	424	515	7	41
Other current assets	11,637	13,464	12,827	12,272	14,979
Liquid assets	3,480	3,023	3,422	3,102	3,009
Total assets	37,319	39,969	40,160	39,703	40,961
Shareholders' equity	12,073	12,796	13,962	11,913	11,359
Interest-bearing liabilities and provisions	14,475	15,161	14,490	15,147	16,865
Non-interest-bearing liabilities and provisions	10,771	12,012	11,708	12,643	12,737
Total shareholders' equity and liabilities	37,319	39,969	40,160	39,703	40,961
<b>Key financial ratios</b>					
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Operating margin, %	3.2	2.3	2.9	3.1	2.6
Return on capital employed, %	13.8	11.4	13.5	15.5	12.5
Return on equity, %	19.1	13.5	11.3	3.9	11.2
Equity/assets ratio, %	32.4	32.0	34.8	30.0	27.7

## **Human resources**

The Group had an average of 20,806 employees (20,373) during the year. The increase was mainly due to the opening of Cura pharmacies and addition of more company-owned stores in Norway and the Baltic countries.

ICA is a group comprised of much more than just food handling. We have over 150 different professions and 500 different positions. On a daily basis we adapt our operations based on our various businesses and local market differences, but one thing is constant: our leadership model. Using the same management tools, we ensure that the values in ICA's Good Business are reflected in every area of the Group. This work rests on four legs: leadership, competence, diversity and ICA as an employer, as well as policies for each of them.

# ICA's corporate responsibility work

We are convinced that taking responsibility for the environment and people goes hand in hand with good profitability. Every day we work systematically and deliberately to contribute to a sustainable society, including for coming generations.

We have three watchwords we rely on in our corporate responsibility work. The first is transparency. We want people to know about our corporate responsibility work. The second is credibility. We constantly have to stay aware of our responsibility, and discuss our strengths and weaknesses. The third is traceability. We have to know where our products come from and under what conditions our suppliers operate.

We have been a participant for several years in the United Nations Global Compact, which means that 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 sustainability work.

ICA's Good Business means being sure that we offer safe products, every day. Suppliers and products have to live up to our requirements in terms of quality, the environment and social responsibility. We will work to reduce our impact on climate change and the environment. Questions of ethics, health and our role in society are also important.

- 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. The percentages below are year-on-year comparisons, where the previous year has been adjusted for the stores that have changed format.

### ICA store sales in Sweden

Store sales excl. VAT	January - December 2011		
	SEK million	Change, all stores	Change, comparable stores
Maxi ICA Stormarknad	27,333	3.6%	2.2%
ICA Kvantum	22,487	3.1%	1.2%
ICA Supermarket	29,911	1.0%	1.0%
ICA Nära	14,564	0.7%	1.3%
<b>TOTAL</b>	<b>94,295</b>	<b>2.2%</b>	<b>1.4%</b>

In 2011 the share of private label sales in Sweden rose from 18.4 percent to 19.2 percent.

### ICA store sales in Norway

Store sales excl. VAT	January - December 2011		
	NOK million	Change, all stores	Change, comparable stores
ICA Maxi	2,826	-7.1%	-6.1%
ICA Supermarked	4,425	-4.6%	-1.6%
ICA Nær	3,304	-19.2%	-2.5%
Rimi	8,799	10.7%	5.7%
<b>TOTAL</b>	<b>19,353</b>	<b>-1.8%</b>	<b>0.6%</b>

In 2011 the share of private label sales in Norway increased from 7.8 percent to 8.4 percent.

### ICA store sales in the Baltic countries

Store sales excl. VAT	January - December 2011		
	EUR million	Change, all stores	Change, comparable stores
Estonia	351	2.8%	1.4%
Latvia	545	3.7%	-0.6%
Lithuania	215	0.7%	7.6%
<b>TOTAL</b>	<b>1,111</b>	<b>2.8%</b>	<b>1.6%</b>

In 2011 the share of private label sales in the Baltics increased from 12.9 percent to 13.0 percent.

## Number of stores

<b>ICA stores in Sweden, including retailer-owned stores</b>					
<b>Store profile</b>	<b>Dec/10</b>	<b>New</b>	<b>Converted</b>	<b>Closed</b>	<b>Dec/11</b>
Maxi ICA Stormarknad	72	3	1	-1	75
ICA Kvantum	116	4	-	-3	117
ICA Supermarket	443	2	-4	-6	435
ICA Nära	716	5	3	-20	704
ICA To Go	2	1			3
<b>TOTAL</b>	<b>1,349</b>	<b>15</b>	<b>0</b>	<b>-30</b>	<b>1,334</b>

<b>ICA and Rimi stores in Norway, including franchised stores</b>					
<b>Store profile</b>	<b>Dec/10</b>	<b>New</b>	<b>Converted</b>	<b>Closed</b>	<b>Dec/11</b>
ICA Maxi	25		-1		24
ICA Supermarked	74			-1	73
ICA Nær	213		-19	-26	168
Rimi	266	1	20	-2	285
<b>TOTAL</b>	<b>578</b>	<b>1</b>	<b>0</b>	<b>-29</b>	<b>550</b>

<b>Number of stores in Baltic countries</b>					
<b>Country</b>	<b>Dec/10</b>	<b>New</b>	<b>Converted</b>	<b>Closed</b>	<b>Dec/11</b>
Estonia	80	3		-1	82
Latvia	108	3			111
Lithuania	47			-1	46
<b>TOTAL</b>	<b>235</b>	<b>6</b>		<b>-2</b>	<b>239</b>

## **ICA AB**

ICA AB's net sales during the year amounted to SEK 41 million (43) with income after net financial items of SEK 1,932 million (3,418).

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

The work of the Board of Directors follows special rules of procedure adopted at the Board meeting on May 31, 2011. In addition to the items treated in accordance with the Companies Act, the rules of procedure include committee directives and rules on quorums. In 2011, the Board of ICA AB consisted of seven members and two 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. No fees have been paid to the Board members elected by the Annual General Meeting. The employee representatives have received a fee of SEK 4,000 per meeting. This study fee is not based at present on the Group's corporate responsibility work.

In the financial year 2011, the Board of Directors held 14 meetings. Among other things, it treated strategic plans and the customary investments involving the store network. As in previous years, special attention was given to the Norwegian operations. In 2011, the Board discussed corporate sustainability issues and social responsibility in connection with sourcing. None of the members has special qualifications in the sustainability field. No special recommendations were drafted on the qualifications Board member should possess for environmental and social issues. The Board regularly evaluates the processes for its work and its own performance on financial, social and environmental issues. In November, Jeffrey Carr, CFO of Ahold, was elected to ICA's Board of Directors, succeeding Kimberly Ross, who stepped down from Ahold and ICA's Board.

## Board committees

The Board has the option of establishing 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 supervise 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: Jeffrey Carr (Chairman) and Göran Blomberg. In addition, assistants to the members, the external auditors, internal auditors and ICA AB's CEO, CFO and Chief Counsel normally attend all or parts of the Committee's meetings. In 2011, the Audit Committee held four meetings.

### Executive Committee

The Board has appointed Claes-Göran Sylvén, Dick Boer and Kenneth Bengtsson to an Executive Committee responsible for continuously monitoring the Group's development. The Committee also prepares issues that will be discussed by the Board and supports the CEOs 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 CEO's salary is determined by the Board, however.

## Internal control over financial reporting

ICA works with a structure to monitor and safeguard internal control of financial reporting. Risks in the financial reporting are defined and control points have been defined.

## Approval of financial reports

The financial reports in this annual report were approved by the Audit Committee on February 10, 2012 and by the Board of Directors on February 14, 2012.

## Auditors

The accounting firm of Deloitte has been ICA's auditor since September 2000 and was reelected during 2011 for one year. The company's chief auditor, Jan Berntsson, participated in one (1) Board meeting during the year.

## Proposed appropriation of earnings

The following funds are at the disposal of the Annual General Meeting (SEK):

Retained earnings	8,950,720,507
Net income for the year	1,104,387,057
Total	10,055,107,564

The Board of Directors and the President propose that the earnings be distributed as follows:

To the shareholders, a dividend of	2,000,000,000
Carried forward	8,055,107,564
Total	10,055,107,564

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 22.8 percent.

