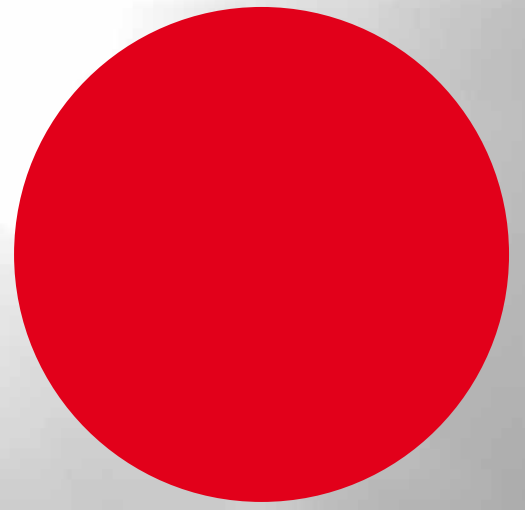


ANNUAL REPORT
2010







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Performance for Hakon Invest's holdings during the 2010 fiscal year was largely a disappointment. Sales development was comparatively strong while costs on the whole were too high. For 2011 we have set our sights on improved profitability.

The ICA Group reported a record result for the 2010 fiscal year. ICA Sweden and Rimi Baltic improved during the year while ICA Norway's earnings were lower than in the previous year. Development in ICA Norway deviated from plan and a review of these operations will be performed.

At the end of 2010 the allocation of assets in investment management was 40% equities, 35% fixed-income securities, 20% hedge funds and 5% cash and cash equivalents. In 2010 the investment return amounted to 6.8%.

The ability to win and retain consumer confidence is the basis of all successful retailing. One key part of our role as owner is to contribute to strategies and routines that are financially, environmentally and socially sustainable.

ICA-handlarnas Förbund has announced its intention to convert its entire holding of non-dividend paying C shares to dividend-paying common shares. This conversion means that starting in the 2016 fiscal year Hakon Invest will only have one class of share.

For the 2010 fiscal year the Board of Hakon Invest proposes a dividend of SEK 6.00 (6.00) per common share, or a total of SEK 472 M (472). The dividend corresponds to 82.2% of the Parent Company's profit after tax.

Hakon Invest's 2011 Annual General Meeting will be held on Thursday, April 14 at 16.00 CET in Näringslivets Hus, Storgatan 19 in Stockholm. The final day for notification of attendance at the Meeting is Friday, April 8, 2011.