## Income statement - Group

(SEK million)	Note	2011	2010
Net sales	2	95,179	93,860
Cost of sales	3	-81,702	-80,387
<b>Gross profit</b>		<b>13,477</b>	<b>13,473</b>
Selling expenses	3	-8,435	-7,953
Administrative expenses	3 5	-2,809	-2,819
Other operating revenue	6	263	221
Share of net income of associated companies and joint ventures	13	9	2
<b>Operating income</b>	2 4 7 8	<b>2,505</b>	<b>2,924</b>
Financial income		72	51
Financial expenses		-421	-378
<b>Net financial items</b>	9	<b>-349</b>	<b>-327</b>
<b>Income after net financial items</b>		<b>2,156</b>	<b>2,597</b>
Tax	10	-761	-2,050
<b>NET INCOME FOR THE YEAR</b>		<b>1,395</b>	<b>547</b>
Attributable to:			
Parent Company's shareholders		1,395	548
Non-controlling interests		0	-1

## Statement of comprehensive income

(SEK million)	Note	2011	2010
<b>Net income for the year</b>		<b>1,395</b>	<b>547</b>
<b>Other comprehensive income after tax</b>	10		
Translation differences in foreign operations		-26	-991
Available-for-sale financial assets		1	-19
Cash flow hedges		-21	-20
<b>Other comprehensive income</b>		<b>-46</b>	<b>-1,030</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>1,349</b>	<b>-483</b>
Attributable to:			
Parent Company's shareholders		1,349	-482
Non-controlling interests		0	-1

## Balance sheet - Group

<b>Assets</b> <b>(SEK million)</b>	<b>Note</b>	<b>Dec. 31, 2011</b>	<b>Dec. 31, 2010</b>
<b>Fixed assets</b>			
Intangible fixed assets	11		
Goodwill		1,855	2,577
Trademarks		614	638
IT systems		278	258
Other		220	117
		2,967	3,590
Tangible fixed assets	12		
Buildings and land		9,807	9,581
Investment properties		848	1,099
Leasehold improvements		914	944
Equipment		2,795	3,040
Construction in progress		274	700
		14,638	15,364
Financial fixed assets	22		
Shares in associated companies and joint ventures	13	502	447
Receivables from related parties	20	0	0
ICA Bank's investments	15	398	1,199
ICA Bank's lending	15	4,341	3,630
Other financial fixed assets		61	44
Other receivables		25	48
		5,327	5,368
Deferred tax assets	10	41	7
<b>Total fixed assets</b>		<b>22,973</b>	<b>24,329</b>
<b>Current assets</b>	22		
Inventory	14	4,520	4,495
Current receivables			
Accounts receivable		2,850	2,853
Tax assets		1,186	2
ICA Bank's investments	15	709	693
ICA Bank's lending	15	2,627	2,471
Receivables from related parties	20	49	37
Other receivables		0	0
Prepaid expenses and accrued income		1,629	1,695
Liquid assets	24	3,009	3,102
Assets held for sale	16	1,409	26
<b>Total current assets</b>		<b>17,988</b>	<b>15,374</b>
<b>TOTAL ASSETS</b>		<b>40,961</b>	<b>39,703</b>
<b>(SEK million)</b>	<b>Note</b>	<b>Dec. 31, 2011</b>	<b>Dec. 31, 2010</b>
<b>Shareholders' equity, provisions and liabilities</b>			
<b>Shareholders' equity</b>	17		
Share capital		500	500
Other paid-in capital		12,557	12,557
Reserves		459	505
Retained earnings		-2,160	-1,655
<b>Shareholders' equity related to Parent Company's shareholders</b>		<b>11,356</b>	<b>11,907</b>
Non-controlling interests		3	6
<b>Total shareholders' equity</b>		<b>11,359</b>	<b>11,913</b>
<b>Long-term liabilities</b>	22		
Provisions for pensions	18	1,208	1,116
Deferred tax liability	10	801	682
Liabilities to credit institutions		1,057	41
Other provisions		83	85
Other liabilities	23	4,128	3,960
<b>Total long-term liabilities</b>		<b>7,277</b>	<b>5,884</b>
<b>Current liabilities</b>	22		
Liabilities to credit institutions		2	23

Accounts payable		7,779	7,653
Deposits, ICA Bank	15	9,147	8,851
Liabilities to related parties	20	109	76
Tax liabilities		343	200
Other liabilities	23	2,648	2,686
Provisions		156	216
Accrued expenses and deferred income		2,141	2,201
<b>Total current liabilities</b>		<b>22,325</b>	<b>21,906</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>40,961</b>	<b>39,703</b>

## 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		
<b>Opening balance, January 1, 2010</b>	<b>500</b>	<b>12,557</b>	<b>1,535</b>	<b>-637</b>	<b>13,955</b>	<b>7</b>	<b>13,962</b>
Dividend				-1,566	-1,566	0	-1,566
Total comprehensive income for the year			-1,030	548	-482	-1	-483
<b>Closing balance, December 31, 2010</b>	<b>500</b>	<b>12,557</b>	<b>505</b>	<b>-1,655</b>	<b>11,907</b>	<b>6</b>	<b>11,913</b>
<b>Opening balance, January 1, 2011</b>	<b>500</b>	<b>12,557</b>	<b>505</b>	<b>-1,655</b>	<b>11,907</b>	<b>6</b>	<b>11,913</b>
Dividend				-1,900	-1,900	0	-1,900
Change in minority						-3	-3
Total comprehensive income for the year			-46	1,395	1,349	0	1,349
<b>Closing balance, December 31, 2011</b>	<b>500</b>	<b>12,557</b>	<b>459</b>	<b>-2,160</b>	<b>11,356</b>	<b>3</b>	<b>11,359</b>

## Statement of cash flows - Group

(SEK million)	Note	2011	2010
<b>Operating activities</b>			
Operating income		2,505	2,924
Adjustments for non-cash items	24	2,073	1,729
Dividends from associated companies		0	0
Income tax paid		-1,733	-669
<b>Cash flow from operating activities before change in working capital</b>		<b>2,845</b>	<b>3,984</b>
<b>Change in working capital</b>			
Inventory (increase - / decrease +)		-30	-252
Current receivables (increase - / decrease +)		46	-343
Current liabilities (increase + / decrease -)		181	900
ICA Bank's net deposits, lending and investments	24	214	-1,101
<b>Cash flow from operating activities</b>		<b>3,256</b>	<b>3,188</b>
<b>Investing activities</b>			
Purchase of tangible and intangible fixed assets		-2,421	-2,332
Proceeds from sale of tangible and intangible fixed assets		181	201
Proceeds from borrowings		-25	-50
Repayment of borrowings		62	126
Other financial fixed assets (increase -/decrease +)		2	-1
Interest received		56	24
Investment in associated companies, joint ventures		-97	-422
Proceeds from sale of associated companies		-	1
<b>Cash flow from investing activities</b>		<b>-2,242</b>	<b>-2,453</b>
<b>Financing activities</b>			
Proceeds from borrowings		3,131	3,966
Repayment of borrowings		-1,872	-3,060
Interest paid		-463	-385
Dividend paid		-1,900	-1,566
<b>Cash flow from financing activities</b>		<b>-1,104</b>	<b>-1,045</b>
<b>Cash flow for the year</b>		<b>-90</b>	<b>-310</b>
Liquid assets at beginning of year		3,102	3,422
Exchange rate differences in liquid assets		-3	-10
<b>Liquid assets at end of year</b>		<b>3,009</b>	<b>3,102</b>

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# 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) IFRS standards which significantly affect ICA's financial reports will apply beginning in 2012.

## Accounting principles applied

### Changes in accounting principles

No changes have been made to the accounting principles applied compared with the previous year.

### 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, including 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 is that the significant risks and benefits remain in the Group, the sale is not recognized. The property remains on 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 significant risks and benefits have left the Group 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.

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 are not amortized. They are 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.

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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 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 which is then leased back and in turn sublet to an independent ICA retailer, an assessment is made of who controls the significant risks and benefits associated with the property and whether ICA has retained a controlling interest in the property. The assessment that has been made is that ICA has retained a significant commitment 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 on the balance sheet, and the proceeds received from the sale have been recognized as a liability. Not until, for example, the operations on the property in question have been taken over by ICA or the store closes will the property and liability be removed from the balance sheet and the revenue 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	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
External net sales	62,422	60,495	20,679	21,225	10,089	10,352	737	612	1,201	1,126
Internal net sales	78	101	-	-	-	-	27	-	1,001	1,009
Depreciation/amortization	301	287	547	590	253	290	32	25	302	326
Share of associated companies and joint ventures net profit	0	0	1	1	-	-	-	-	8	1
Operating income	2,617	2,750	-1,255	-588	173	-13	171	91	1,005	917
Assets	11,470	11,436	5,343	6,140	6,363	5,947	10,397	10,077	10,585	11,681
Liabilities	10,835	10,698	3,521	3,918	4,704	5,466	9,491	9,227	10,396	11,565
Other non-cash items	1	6	601	3	21	41	-	-	-35	-41
Investments in tangible and intangible fixed assets	495	525	593	734	386	141	28	55	830	825

	Total reported segments		Other and eliminations		Total	
	2011	2010	2011	2010	2011	2010
External net sales	95,128	93,810	51	50	<b>95,179</b>	<b>93,860</b>
Internal net sales	1,106	1,110	-1,106	-1,110	<b>0</b>	<b>0</b>
Depreciation/amortization	1,435	1,518	40	48	<b>1,475</b>	<b>1,566</b>
Share of associated companies and joint ventures net profit	9	2	0	0	<b>9</b>	<b>2</b>
Operating income	2,711	3,157	-206	-233	<b>2,505</b>	<b>2,924</b>
Net financial items					<b>-349</b>	<b>-327</b>
Income after net financial items					<b>2,156</b>	<b>2,597</b>
Assets	44,158	45,281	-3,197	-5,578	<b>40,961</b>	<b>39,703</b>
Liabilities	38,947	40,874	-9,345	-13,084	<b>29,602</b>	<b>27,790</b>
Other non-cash items	588	9	0	0	<b>588</b>	<b>9</b>
Investments in tangible and intangible fixed assets	2,332	2,280	88	52	<b>2,420</b>	<b>2,332</b>

In ICA Norway, goodwill impairment losses of SEK 592 million are included on the line other non-cash items.