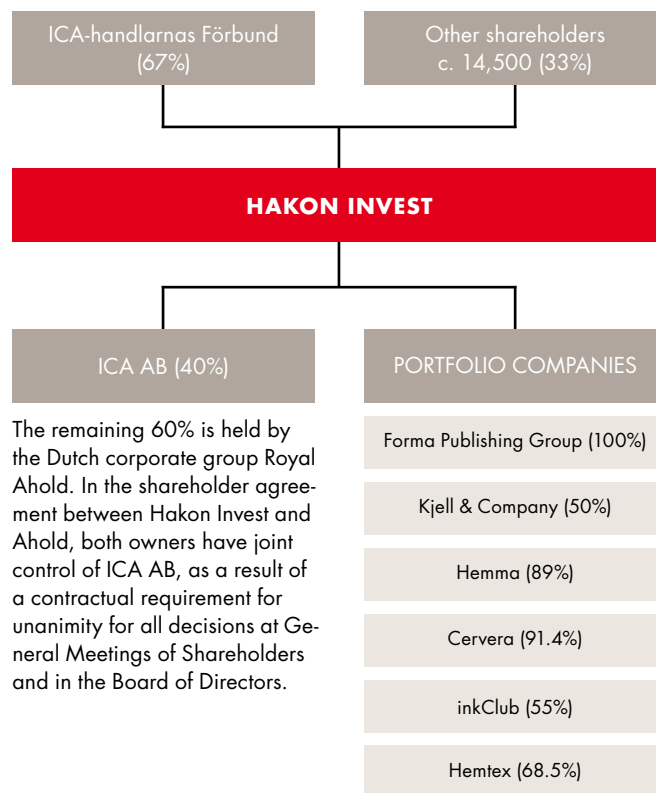
HAKON INVEST IN BRIEF

Hakon Invest makes long-term investments in retail companies with a geographic focus on the Nordic and Baltic regions. Our vision, with ownership in ICA AB as a base, is to be the Nordic and Baltic regions' leading development partner for companies in the retail sector. The 40% holding in ICA AB forms the basis of our ownership philosophy and operations. Through active and responsible ownership we contribute to the creation of value growth in ICA and develop our portfolio companies, all of which are independent companies responsible for their own earnings and profitability. Added value is created for Hakon Invest's shareholders through value growth in the investments combined with a good dividend yield.

Hakon Invest has been listed on Nasdaq OMX Stockholm since December 2005 and is quoted on the Large Cap segment. ICA-handlarnas Förbund is the majority shareholder with 67% of the shares. Other shareholders number approximately 14,500. The head office is in Solna, outside Stockholm.

2010 IN FIGURES

- Revenues SEK 2,931 M (2,392)
- Loss for the year SEK 391 M (+701)
- Earnings per share SEK -1.89 (4.52)
- Equity/assets ratio 86.5% (89.8)
- The Board proposes a dividend of SEK 6.00 (6.0) per common share





The ICA Group is one of northern Europe's leading retail companies with approximately 2,200 wholly owned and retailer-owned stores in Sweden, Norway, Estonia, Latvia and Lithuania. The Group includes ICA Sweden, ICA Norway, Rimi Baltic and ICA Real Estate as well as ICA Bank which offers financial services to customers in Sweden.

HAKON INVEST'S HOLDING

40%

2010 IN FIGURES, SEK M

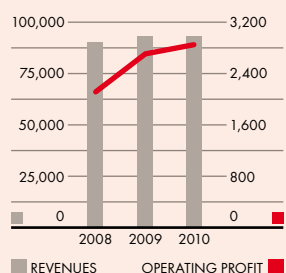
REVENUES

93,860

OPERATING PROFIT 2,924

CONTRIBUTION TO HAKON INVEST'S OPERATING PROFIT 204

REVENUES AND EARNINGS, SEK M



Forma Publishing Group is one of Sweden's largest publishing houses and a media group in the Nordic and Baltic markets. Operations are conducted in three business areas: Forma Magazines (trade and consumer magazines), Forma Contract (contract business) and Forma Books (book publishers).

HAKON INVEST'S HOLDING

100%

2010 IN FIGURES, SEK M

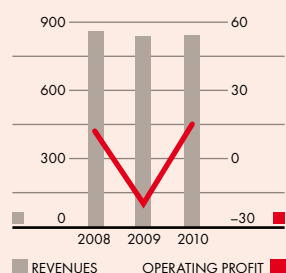
REVENUES

875

OPERATING PROFIT 15

CONTRIBUTION TO HAKON INVEST'S OPERATING PROFIT 15

REVENUES AND EARNINGS, SEK M



Kjell & Company is a home electronics accessories retailer. Kjell & Company owns and operates 53 stores in Sweden. In addition to the stores, mail order and on-line shopping are important sales channels.

HAKON INVEST'S HOLDING

50%

2010 IN FIGURES, SEK M

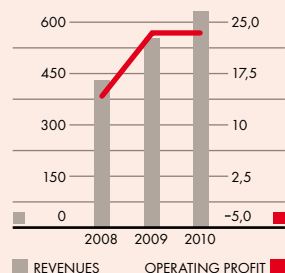
REVENUES

644

OPERATING PROFIT 23

CONTRIBUTION TO HAKON INVEST'S OPERATING PROFIT 8

REVENUES AND EARNINGS, SEK M



Hemma is a white goods retailer with over 100 wholly owned and retailer-owned stores throughout Sweden. The assortment includes products from known brands within home, kitchen and laundry.