<b>Sales</b>	<b>2011</b>	<b>2010</b>
Total sales from reported segments	96,234	94,920
Other	51	50
Elimination of internal sales	-1,106	-1,110
<b>Sales acc. to income statement</b>	<b>95,179</b>	<b>93,860</b>
<b>Operating income</b>	<b>2011</b>	<b>2010</b>
Operating income from reported segments	2,711	3,157
Other	-205	-233
Elimination of internal result	-1	0
<b>Operating income acc. to income statement</b>	<b>2,505</b>	<b>2,924</b>
<b>Assets</b>	<b>2011</b>	<b>2010</b>
Assets from reported segments	44,158	45,281
Other	21,821	23,489
Elimination of shares and internal items	-25,018	-29,067
<b>Assets acc. to balance sheet</b>	<b>40,961</b>	<b>39,703</b>
<b>Liabilities</b>	<b>2011</b>	<b>2010</b>
Liabilities from reported segments	38,947	40,874
Other	9,292	10,050
Elimination of internal items	-18,637	-23,134

<b>Liabilities acc. to balance sheet</b>	<b>29,602</b>	<b>27,790</b>
------------------------------------------	---------------	---------------

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**

	<b>2011</b>	<b>2010</b>
Wholesale sales	50,096	49,462
Retail sales	38,348	37,966
Rental revenue	2,310	2,209
Net interest income and commissions, ICA Bank	737	612
Other services for ICA retailers and franchisees	3,688	3,611
<b>Net sales</b>	<b>95,179</b>	<b>93,860</b>

**Geographical information**

<b>Country</b>	<b>Net sales</b>		<b>Tangible and intangible fixed assets</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
Sweden	64,271	62,147	8,074	7,723
Norway	20,820	21,361	4,997	6,763
Baltic countries	10,088	10,352	4,534	4,468
<b>Total</b>	<b>95,179</b>	<b>93,860</b>	<b>17,605</b>	<b>18,954</b>

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

	<b>2011</b>	<b>2010</b>
Cost of sales	72,142	71,098
Personnel expenses	8,678	8,503
Administration charges	1,836	1,861
Cost of premises	3,164	3,228
Depreciation/amortization and impairment losses	2,104	1,605
Other expenses	5,022	4,864
<b>Total expenses</b>	<b>92,946</b>	<b>91,159</b>

## 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).

	2011			2010		
	Women	Men	Total	Women	Men	Total
Sweden	3,308	4,199	7,507	3,082	4,240	7,322
Norway	3,059	2,391	5,450	3,013	2,354	5,367
Baltic countries	6,738	1,039	7,776	6,687	936	7,623
Hong Kong	37	36	73	32	30	61
<b>Total</b>	<b>13,141</b>	<b>7,665</b>	<b>20,806</b>	<b>12,813</b>	<b>7,560</b>	<b>20,373</b>

### Salaries and other remuneration to the Board, President and Group Management

	2011	2010
Salaries and similar remuneration	68	55
Cost of pensions and similar remuneration	32	29

Of the salaries and other remuneration, 18 (16) relates to variable compensation.

The group is comprised of 20 (21) persons. Salaries and similar remuneration include severance of 0.

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

### Gender distribution of board and management

	2011	2010
<b>Boards of directors</b>		
Men	9	9
Women	-	1
<b>Total</b>	<b>9</b>	<b>10</b>
<b>Management</b>		
Men	8	8
Women	3	3
<b>Total</b>	<b>11</b>	<b>11</b>

### 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 Board of ICA AB and the CEO agreed last spring that the CEO steps down on May 31, 2012. The Board of Directors of ICA AB initiated the succession process as the CEO departure was announced. Salary and remuneration to the company's CEO during the year amounted to SEK 30 million (14). This includes a bonus of SEK 7 million (7) and a final salary of SEK 14 million in accordance with his contract. The final salary includes, among other things, compensation for a non-compete clause, which extends through 2014.

## Note 5 Audit expenses

	2011	2010
<b>Deloitte:</b>		
Audit assignment	16	17
Audits over and above audit assignment	1	1
<b>Total</b>	<b>17</b>	<b>18</b>
<b>Ernst&amp;Young:</b>		
Audit assignment	4	6
Audits over and above audit assignment	4	-
Other services	12	-
<b>Total</b>	<b>20</b>	<b>6</b>

## Note 6 Other operating revenue

	2011	2010
Profit shares and share dividends	231	195
Capital gains	33	27
<b>Total</b>	<b>263</b>	<b>221</b>

## Note 7 Leases

### Finance leases

Leases - ICA as lessor

Receivables related to finance leases with ICA as lessor	Minimum leasing fees		Present value of minimum leasing fees	
	2011	2010	2011	2010
Maturity date within 1 year	22	32	21	31
Maturity date later than 1 year but within 5 years	9	31	8	29
Maturity date later than 5 years	-	-	-	-
<b>Total</b>	<b>31</b>	<b>63</b>	<b>29</b>	<b>60</b>
Less: Unearned interest	-2	-3		
Present value of minimum leasing fees	29	60		

Receivables are recognized in the following items:

Long-term receivables	8	29
Other current receivables	21	31

ICA has previously entered into finance leases on store equipment. No new leases are signed as of 2007. The average lease period is 1 years (2). Interest is variable with an average rate of 5.0% (4.5). Variable fees included in income for the period amount to SEK 0 million (0).

The non-guaranteed carrying amount of assets under finance leases as of December 31, 2011 is estimated at SEK 0 million (0).

The fair value of receivables with respect to finance leases as of December 31, 2011 is calculated at SEK 29 million (60), 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:

	2011	2010
The year's leasing expense	3,214	3,629
Of which minimum leasing fees	2,840	3,445
Of which variable fees	374	184
The year's leasing revenue from subleased assets	-991	-701
Future contractual minimum leasing fees:		
Maturity date within 1 year	2,745	2,690
Between 1-5 years	7,855	7,700
Later than 5 years	4,458	4,940
<b>Total</b>	<b>15,058</b>	<b>15,330</b>
Future minimum leasing fees for contracts on subleased assets	3,469	3,571

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:

<b>Future contractual minimum leasing fees:</b>	2011	2010
Maturity date within 1 year	1,709	1,595
Between 1-5 years	4,198	3,977
Later than 5 years	1,502	1,722
<b>Total</b>	<b>7,409</b>	<b>7,294</b>
Variable fees included in results	545	891

## 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.

	<b>2011</b>	<b>2010</b>
Net sales	2	0
Cost of sales	16	20
Administrative expenses	-3	-9
<b>Total</b>	<b>15</b>	<b>11</b>

## Note 9 Net financial items

	2011	2010
<b>Financial income</b>		
Interest income	58	26
Market valuation of financial derivatives	7	26
Exchange rate differences	7	-1
<b>Financial income</b>	<b>72</b>	<b>51</b>
<b>Financial expenses</b>		
Interest expenses	-421	-378
<b>Financial expenses</b>	<b>-421</b>	<b>-378</b>

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

## Note 10 Taxes

<b>Current tax</b>	<b>2011</b>	<b>2010</b>
Current tax on net income for the year	-690	-1,475
Deferred tax on temporary differences	-71	-575
<b>Reported tax expense</b>	<b>-761</b>	<b>-2,050</b>

<b>Reconciliation between current tax rate and effective tax (%)</b>		
Current tax rate, %	26.3	26.3
Tax related to ICA Ahold Export Unltd	-	28.8
Tax related to derecognized deferred tax assets	11.1	24.3
Non-deductible expenses and tax-exempt income	-1.0	-2.3
Effect of tax in foreign subsidiaries	-1.8	0.8
Other	0.7	1.0
<b>Effective tax rate</b>	<b>35.3</b>	<b>78.9</b>

<b>Reported deferred tax assets and tax liabilities</b>	<b>2011</b>	<b>2010</b>
Fixed assets	-81	-127
Inventory	21	17
Provisions	95	125
Tax loss carryforwards	3	1
Untaxed reserves	-810	-712
Financial derivatives	12	21
<b>Total deferred tax assets (+) / deferred tax liabilities (-), net</b>	<b>-760</b>	<b>-675</b>

<b>As reported in balance sheet:</b>		
Deferred tax assets	41	7
Deferred tax liabilities	-801	-682

The Group has unrecognized deferred tax assets related to tax loss carryforwards of SEK 873 million (636) in Norway and SEK 76 million (78) in Lithuania.