HAKON INVEST'S HOLDING

89%

2010 IN FIGURES, SEK M

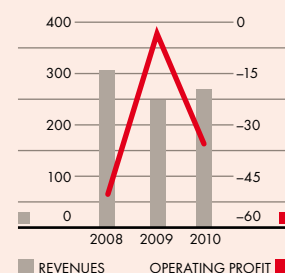
REVENUES

268

OPERATING PROFIT -35

CONTRIBUTION TO HAKON INVEST'S OPERATING PROFIT -35

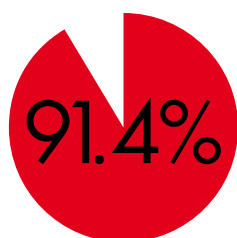
REVENUES AND EARNINGS, SEK M





Cervera is a retailer of high-quality products with a focus on the kitchen and dining area. Cervera has 58 wholly owned and partly-owned stores and 22 franchise stores.

HAKON INVEST'S
HOLDING



2010 IN FIGURES, SEK M

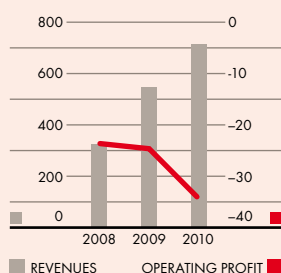
REVENUES

707

OPERATING PROFIT -33

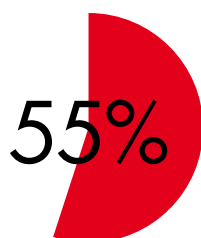
CONTRIBUTION TO HAKON INVEST'S
OPERATING PROFIT -33

REVENUES AND EARNINGS, SEK M



inkClub conducts online sales of value-for-money consumables in 15 European countries. Core products are ink cartridges and other printer accessories, but inkClub also conducts online sales of light bulbs, batteries, vacuum cleaner bags and beauty products.

HAKON INVEST'S
HOLDING



2010 IN FIGURES, SEK M

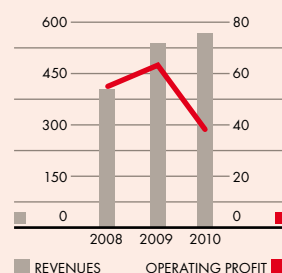
REVENUES

497

OPERATING PROFIT 38

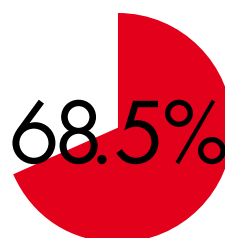
CONTRIBUTION TO HAKON INVEST'S
OPERATING PROFIT -2

REVENUES AND EARNINGS, SEK M



Hemtex is a home textiles chain with operations in Sweden and Finland. Hemtex offers textile products for all rooms in the home. The number of stores totals 179, of which 159 are wholly owned and 20 are franchises.

HAKON INVEST'S
HOLDING



2010 IN FIGURES, SEK M

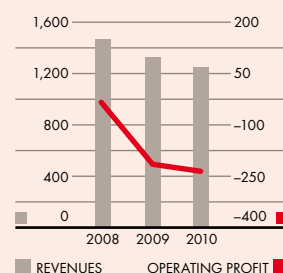
REVENUES

1,081

OPERATING PROFIT -233

CONTRIBUTION TO HAKON INVEST'S
OPERATING PROFIT -233

REVENUES AND EARNINGS, SEK M



SIGHTS SET ON IMPROVED PROFITABILITY

2010 was not a year of rejoicing for Hakon Invest. It was a year of many challenges and with hindsight we can see that we did not make it all the way. Even though some of our holdings provided positive surprises and improved compared with the preceding year, overall performance for the year is a disappointment. For 2011 we have set our sights on improved profitability.