<b>Change in deferred tax in temporary differences and tax loss carryforwards</b>				
	Balance, Jan. 1, 2011	Recognized in income statement	Recognized in other comprehensive income	Balance, Dec. 31, 2011
Fixed assets	-127	48	-2	-81
Inventory	17	4		21
Provisions	125	-29	-1	95
Tax loss carryforwards	1	2	0	3
Untaxed reserves	-712	-98		-810
Financial derivatives	21	2	-11	12
<b>Total</b>	<b>-675</b>	<b>-71</b>	<b>-14</b>	<b>-760</b>

	Balance, Jan. 1, 2010	Recognized in income statement	Recognized in other comprehensive income	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
<b>Total</b>	<b>-107</b>	<b>-575</b>	<b>7</b>	<b>-675</b>

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

<b>Tax in other comprehensive income</b>			
	<b>2011</b>		
	Before tax	Tax	After tax
Translation differences, foreign operations	-24	-2	-26
Available-for-sale financial assets - change in value for the year	2	-1	1
Cash flow hedges: - change in value for the year	-10	-11	-21
<b>Other comprehensive income</b>	<b>-32</b>	<b>-14</b>	<b>-46</b>

	<b>2010</b>		
	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
<b>Other comprehensive income</b>	<b>-1,037</b>	<b>7</b>	<b>-1,030</b>

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## Note 11 Intangible fixed assets

	Goodwill		Trademarks				IT systems		Other		Total intangible fixed assets	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Accumulated acquisition cost	2,462	2,592	662	667	977	883	365	293	4,466	4,435		
Accumulated amortization			0	0	-699	-625	-144	-175	-843	-800		
Accumulated impairment losses	-607	-15	-48	-29	0	0	0	0	-655	-44		
<b>Book value</b>	<b>1,855</b>	<b>2,577</b>	<b>614</b>	<b>638</b>	<b>278</b>	<b>258</b>	<b>220</b>	<b>117</b>	<b>2,967</b>	<b>3,590</b>		
Opening balance	2,577	2,851	638	761	258	73	117	255	3,590	3,940		
Investments	-	-	0	0	98	97	136	39	234	136		
Business acquisitions	-	-	0	0	0	0	3	16	3	16		
Sales/disposals	-142	0	0	0	0	0	-20	-1	-162	-1		
Reclassifications	-	-	0	0	-	166	-	-166	0	0		
Amortization for the year	-	-	0	0	-78	-64	-16	-22	-94	-86		
Impairment losses for the year	-592	-	-20	-25	0	0	0	0	-612	-25		
Exchange rate difference for the year	12	-274	-4	-98	0	-14	0	-4	8	-390		
<b>Book value</b>	<b>1,855</b>	<b>2,577</b>	<b>614</b>	<b>638</b>	<b>278</b>	<b>258</b>	<b>220</b>	<b>117</b>	<b>2,967</b>	<b>3,590</b>		

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

	2011	2010
Selling expenses	-16	-22
Administrative expenses	-78	-64
<b>Total</b>	<b>-94</b>	<b>-86</b>

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

### Economic lives 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 3 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:

	2011	2010
ICA Norway	869	1,584
Rimi Baltic	986	993
<b>Total</b>	<b>1,855</b>	<b>2,577</b>

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 is determined based on calculations of value in use.

For Rimi Baltic, impairment testing has been based on the estimated future cash flow in the budgets and forecasts for the upcoming five years. Cash flows beyond this period are extrapolated using a percentage rate based on anticipated inflation. Real growth in Rimi Baltic averages 2%. It has been assumed that the need for working capital will remain at the same relative level reached at the end of the forecast period. The discount rate is 9.4% before tax for Rimi Baltic. The test has not necessitated any impairment losses. The recoverable amount corresponds to the carrying amount if the discount rate before tax were 11.6%.

For ICA Norway, impairment testing of goodwill is based on the business plan prepared for the remaining operations following the sale of the Maxi stores. The business plan extends until 2015, after which it is assumed that growth will correspond to an inflation rate of 2.5 percent. It is assumed that the need for working capital will remain at the same relative level reached at the end of the business plan. The discount rate before tax is 13.1 percent. The test has resulted in goodwill impairment losses of SEK 592 million, which are reported as selling expenses through profit or loss. Based on the allocation of fair values between assets held for sale and assets in the remaining business in ICA Norway, SEK 142 million of the ICA Norway goodwill has been attributable to assets held for sale. A change in the discount rate of 1 percentage point changes the recoverable amount by SEK 440 million.

#### **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 for sales in budgets and forecasts for the upcoming three years. Cash flows beyond this period are extrapolated based on anticipated inflation. Real growth averaged 2%. The discount rate is 6.7-9.6% before tax depending on the country the trademark is attributable to.

In Estonia, sales have shifted from Säästumarket to the Rimi concept. This has resulted in an impairment loss on the Säästumarket brand of SEK 20 million.

#### **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.

## Note 12 Tangible fixed assets

	Buildings and land		Investment properties		Leasehold improvements		Equipment		Construction in progress		Total tangible fixed assets	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Accumulated acquisition cost	13,116	12,752	1,152	1,465	1,808	1,950	6,932	8,897	274	701	23,282	25,765
Accumulated depreciation	-3,201	-3,058	-273	-296	-893	-1,005	-4,066	-5,779	-	-	-8,433	-10,138
Accumulated impairment losses	-108	-113	-31	-70	-1	-1	-71	-78	0	-1	-211	-263
<b>Book value</b>	<b>9,807</b>	<b>9,581</b>	<b>848</b>	<b>1,099</b>	<b>914</b>	<b>944</b>	<b>2,795</b>	<b>3,040</b>	<b>274</b>	<b>700</b>	<b>14,638</b>	<b>15,364</b>
Opening balance	9,581	9,700	1,099	1,207	944	823	3,040	3,275	700	750	15,364	15,755
Investments	824	751	188	86	288	379	838	887	3	10	2,141	2,113
Company acquisitions	1	17	0	0	1	0	8	37	-	-	10	54
Sales/disposals	-641	-62	-444	-85	-117	-9	-294	-82	-3	-1	-1,499	-239
Reclassifications	396	0	30	0	0	0	-1	0	-425	0	0	0
Depreciation for the year	-353	-378	-30	-33	-204	-188	-794	-881	-	-	-1,381	-1,480
Impairment losses for the year	0	-3	-4	0	-2	-3	-5	-16	0	-1	-11	-23
Impairment losses reversed for the year	1	4	0	5	-	-	-	-	-	-	1	9
Exchange rate difference for the year	-2	-448	9	-81	4	-58	3	-180	-1	-58	13	-825
<b>Book value</b>	<b>9,807</b>	<b>9,581</b>	<b>848</b>	<b>1,099</b>	<b>914</b>	<b>944</b>	<b>2,795</b>	<b>3,040</b>	<b>274</b>	<b>700</b>	<b>14,638</b>	<b>15,364</b>

Buildings and land include the book value of sale and leaseback properties of 1,929 (1,804).

Impairments relates to store equipment and a property in Norway. The impairments are recognized in selling expenses in the income statement.

### 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 881 (361).

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

	2011	2010
Rental income	137	130
Direct costs for properties that generated rental income	27	29
Direct costs for properties that did not generate rental income	0	0

### Construction in progress

Expenses capitalized during the year include SEK 7 million (3) in capitalized interest based on an interest rate of 1.9 percent (1.2%).

## Note 13 Shares in joint ventures, associated companies and subsidiaries

### Joint ventures

<b>Carrying amount, joint ventures</b>	<b>2011</b>	<b>2010</b>
Acquisition cost, opening balance	434	0
Purchases	97	421
Share of total comprehensive income for the year	-45	13
<b>Residual value according to plan, closing balance</b>	<b>486</b>	<b>434</b>

### Shares in joint ventures

Ancore Fastigheter AB, corporate identity number 556817-8858, was formed on December 1, 2010 together with Alecta pensionsförsäkring, ömsesidigt. ICA's interest is 50%. The company owns and leases 15 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. Other comprehensive income consists of a revaluation of an interest rate swap which is used for hedge accounting.

	<b>2011</b>	<b>2010</b>
Income	90	7
Expenses	-84	-7
Net income for the year,	6	0
Other comprehensive income	-51	13
Total comprehensive income for the year	-45	13
Fixed assets	1,431	1,137
Current assets	40	46
Long-term liabilities	930	695
Current liabilities	55	54

### Associated companies

<b>Carrying amount, associated companies</b>	<b>2011</b>	<b>2010</b>
Acquisition cost, opening balance	13	11
Purchases	0	1
Profit share	3	2
Disposals	0	-1
<b>Residual value according to plan, closing balance</b>	<b>16</b>	<b>13</b>

### Shares in associated companies

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

	<b>Ownership %</b>		<b>Profit share</b>	
	<b>2011-12-31</b>	<b>2010-12-31</b>	<b>2011-12-31</b>	<b>2010-12-31</b>
Borgenveien 50 AS, (981 025 008), Oslo, Norway	50	50	2	1
TakeCargo AS, (983 543 707), Oslo, Norway	32	32	0	0
Other associated companies			1	1
<b>Total</b>			<b>3</b>	<b>2</b>

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.