Performance for Hakon Invest's holdings during 2010 is largely a disappointment. During the year we have reported a comparatively strong sales trend in the holdings while our intentions at the start of the year for activities on the costs side have not been fully achieved. The financial crisis and the rapid spread of the recession in autumn 2009 created a healthy awareness of the need to review our operations, costs and tied-up capital. We now see that the comparatively fast recovery in the financial system and its positive impact on consumer purchasing patterns, created too great a focus on growth and expansion at the cost of profitability in both the organization and the companies.

MARKET 2010

The strong economic recovery in Sweden during the first half of 2010 had a positive impact on the retail sector, while the second half saw a weaker trend for food retail. During 2010 total retail trading measured in current prices rose 3.7% which corresponded to a volume increase of 3.3%. During 2010 consumer durables as a whole boosted retail growth to 5.6% while food retail reported a weak increase of 0.5% compared with the previous year.

Retail trade in the other Nordic countries, exactly as in Sweden, reported growth after the decline caused by the financial crisis in 2009. The exception is Denmark where the retail sector reported a small decline when 2010 was summarized. It is pleasing to see that the Baltic countries, which were hit hardest by the financial crisis, have now started to experience a positive trend reversal in volumes, although so far at a modest level.

ICA GROUP – GOOD NEWS AND BAD NEWS

The ICA Group as a whole reported a better year in 2010 than in 2009. ICA Sweden and Rimi Baltic advanced their positions during the year, while ICA Norway continued to return a negative performance which deviated strongly from our expectations. Earnings for ICA Real Estate were unchanged during the year. ICA Bank's earnings decreased due to lower net interest income. ICA Sweden reported its best-ever year and increased its operating profit by 18.5% while sales improved by 2.7%, which is impressive. The improved margins in these operations are due to higher volumes and an improved gross margin attributable to private labels, ICA Special and more effective logistics. ICA Sweden retains its market position and all four store formats increased their sales in comparable units.

In view of the weak economic climate in the Baltic countries it

was gratifying to see that Rimi Baltic, despite a 16% fall in sales during the year, is almost back at profitability on a yearly basis. It is clear that the company has successfully adjusted its cost level to the prevailing market volumes.

ICA Norway is a major disappointment and our early hopes of seeing a reversed trend with reduced losses in 2010 were not fulfilled. ICA Norway has been a major challenge for ICA and Hakon Invest for a number of years. The continued weak earnings call for a thorough review of these operations and the strategic plan. One bright spot, however, is that the Rimi stores that have been rebranded to the new store concept so far have increased their sales by an average of 5.8% compared with 2009. ICA Norway, in addition to a charge against earnings relating to reversed deferred tax, suffered a highly negative effect from rising price competition in the market which intensified in autumn 2010. We can admit that we were over-optimistic about a speedy turnaround in Norway.

PORTFOLIO COMPANIES GROWING AND RESTRUCTURING

Hakon Invest's strategy to build a portfolio of retail companies in addition to the permanent holding in ICA remains unchanged. The portfolio currently consists of six holdings, three of which are companies undergoing a restructuring process and are still unprofitable, while three are profitable and in a growth phase. Since the number of potential investments was limited in 2010 and since the existing holdings still require major commitment, both financially and in time, no new investments were made during the year. Hakon Invest increased its holding in inkClub in 2010 from 50% to 55%. As an active owner, Hakon Invest has initiated extensive work to improve and streamline corporate governance as well as control and follow-up of the holdings. This work will continue in 2011.

All the portfolio companies, with the exception of Hemtex, report sales growth and like-for-like sales increases during the year although performance in the fourth quarter was slightly more modest. The sales growth in the companies is a result of the focus on expansion and growth-promoting activities in 2010. Unfortunately, taken overall costs in the companies remain at too high a level. That said, it is gratifying to see that the cost-cutting program in Forma initiated in 2009 has yielded results and the company's earnings improved significantly in 2010. We can also see that Cervera had a positive development in terms of sales and profitability in the second half of the year.