<b>Direct holdings</b>	<b>Corp. ID no.</b>	<b>Reg. office</b>	<b>Share %</b>	
			<b>12/31/2011</b>	<b>12/31/2010</b>
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
<b>Indirect holdings</b>				
ICA Eiendom Norge AS	968,930,451	Oslo, Norway	100	100
ICA Fastigheter Sverige AB	556033-8518	Västerås	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 240 operating and dormant companies. A complete list of all Group companies can be obtained from ICA's corporate communications department.

## Note 14 Inventory

	<b>2011</b>	<b>2010</b>
Inventory of goods for resale	4,656	4,583
Deduction for obsolescence in inventory	-136	-88
<b>Inventory</b>	<b>4,520</b>	<b>4,495</b>

## Note 15 ICA Bank

ICA Bank conducts banking operations. In the private market, ICA Bank offers card services 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. ICA Bank also provides various insurance solutions to individuals through its collaborations with insurance companies such as Moderna Försäkringar and Genworth Financial. In business services, it offers, among other things, ATMs, payment terminals and related transaction processing, ICA's payment service for the public sector, electronic sales and teller services for the Swedish Post and Telecom Authority (PTS).

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:

	<b>2011</b>	<b>2010</b>
No longer than 3 months	1,914	1,878
Longer than 3 months but not more than 1 year	713	593
Longer than 1 year but not more than 5 years	2,875	2,410
Longer than 5 years	1,467	1,220
<b>Total lending</b>	<b>6,969</b>	<b>6,101</b>

Bad debts

	<b>2011</b>	<b>2010</b>
Bad debts	63	50
Less: Reserve for credit losses	-37	-31
<b>Bad debts net</b>	<b>26</b>	<b>19</b>

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 0.4% (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 59.1% (61.8). Net credit losses amounted to 36 (35), or 0.5% (0.6) of average lending to the public.

Loans overdue, not classified as bad debt

	<b>2011</b>	<b>2010</b>
Overdue between 5-30 days	79	53
Overdue between 31-60 days	23	14
<b>Total</b>	<b>102</b>	<b>67</b>

The majority of loans are unsecured.

## Note 16 Non-current assets held for sale

<b>Assets held for sale</b>	<b>2011</b>	<b>2010</b>
Tangible fixed assets	1,409	26

In August, ICA decided to discontinue the ICA Maxi concept in Norway and initiate a process to sell the ICA Maxi stores. A sale is planned in 2012. All fixed assets belonging to the Maxi stores have been reclassified as assets held for sale. These assets consist primarily of properties and store fixtures and equipment, of which SEK 414 million relates to the ICA Norway segment and SEK 944 million to the ICA Real Estate segment. No impairment losses were recognized in connection with the reclassification.

In addition to assets attributable to ICA Maxi in Norway, this includes properties in the ICA Norway segment valued at SEK 14 million and properties in the ICA Real Estate segment valued at SEK 37 million. During the year, impairment of SEK 7 million (0) was recognized when the 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	12/31/2011	12/31/2010
<b>Translation reserve</b>		
Translation reserve, opening balance	40	1,031
Translation differences for the year	-26	-991
<b>Translation reserve, closing balance</b>	<b>14</b>	<b>40</b>
<b>Fair value reserve</b>		
Fair value reserve, opening balance	-2	17
Revaluations during the year	1	-19
<b>Fair value reserve, closing balance</b>	<b>-1</b>	<b>-2</b>
<b>Hedging reserve</b>		
Hedging reserve, opening balance	-31	-11
Increase	-52	-31
Recognized through profit or loss	31	11
<b>Hedging reserve, closing balance</b>	<b>-52</b>	<b>-31</b>
<b>Revaluation reserve</b>		
Revaluation reserve, opening balance	498	498
<b>Revaluation reserve, closing balance</b>	<b>498</b>	<b>498</b>
<hr/>		
<b>Total reserves</b>	<b>12/31/2011</b>	<b>12/31/2010</b>
Reserves, opening balance	505	1,535
Changes in reserves for the year:		
Translation reserve	-26	-991
Fair value reserve	1	-19
Hedging reserve	-21	-20
<b>Reserves, closing balance</b>	<b>460</b>	<b>505</b>

As of December 31, 2011, 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 1,900 million (1,566), or SEK 380 per share (313.20).

The Board of Directors has proposed a total dividend of SEK 2,000 million, or SEK 400 per share. The dividend proposal will be presented to the Annual General Meeting in April 2012 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. Premiums are paid for this purpose to 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 plan is therefore recognized as a defined-contribution plan.

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 (23). Alecta's surplus can be divided between policy-holders and/or insureds. As of September 30, 2011, Alecta's surplus in the form of its consolidation funding ratio was 113% (146% as of December 31, 2010). 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%.

<b>Cost of defined-benefit pensions</b>	<b>2011</b>	<b>2010</b>
Cost of vested benefits during the period	76	81
Interest expense	60	57
Expected rate of return on plan assets	-4	-5
Reported actuarial gains (-) losses (+)	9	20
<b>Pension cost for defined-benefit pensions</b>	<b>141</b>	<b>153</b>
Pension cost for defined-contribution pensions	333	320
<b>Total pension costs</b>	<b>474</b>	<b>473</b>

Of the total pension cost, SEK 335 million (334) is included in the cost of sales and SEK 79 million (82) in administrative expenses. Interest expenses are recognized in net financial items.

Disclosures below relate only to defined benefit plans.

<b>Carrying amount in balance sheet</b>	<b>2011</b>	<b>2010</b>
Present value of funded obligations	163	134
Fair value of plan assets	-97	-97
Net funded obligations	66	37
Present value of unfunded obligations	1,613	1,255
Unrecognized actuarial losses (-) gains (+)	-471	-176
<b>Carrying amount</b>	<b>1,208</b>	<b>1,116</b>

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

<b>Change in pension obligations</b>	<b>2011</b>	<b>2010</b>
Opening balance, present value pension obligations	1,390	1,462
Cost of vested benefits during the period	76	81
Interest expense	60	57
Actuarial gains (-) losses (+)	301	-153
Pension disbursements	-51	-42
Settlement	-	-1
Changes in exchange rates	0	-14
<b>Closing balance, present value pension obligations</b>	<b>1,776</b>	<b>1,390</b>

<b>Change in plan assets</b>	<b>2011</b>	<b>2010</b>
Opening balance, plan assets	97	109

Expected return on plan assets	4	6
Actuarial gains (+) losses (-)	-2	-8
Pension disbursements from plan assets	-51	-42
Contributions	49	40
Changes in exchange rates	0	-8
<b>Closing balance, plan assets</b>	<b>97</b>	<b>97</b>

Actual return on plan assets	2	-2
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<b>Plan assets distributed by asset class</b>	<b>2011</b>	<b>2010</b>
Bonds and other interest-bearing securities	52	48
Equities	14	15
Real estate	17	16
Other assets	14	18
<b>Total plan assets</b>	<b>97</b>	<b>97</b>

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.

<b>Important actuarial assumptions (%)</b>	<b>2011</b>	<b>2010</b>
Discount rate	3.4	4.4
Inflation	2.0	2.0
Rate of salary increase	3.6	3.6
Expected return on plan assets	4.5	5.0

For 2011 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.

<b>Amounts for current and comparative years</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
Present value defined-benefit obligations	-1,776	-1,390	-1,462	-1,427	-1,225
Plan assets	97	97	109	85	84
<b>Deficit (-) surplus (+)</b>	<b>-1,679</b>	<b>-1,293</b>	<b>-1,353</b>	<b>-1,342</b>	<b>-1,141</b>
Experience adjustments for obligations	28	26	5	-29	-8
Experience adjustments for plan assets	-2	-8	4	-8	4

Fees expected to be paid to defined benefit plans for 2012 amount to SEK 52 million.

## Note 19 Pledged assets and contingent liabilities

<b>Pledged assets</b>	<b>2011</b>	<b>2010</b>
Property mortgages	35	35
Restricted cash, ICA Bank	384	287
Restricted cash, ICA AB	-	5
<b>Total</b>	<b>419</b>	<b>327</b>

<b>Contingent liabilities</b>		
Guarantees and contingent liabilities	187	220
Tax disputes	1,187	1,187
Other disputes	113	113
<b>Total</b>	<b>1,487</b>	<b>1,520</b>

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 disclosed as a contingent liability.