FROM INK, VIA USB STICKS TO TOWELS

There was extensive activity in the portfolio companies during the year. inkClub acquired 112Ink and Beauty Planet and launched a number of new businesses to exploit economies of scale in the company's CRM platform. The company's focus on acquisitions and expansion has in the short term led to lower earnings. Hemma opened eight new stores during the year which almost doubled the number of wholly owned stores. This powerful expansion combined with a competitive market had a negative impact on earnings. In 2010, the company launched an extended service concept which briefly means that the company itself assumes responsibility for delivery and installation of purchased products. Initially this service function created costs and investment. At Cervera, integration of the Duka stores acquired in 2009 continued. Extensive work has been carried out to build a more distinct and concentrated product range as well as to improve the product mix and therefore initial margins. It is pleasing to see that this work has had results and that these measures are having an impact. Forma noted an improved advertising market during the year, primarily in Sweden. This combined with the effects of the completed cost-cutting program led to a significant improvement in Forma's earnings. IcaKuriren, IcaNyheter and Hus&Hem magazines all contributed to increased profitability. Kjell & Company, like Hemma, expanded significantly during the year. In order to facilitate continued growth, the company strengthened its organization which led to higher central costs. Earnings were unchanged compared with the previous year. Development in Hemtex is a disappointment and way below expectations. It is taking longer than our original assessment to reverse this downward trend and implementation of the necessary action will require hard work. An extensive action program designed to clarify the customer offering as regards assortment, communication and stores has been carried out, while improvements to the efficiency of the supply chain have been initiated.

HEMTEX NEW ISSUE

As already announced, Hemtex does not meet its loan terms and as part of efforts to strengthen the company's financial position a new issue with preferential rights to existing shareholders amounting to approximately SEK 325 M will take place in spring 2011. Hakon Invest has undertaken to subscribe for its share amounting to 68.5% of the share capital in Hemtex.

C SHARES

On December 9, 2010, ICA-handlarnas Förbund announced its intention to convert its entire holding of non-dividend paying C shares in Hakon Invest into common shares which carry dividend entitlement. The conversion means that starting in the 2016 fiscal year Hakon Invest will only have one dividend-paying common share and that from 2016 dividends will be paid on 100% more shares. This announcement was in line with the information provided in 2005 when Hakon Invest was listed on the Stockholm Stock Exchange. The conversion will affect existing shareholders starting in 2016 at the same time as the share structure will become more transparent and in line with other listed companies. Our assessment is that within five years the operations will have grown so as to provide a continued attractive dividend for all shares.

CHALLENGES AND OPPORTUNITIES

One key challenge, but also an opportunity, is to continue to improve the cost level in the holdings. From having a focus on growth it now remains for us to prove that we can achieve acceptable profitability over time. In the short term we will therefore prioritize profitability before growth. One central parameter for stronger profitability in Hakon Invest is to bring about a thorough overview of operations and the strategic plan in ICA Norway. In view of the weak development in ICA Norway in the second half of 2010, the need of additional measures is increasingly clear.

OUTLOOK FOR 2011

Prospects for 2011 continue to look fairly bright although rising commodity prices, shortages of raw material and increased demand in the major emerging markets, may have a negative impact on retail in the form of rising purchase prices. We must also be prepared for higher interest rates or an increased savings quota having a negative impact on consumers' actual consumption in 2011. The Swedish Retail Institute's (HUI) forecast for 2011 is that retailing in Sweden will increase in current prices by 3.5% and by 3.0% in 2012, which for food retail specifically means expectations for 2011 being better than 2010.

Even though we primarily give priority to profitability before growth, we have a strong financial position which means that we are able to advance our positions if interesting and attractive proposals come our way. It is also our intention to continue to offer Hakon Invest's shareholders a good dividend yield. For 2010 the Board proposes a dividend of SEK 6.00 per common share, which corresponds to 82.2% of the Parent Company's net profit.

Taken overall, I am cautiously optimistic about market development in 2011 and feel strong confidence in our ability to achieve improved earnings this year.

Claes-Göran Sylvén

PRESIDENT

FROM BUSINESS CONCEPT TO ACTION

BUSINESS CONCEPT

Hakon Invest makes long-term investments in the retail sector in the Nordic and Baltic regions with good risk diversification and thus helps to ensure the long-term success of the ICA concept. Shareholder value is created through value growth in the portfolio companies combined with a good dividend yield, which is achieved through active and responsible ownership.

MISSION

From its origins and inspiration in the ICA concept, Hakon Invest creates opportunities for entrepreneurship, growth and profitability in retail operations through its financial capacity and extensive retail expertise.

VISION

With its ownership in ICA AB as a base, Hakon Invest will be the leading development partner for retail companies in the Nordic and Baltic regions.

STRATEGIES

BALANCED PORTFOLIO BUILDUP

Hakon Invest works with a long-term approach to expand the investment portfolio, both with new investments and with add-on acquisitions to existing holdings.

GOOD RISK DIVERSIFICATION

To ensure that the total portfolio, in addition to ICA AB, has a balanced risk, Hakon Invest invests in different types of business, of varying size, within the retail sector. Risk diversification over time is also created through successive investments. Hakon Invest invests in companies with clear concepts and established operations, which keeps down the level of risk.

LONG-TERM OWNERSHIP

The aim is a long-term approach to both portfolio buildup and the individual investments. ICA AB is a "permanent" investment but otherwise Hakon Invest's investments do not have a set timescale.

ACTIVE AND RESPONSIBLE OWNERSHIP

Hakon Invest will be an active owner and support the development and expansion of its portfolio companies. We feel very involved in the companies in which we invest. Hakon Invest wants to have shared interests with the entrepreneurs in the portfolio companies and considers it an advantage if the previous owners remain in the company in some form, but is not averse to having a 100% holding.

GOALS FOR THE HAKON INVEST GROUP

Goals for the Hakon Invest Group include operating and financial objectives for Hakon Invest and ICA AB.

OPERATING OBJECTIVES FOR HAKON INVEST

- To establish and consolidate the position as a leading development partner for companies in the retail sector in Sweden, as a first step towards the vision of becoming a leading development partner in the Nordic and Baltic regions
- To gradually build a portfolio of holdings with a balanced risk

FINANCIAL TARGETS FOR HAKON INVEST

- To distribute at least 50% of the Parent Company's profit for the period
- To seek an equity/assets ratio for the Group of not less than 70% over time
- In each individual holding, the average total return on Hakon Invest's invested capital to be at least 15% during the ownership period
- Average annual return from asset management of at least CPI plus four percentage points over rolling five-year periods

OPERATING OBJECTIVES FOR ICA AB

- To be the market leader in the countries in which ICA AB is represented
- To increase sales in the long term in each submarket at a faster rate than total market growth

FINANCIAL TARGETS FOR ICA AB

- Operating margin (EBIT) of 3.5–4.0%
- Return on equity of at least 14–16% over a business cycle
- An equity/assets ratio of 30–35% over time
- In the shareholder agreement, Hakon Invest and Ahold have undertaken to work to ensure a dividend of at least 40% of profit for the period

A COMPANY WITH A LONG HISTORY

In a strictly legal perspective, Hakon Invest's history goes back no more than just over ten years with the formation of ICA Förbundet Invest in 2000. In practice the company's history stretches all the way back to the first world war when Hakon Swenson laid the foundation for today's ICA Group.