## 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:

	<b>Sales to related parties</b>	<b>Purchases from related parties</b>	<b>Receivables from related parties</b>	<b>Liabilities to related parties</b>
<b>2011</b>				
<b>Owners:</b>				
Royal Ahold	12	230	15	93
Hakon Invest AB (publ)	2	101	7	16
<b>Associated companies, joint ventures</b>	0	1	27	0
<b>Total</b>	<b>14</b>	<b>332</b>	<b>49</b>	<b>109</b>

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

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 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 interest rate risk will be limited to a total loss of not more than SEK 30 million given a parallel shift in the yield curve of 1 percentage point. 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 2011. At year-end 2011, borrowings amounted to SEK 1,983 million (971) and the liquidity reserve, in addition to liquid assets, to SEK 5,416 million (6,423). 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 SEK 1 million (24) and shareholders' equity by SEK 1 million (24). 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).

	2011	2010
Due within 1 year	21,619	21,239
Due longer than 1 year up to 3 years	1,041	17
Due longer than 3 years up to 5 years	5	4
Due longer than 5 years	47	48
<b>Total</b>	<b>22,712</b>	<b>21,308</b>

The table excludes liabilities arising as a result of sale and leaseback transactions. See also Note 23.

### 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, 2011 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.)

	2011	2010
Due within 30 days	244	287
Due later than 30 days	87	49
<b>Total</b>	<b>331</b>	<b>336</b>

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 SEK 36 million (31). 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 SEK 187 million (220).

### Classification of financial assets and liabilities

	2011	2010
Loans and accounts receivable	14,300	12,821
Available-for-sale financial assets	1,398	2,951
Non-financial assets	25,263	23,931
<b>Total assets</b>	<b>40,961</b>	<b>39,703</b>
At fair value through profit or loss for trading	4	20
Derivatives used as hedges	32	59
Liabilities valued at amortized cost	27,010	25,440
Non-financial liabilities	2,556	2,271
<b>Total liabilities</b>	<b>29,602</b>	<b>27,790</b>

### Net result by category

	2011	2010
Net profit/loss:		
Financial assets and liabilities at fair value through profit or loss 1)	11	26
Recognized in other comprehensive income:		
Available-for-sale financial assets	1	-19
Cash flow hedges 2)	-21	-20
Interest from financial liabilities and assets not valued of fair value through profit or loss:		
Interest income from financial assets	489	331
Interest expenses from financial liabilities	-491	-410

Loans and accounts receivable have been written down by SEK 72 million (66).

- 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. Cash flows arise continuously over the course of the year. Inefficiency is not material. ICA also applies hedge accounting to a portion of the interest rate risk attributable to funding. The financial instruments used as hedges are interest rate swaps. Their fair value is indicated in a separate table. Cash flows arise continuously over the course of the year. Inefficiency is not material.

<b>Financial assets and liabilities at fair value and their valuation level</b>				
<b>2011</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets:</b>				
Available-for-sale financial assets	1,398	-	-	1,398
<b>Total assets</b>	<b>1,398</b>	<b>-</b>	<b>-</b>	<b>1,398</b>
<b>Liabilities:</b>				
Derivatives included in hedge accounting:				
Interest rate swaps	-	26	-	26
Forward exchange contracts	-	6	-	6
Forward exchange contracts recognized in profit and loss for trading				
	-	4	-	4
<b>Total liabilities</b>	<b>-</b>	<b>32</b>	<b>-</b>	<b>32</b>

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

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.

### 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, 2011 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.)

	<b>2011</b>	<b>2010</b>
Due within 30 days	244	287
Due later than 30 days	87	49
<b>Total</b>	<b>331</b>	<b>336</b>

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 SEK 36 million (31). 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 SEK 187 million (220).

### Classification of financial assets and liabilities

	<b>2011</b>	<b>2010</b>
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Loans and accounts receivable	14,300	12,821
Available-for-sale financial assets	1,398	2,951
Non-financial assets	25,263	23,931
<b>Total assets</b>	<b>40,961</b>	<b>39,703</b>

At fair value through profit or loss for trading	4	20
Derivatives used as hedges	32	59
Liabilities valued at amortized cost	27,010	25,440
Non-financial liabilities	2,556	2,271
<b>Total liabilities</b>	<b>29,602</b>	<b>27,790</b>

#### Net result by category

	2011	2010
Net profit/loss:		
Financial assets and liabilities at fair value through profit or loss 1)	11	26
Recognized in other comprehensive income:		
Available-for-sale financial assets	1	-19
Cash flow hedges 2)	-21	-20
Interest from financial liabilities and assets not valued of fair value through profit or loss:		
Interest income from financial assets	489	331
Interest expenses from financial liabilities	-491	-410

Loans and accounts receivable have been written down by SEK 72 million (66).

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. Cash flows arise continuously over the course of the year. Inefficiency is not material. ICA also applies hedge accounting to a portion of the interest rate risk attributable to funding. The financial instruments used as hedges are interest rate swaps. Their fair value is indicated in a separate table. Cash flows arise continuously over the course of the year. Inefficiency is not material.

#### Financial assets and liabilities at fair value and their valuation level

	2011			
	Level 1	Level 2	Level 3	Total
Assets:				
Available-for-sale financial assets	1,398	-	-	1,398
<b>Total assets</b>	<b>1,398</b>	<b>-</b>	<b>-</b>	<b>1,398</b>
Liabilities:				
Derivatives included in hedge accounting:				
Interest rate swaps	-	26	-	26
Forward exchange contracts	-	6	-	6
Forward exchange contracts recognized in profit and loss for trading	-	4	-	4
<b>Total liabilities</b>	<b>-</b>	<b>32</b>	<b>-</b>	<b>32</b>

#### Financial assets and liabilities at fair value and their valuation level

	2010			
	Nivå 1	Nivå 2	Nivå 3	Totalt
Assets:				
Available-for-sale financial assets	2,951	-	-	2,951
Liabilities:				
Derivatives included in hedge accounting:				
Forward exchange contracts	-	59	-	59
Interest rate swaps recognized in profit and loss for trading	-	20	-	20
<b>Total liabilities</b>	<b>-</b>	<b>79</b>	<b>-</b>	<b>79</b>

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, an overall assessment is made of who controls the significant risks and benefits associated with the property. If it has been determined that the significant risks and benefits remain in the Group, the sale is not recognized. The proceeds received are recognized as a liability. When the significant risks and benefits have left the Group, the property is considered sold. The property and liability are removed from the balance sheet without affecting liquidity. The total liability for these transactions amounts to SEK 4,298 million (4,132), of which the portion reported among other long-term liabilities is SEK 4,103 million (3,941) and the portion reported among other current liabilities is SEK 195 million (191). For a further description, see the accounting principles under the heading sale and leasebacks.

## Note 24 Statement of cash flows and liquid assets

<b>Adjustments for non-cash items</b>	<b>2011</b>	<b>2010</b>
Depreciation/amortization	1,475	1,566
Impairment losses	630	48
Impairment losses reversed	-1	-9
Undistributed earnings from associated companies	-9	-2
Capital gains/losses	-33	-27
Provisions	11	153
<b>Total non-cash items</b>	<b>2,073</b>	<b>1,729</b>
<b>ICA Bank: cash flow net deposits, lending and investments</b>	<b>2011</b>	<b>2010</b>
Deposits in ICA Bank (increase +/decrease -)	296	-83
Short-term lending (increase -/decrease +)	-156	-332
Long-term lending (increase -/decrease +)	-711	-681
Short-term investments (increase -/decrease +)	-16	624
Long-term investments (increase -/decrease +)	801	-629
<b>Total non-cash items</b>	<b>214</b>	<b>-1,101</b>
<b>Composition of liquid assets</b>	<b>2011</b>	<b>2010</b>
Cash and bank balances 1)	2,744	2,071
Short-term investments 1)	265	1,031
<b>Total liquid assets</b>	<b>3,009</b>	<b>3,102</b>
1) Of which ICA Bank		
Cash and bank balances	1,968	1,531
Short-term investments	200	399
<b>Total liquid assets ICA Bank</b>	<b>2,168</b>	<b>1,930</b>
<b>Total liquid assets excluding ICA Bank</b>	<b>841</b>	<b>1,172</b>

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

## Note 25 Business combinations

### Acquisitions 2011

In 2011, the Group acquired 3 store operations in Sweden and 28 in Norway. The operations are acquired to 100%. 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. All acquisitions have been at the market value of the assets and liabilities. The total purchase price for the store operations was SEK 79 million. The contribution to consolidated income after tax for 2011 was SEK -9 million. If all store acquisitions had taken place as of January 1, 2011, consolidated net sales would have increased by SEK 283 million and income after tax would have changed by SEK -15 million.

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

	<b>Value according to acquisition analysis</b>
<b>Store operations</b>	
Tangible fixed assets	10
Intangible fixed assets	3
Inventory	47
Accounts receivable and other receivables	4
Liquid assets	28
Accounts payable and other current liabilities	-13
<b>Net identifiable assets and liabilities</b>	<b>79</b>
<b>Purchase price paid 1)</b>	<b>-79</b>
Cash (acquired)	28
<b>Net cash</b>	<b>-51</b>

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 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. All acquisitions have been at the market value of the assets and liabilities. The total purchase price for the store operations was SEK 122 million. The contribution to consolidated income after tax for 2010 was SEK -22 million.