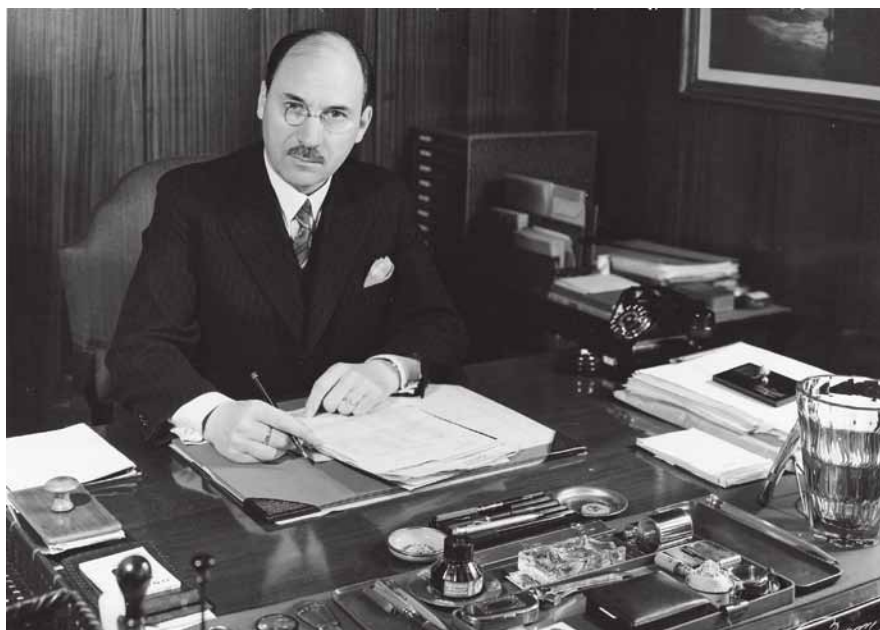
The name Hakon Invest, which was adopted at the company's 2005 annual meeting, comes from Hakon Swenson, who started the wholesale firm AB Hakon Swenson (Hakonbolaget) which is the origin of today's ICA AB.

Hakon Swenson's idea was to get individual retailers with their own stores to join forces and form purchasing centers, allowing them to achieve economies of scale through joint purchases, setting up stores and sharing their marketing costs. By becoming partners in Hakonbolaget the individual retailers would show financial solidarity with each other at the same time as each retailer was independent when operating their own store. Hakon Swenson's aim was for cooperating purchasing centers with retailer influences to cover the whole of Sweden. Inköpscentralernas AB ICA was formed in 1938 and changed its name to ICA AB in 1972.

ICA-HANDLARNAS FÖRBUND FORMED

ICA-handlarnas Förbund, the non-profit membership association for Sweden's ICA retailers, was formed in 1940. As a result of an organizational change in 1972 the association became the principal owner of ICA AB in 1972 with approximately 60% of the capital and about 70% of the votes.

The key task for ICA-handlarnas Förbund was, and still is, to exercise owner influence in ICA AB and therefore secure the company's long-term growth by further development of the ICA idea.