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

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

	<b>Value according to acquisition analysis</b>
<b>Store operations</b>	
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
<b>Net identifiable assets and liabilities</b>	<b>122</b>
<b>Purchase price paid 1)</b>	<b>-122</b>
Cash (acquired)	18
<b>Net cash</b>	<b>-104</b>

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 2011, the Group entered into agreements to acquire tangible fixed assets for SEK 348 million (389).

## Income statement - Parent Company

(SEK million)		Note	2011	2010
Net sales	2		41	43
Cost of sales			0	0
<b>Gross profit</b>			<b>41</b>	<b>43</b>
Administrative expenses	3	4 5 6	-262	-236
<b>Operating income</b>			<b>-221</b>	<b>-193</b>
<b>Result from financial investments:</b>	7			
Result from shares in Group companies			2,524	4,071
Interest income and similar profit/loss items			27	4
Interest expenses and similar profit/loss items			-398	-464
			2,153	3,611
<b>Income after net financial items</b>			<b>1,932</b>	<b>3,418</b>
Appropriations	18		-415	-499
<b>Income before tax</b>			<b>1,517</b>	<b>2,919</b>
Income taxes	8		-412	-576
<b>NET INCOME FOR THE YEAR</b>			<b>1,105</b>	<b>2,343</b>

### Total comprehensive income

(SEK million)	2011	2010
<b>Net income for the year</b>	<b>1,105</b>	<b>2,343</b>
<b>Other comprehensive income</b>	-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>1,105</b>	<b>2,343</b>

## Balance sheet - Parent company

(SEK million)

### Assets

	Note	Dec. 31, 2011	Dec. 31, 2010
<b>Fixed assets</b>	21		
Intangible fixed assets	9	56	0
Tangible fixed assets	10	63	71
Financial fixed assets			
Shares in subsidiaries	11	12	35,183
Shares in associated companies	11	13	2
Other financial fixed assets	14	31	10
Deferred tax assets	8	6	1
<b>Total fixed assets</b>		<b>35,341</b>	<b>34,117</b>
<b>Current assets</b>	21		
Current receivables			
Accounts receivable		40	27
Receivables from Group companies		3,197	6,089
Receivables from associated companies		1	1
Other receivables		3	3
Prepaid expenses and accrued income	16	130	141
Current tax assets		123	-
Cash and bank balances		0	5
<b>Total current assets</b>		<b>3,494</b>	<b>6,266</b>
<b>TOTAL ASSETS</b>		<b>38,835</b>	<b>40,383</b>

### Shareholders' equity, provisions and liabilities

	Note	Dec. 31, 2011	Dec. 31, 2010
<b>Shareholders' equity</b>	17		
Restricted equity			
Share capital (5,000,000 shares)		500	500
Statutory reserve		8,788	8,788
Revaluation reserve		8,532	8,532
Non-restricted equity			
Retained earnings		8,950	8,507
Net income for the year		1,105	2,343
<b>Total shareholders' equity</b>		<b>27,875</b>	<b>28,670</b>
<b>Untaxed reserves</b>	18	<b>2,421</b>	<b>2,006</b>
<b>Provisions</b>	21		
Provisions for pensions	19	280	253
Other provisions		19	0
<b>Total provisions</b>		<b>299</b>	<b>253</b>
<b>Long-term liabilities</b>	21		
Liabilities to Group companies	15	6,000	8,000
<b>Total long-term liabilities</b>		<b>6,000</b>	<b>8,000</b>
<b>Current liabilities</b>	21		
Accounts payable		78	92
Liabilities to Group companies		2,036	1,058
Liabilities to associated companies		0	1
Tax liabilities		-	168
Other liabilities		22	32
Accrued expenses and deferred income	16	104	103
<b>Total current liabilities</b>		<b>2,240</b>	<b>1,454</b>
<b>TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES</b>		<b>38,835</b>	<b>40,383</b>
<b>Pledged assets</b>	20	-	<b>5</b>
<b>Contingent liabilities</b>	20	<b>8,300</b>	<b>8,364</b>

## Changes in shareholders' equity - Parent Company

	Restricted equity			Non-restricted equity		Total shareholders' equity
	Share capital	Statutory reserve	Revaluation reserve	Retained earnings	Net income for the year	
SEK million						
<b>Opening balance, January 1, 2010</b>	<b>500</b>	<b>8,788</b>	<b>8,532</b>	<b>9,952</b>	<b>121</b>	<b>27,893</b>
Previous year result				121	-121	0
Dividend				-1,566		-1,566
Total comprehensive income for the year					2,343	2,343
<b>Closing balance, December 31, 2010</b>	<b>500</b>	<b>8,788</b>	<b>8,532</b>	<b>8,507</b>	<b>2,343</b>	<b>28,670</b>
<b>Opening balance, January 1, 2011</b>	<b>500</b>	<b>8,788</b>	<b>8,532</b>	<b>8,507</b>	<b>2,343</b>	<b>28,670</b>
Previous year result				2,343	-2,343	0
Dividend				-1,900		-1,900
Total comprehensive income for the year					1,105	1,105
<b>Closing balance, December 31, 2011</b>	<b>500</b>	<b>8,788</b>	<b>8,532</b>	<b>8,950</b>	<b>1,105</b>	<b>27,875</b>

# Statement of cash flows - Parent company

(SEK million)	Note	2011	2010
<b>Operating activities</b>			
Operating income		-221	-193
Dividends received		-	800
Adjustments for non-cash items	22	65	67
Income tax paid		-708	-573
<b>Cash flow from operating activities before change in working capital</b>		<b>-864</b>	<b>101</b>
<b>Change in working capital</b>			
Current receivables (increase - / decrease +)		6,460	2,126
Current liabilities (increase + / decrease -)		-17	-2
<b>Cash flow from operating activities</b>		<b>5,579</b>	<b>2,225</b>
<b>Investing activities</b>			
Purchase of tangible and intangible fixed assets		-87	-51
Investment in financial fixed assets		-1,152	-148
Interest received		0	4
<b>Cash flow from investing activities</b>		<b>-1,239</b>	<b>-195</b>
<b>Financing activities</b>			
Repayment of borrowings		-2,000	-
Dividend paid		-1,900	-1,566
Interest paid		-445	-464
<b>Cash flow from financing activities</b>		<b>-4,345</b>	<b>-2,030</b>
Cash flow for the year		<b>-5</b>	<b>0</b>
Liquid assets at beginning of year		5	5
<b>Liquid assets at end of year</b>		<b>0</b>	<b>5</b>

# Supplementary information - Parent company

Note 1 Accounting principles

Note 2 Intra-Group purchases and sales

Note 3 Personnel expenses, pensions, etc.

Note 4 Audit expenses

Note 5 Depreciation and amortization

Note 6 Operating leases

Note 7 Result from financial investments

Note 8 Taxes

Note 9 Intangible fixed assets

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Note 12 Shares in subsidiaries

Note 13 Shares in associated companies

Note 14 Other financial fixed assets

Note 15 Long-term liabilities to Group companies

Note 16 Accruals

Note 17 Shareholders' equity

Note 18 Appropriations and untaxed reserves

Note 19 Provisions for pensions

Note 20 Pledged assets and contingent liabilities

Note 21 Financial instruments

Note 22 Statement of cash flows

# **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.

## **Group contributions and changes in accounting principles**

The Parent Company recognizes Group contributions received and paid as a financial item through profit or loss.

This represents a change in accounting principles from the previous year after recommendation UFR 2 from the Swedish Financial Reporting Board was dropped. Instead rules for recognizing group contributions have been introduced in RFR 2.

## **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.

## **Note 2 Intra-Group purchases and sales**

Of the year's total net sales, 8% (8) 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).

	2011	2010
Women	222	209
Men	385	361
<b>Total</b>	<b>607</b>	<b>570</b>

### Salaries and other remuneration

	2011	2010
Board of Directors, President and other senior executives	45	28
Other employees	288	276
<b>Total</b>	<b>333</b>	<b>304</b>

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

### Social security expenses

	2011	2010
Social security expenses	183	182
Of which pensions 1)	76	84

1) Of the pension costs, 14 (15) 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 14 (15) persons.

### Gender distribution of Board of Directors and Management

	2011	2010
Board of Directors		
Men	9	9
Women	-	1
<b>Total</b>	<b>9</b>	<b>10</b>
Management		
Men	3	3
Women	2	2
<b>Total</b>	<b>5</b>	<b>5</b>

## Note 4 Audit expenses

	2011	2010
Deloitte:		
Audit assignment	4	4
Audits over and above audit assignment	0	0
<b>Total</b>	<b>4</b>	<b>4</b>

## **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:

	<b>2011</b>	<b>2010</b>
The year's leasing fees	25	29
Future contractual lease fees:		
Maturity date year 1	15	21
Maturity date year 2	9	13
Maturity date year 3	3	2
Maturity date year 4	0	0
Maturity date year 5 or later	0	0
<b>Total</b>	<b>27</b>	<b>36</b>

## Note 7 Result from financial investments

Results from shares in Group companies	2011	2010
Dividends	-	800
Group contributions received	3,112	4,135
Group contributions paid	-588	-864
<b>Total</b>	<b>2,524</b>	<b>4,071</b>
<b>Other interest income and similar profit/loss items</b>		
Interest income, Group companies	27	4
<b>Other interest expenses and similar profit/loss items</b>		
Interest expenses, subsidiaries	-385	-452
Other interest expenses and similar profit/loss items	-13	-12
<b>Total</b>	<b>-398</b>	<b>-464</b>
<b>Total result from financial investments</b>	<b>2,153</b>	<b>3,611</b>

## Note 8 Taxes

<b>Current income tax</b>	<b>2011</b>	<b>2010</b>
Current tax on net income for the year	-417	-576
Deferred tax on temporary differences	5	0
<b>Reported tax result</b>	<b>-412</b>	<b>-576</b>

<b>Reconciliation between current tax rate and effective tax (%)</b>		
Current tax rate	26.3	26.3
Tax-exempt income	-0.5	-7.3
Other non-deductible expenses	1.4	0.7
<b>Effective tax rate</b>	<b>27.2</b>	<b>19.7</b>

<b>Reported in balance sheet:</b>		
Deferred tax assets	6	1

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

<b>Change in deferred tax in temporary differences and tax loss carryforwards</b>			
	<b>Balance, Jan. 1, 2010</b>	<b>Reported through profit or loss</b>	<b>Balance, Dec. 31, 2010</b>
Fixed assets	1	0	1
Provisions	0	0	0
<b>Total</b>	<b>1</b>	<b>0</b>	<b>1</b>
	<b>Balance, Jan. 1, 2011</b>	<b>Reported through profit or loss</b>	<b>Balance, Dec. 31, 2011</b>
Fixed assets	1	0	1
Provisions	0	5	5
<b>Total</b>	<b>1</b>	<b>5</b>	<b>6</b>

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

## Note 9 Intangible fixed assets

	IT-systems	
	2011	2010
Accumulated acquisition cost	165	109
Accumulated amortization	-109	-109
<b>Book value</b>	<b>56</b>	<b>0</b>
Opening balance	0	0
Investments	56	0
Amortization for the year	0	0
<b>Book value</b>	<b>56</b>	<b>0</b>

## Note 10 Tangible fixed assets

	Equipment	
	2011	2010
Accumulated acquisition cost	315	381
Accumulated depreciation	-252	-310
<b>Book value</b>	<b>63</b>	<b>71</b>
Opening balance	71	70
Investments	30	47
Depreciation for the year	-38	-46
<b>Book value</b>	<b>63</b>	<b>71</b>
Accelerated depreciation, opening balance	16	26
Change for the year	-4	-10
<b>Accelerated depreciation, closing balance</b>	<b>12</b>	<b>16</b>
<b>Tax value, closing balance</b>	<b>75</b>	<b>87</b>

## Note 11 Financial fixed assets

	2011	2010
<b>Shares in subsidiaries</b>		
Acquisition cost, opening balance	34,033	33,888
Shareholders' contributions	1,150	145
<b>Accumulated acquisition cost, closing balance</b>	<b>35,183</b>	<b>34,033</b>
<b>Residual value according to plan, closing balance</b>	<b>35,183</b>	<b>34,033</b>
<b>Shares in associated companies</b>		
Acquisition cost, opening balance	2	2
<b>Accumulated acquisition cost, closing balance</b>	<b>2</b>	<b>2</b>
<b>Residual value according to plan, closing balance</b>	<b>2</b>	<b>2</b>

## Note 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, 2011	Dec. 31, 2010
ICA Baltic AB	556042-7410	Stockholm	30,000	100	SEK 500	1,284	184
ICA Banken AB	516401-0190	Stockholm	1,000,000	100	SEK 100	893	843
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	2,425	2,425
ICA International Services BV	34177382	Netherlands	1,000	100	EUR 10	13,864	13,864
<b>Total</b>						<b>35,183</b>	<b>34,033</b>

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

## Note 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, 2011	Dec. 31, 2010
HB Luntmakaren, Stockholm	969658-3419	-	50	0	0
F-train AB, Östersund	556677-2231	30,000	30	2	2
<b>Total</b>				<b>2</b>	<b>2</b>

The share of votes and share of capital are identical.

## Note 14 Other financial fixed assets

	2011	2010
Shares in tenant-owner associations	2	2
Other long-term securities holdings	10	8
Other long-term receivables	19	-
<b>Total</b>	<b>31</b>	<b>10</b>

## Note 15 Long-term liabilities to Group companies

	2011	2010
ICA Finans AB 1)	6,000	8,000

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

## Note 16 Accruals

	2011	2010
<b>Prepaid expenses and accrued income</b>		
Other prepaid expenses	68	76
Supplier bonuses	62	65
<b>Total</b>	<b>130</b>	<b>141</b>
<b>Accrued expenses and deferred income</b>		
Accrued salaries, vacation pay and social security expenses	53	63
Accrued interest expenses	0	6
Other accrued expenses	46	27
Deferred income	5	7
<b>Total</b>	<b>104</b>	<b>103</b>

## **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, 2011, 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 1,900 million (1,566) has been paid to shareholders.

## Note 18 Appropriations and untaxed reserves

	2011	2010
<b>Appropriations</b>		
Change in tax allocation reserve	-411	-489
Change in accelerated depreciation	-4	-10
<b>Total</b>	<b>-415</b>	<b>-499</b>
<b>Untaxed reserves</b>		
Accelerated depreciation	-12	-16
Tax allocation reserve, financial year 2006	0	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	727
Tax allocation reserve, financial year 2012	529	-
<b>Total</b>	<b>2,421</b>	<b>2,006</b>

## 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.

<b>Reconciliation of carrying amount for self-managed pensions</b>	<b>2011</b>	<b>2010</b>
Opening balance, principal on pension obligations	253	231
Cost charged against this result	25	15
Interest expense	12	12
Pension disbursements	-10	-8
Transferred pensions, Group	0	3
<b>Closing balance, principal on pension obligations</b>	<b>280</b>	<b>253</b>

Of the total pension obligation, FPG/PRI pensions account for SEK 244 million (211). The entire amount is covered by the Act on Safeguarding Pension Benefits.

<b>Specification of recognized pension costs</b>	<b>2011</b>	<b>2010</b>
Self-managed pensions:		
Cost excluding interest expense	25	15
Interest expense	12	12
<b>Total cost of self-managed pensions</b>	<b>37</b>	<b>27</b>
Insured pensions:		
Insurance premiums	34	47
Tax on pension returns	1	1
Special employer's contribution on pension returns	15	15
Cost of credit insurance	1	1
<b>Recognized pension cost</b>	<b>88</b>	<b>91</b>

<b>Important actuarial assumptions</b>	<b>2011</b>	<b>2010</b>
Discount rate	4.5%	5.0%

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

## Note 20 Pledged assets and contingent liabilities

	2011	2010
Pledged assets		
Restricted cash	-	5
<b>Total</b>	<b>-</b>	<b>5</b>
Contingent liabilities		
Guarantees for subsidiaries	8,300	8,364
<b>Total</b>	<b>8,300</b>	<b>8,364</b>

## Note 21 Financial instruments

<b>Classification of financial assets and liabilities</b>	<b>2011</b>	<b>2010</b>
Loans and accounts receivable	3,390	6,266
Available-for-sale financial assets	12	10
Non-financial assets	35,433	34,107
<b>Total assets</b>	<b>38,835</b>	<b>40,383</b>
Liabilities valued at amortized cost	8,240	9,286
Non-financial liabilities	299	421
<b>Total liabilities</b>	<b>8,539</b>	<b>9,707</b>

## Note 22 Statement of cash flows

<b>Adjustments for non-cash items</b>	<b>2011</b>	<b>2010</b>
Depreciation/amortization	38	46
Provisions for pensions	27	22
Other provisions	0	-1
<b>Total</b>	<b>65</b>	<b>67</b>

Stockholm, February 14, 2012

Claes-Göran Sylvén  
Chairman

Dick Boer

Göran Blomberg

Jeffrey Carr

Anders Fredriksson

Lodewijk Hijmans  
van den Bergh

Fredrik Hägglund

Magnus Rehn

Lee Sernehov

Kenneth Bengtsson  
President and CEO

Our audit report was submitted on February 14, 2012  
Deloitte AB

Jan Berntsson  
Authorized Public Accountant

# Auditor's report

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

## Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of ICA AB for the financial year 2011-01-01 – 2011-12-31.

### Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts and consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2011 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act, and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2011 and of their financial performance and cash flows in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

## Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have examined the proposed appropriations of the company's profit and the administration of the Board of Directors and the Managing Director of ICA AB for the financial year 2011-01-01 – 2011-12-31.

### Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

### Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinions**

We recommend to the annual meeting of shareholders that the profit of the parent company be dealt with in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

*Stockholm, 14 February 2012*

*Deloitte AB*

**Jan Berntsson**

*Authorized Public Accountant*

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