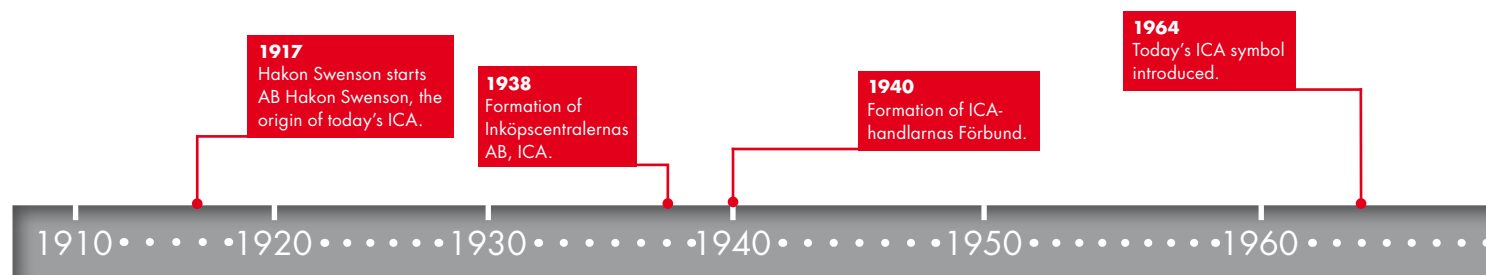


HAKON SWENSON

– THE ENTREPRENEUR WHO CREATED ICA

- Hakon Swenson was the son of a clergyman and in 1898, at the age of 15, started as an errand boy for a retailer in Västerås. He then accompanied this shopkeeper when he acquired the wholesale firm Manne Tössberg in 1900. In 1908, Hakon Swenson became office manager and the driving force in the firm. Swenson saw that the individual, small retailers were often under financial pressure, in particular from the intensifying competition from the cooperative movement. He wanted to develop a closer cooperation where retailers could make joint purchases and obtain the same discounts as the cooperative movement.

In 1917 he started the wholesale firm AB Hakon Swenson (Hakonbolaget) in Västerås. At the same time he invited retailers to become partners in the company. The idea was in a practical manner to combine the concept of independent merchants with the need of permanent forms of cooperation between retailers and the wholesale sector. Swenson was president of the company until 1949.



The ICA idea is defined as “Individual retailers’ voluntary cooperation between their part (the store) and whole (the ICA Group)”. This means that it is the local business person who operates his or her own store, but at the same time realizes that cooperation improves the opportunities to achieve short- and long-term profitability for both the stores and the ICA Group. In this way diversity and local adjustment are combined with large-scale operations and efficiency. With ICA-handlarnas Förbund as principal owner, ICA AB has developed into one of northern Europe’s leading retailers for consumer staples.

In 1992, ICA AB acquired a minority holding in the Norwegian company Hagen Gruppen, which at the time owned and operated Rimi stores in Norway. At year-end 1998, ICA AB acquired the remaining shares in the company from Stein Erik Hagen’s family company Canica AS. Payment took the form of newly issued shares in ICA AB, making Canica a part owner of ICA AB.

In 1999 ICA-handlarnas Förbund and



One key step for ICA’s operations was the launch of the refrigerated and frozen food truck. This picture is from the 1950s.



Inauguration of K.E. Ingelsson’s ICA store in 1969. The retailer himself stands behind the counter.

THE ICA IDEA

- The idea of individual retailers in cooperation was born back in 1917. The idea is simple: to combine diversity and local harmonization with economies of scale and efficiency. The idea is successful. Independent retailers in cooperation have helped ICA to build up substantial customer confidence, good profitability and a leading position in the Swedish market. The ICA model provides proximity to customers and a collective strength for the retailers. The model represents a clear offering which is adapted to meet local conditions, under a common brand.

1972

- Inköpscentralernas AB ICA changes name to ICA AB.
- ICA-handlarnas Förbund become principal owner of ICA AB.

1992

- ICA AB acquires a minority holding in the Norwegian company Hagen Gruppen which changed name to Hagen Gruppen AS.

Year-end 1998

- Remaining shares in Hagen Gruppen AS acquired from Canica AS.

1999

- ICA-handlarnas Förbund acquires ICA Förlaget.
- ICA-handlarnas Förbund and Ahold start discussions on ownership of ICA AB.

1970 • • • • • 1980 • • • • • 1990 • • • • • 2000 • • • • • ➔



Hakon Invest was introduced on the Stockholm Stock Exchange on December 8, 2005. Seen here OMX AB's then president and CEO Magnus Böcker and Hakon Invest's president Claes-Göran Sylvé.

the Dutch food retail group Ahold started discussions on ownership of ICA AB. Prior to the major change of ownership in ICA AB, ICA-handlarnas Förbund formed an investment company named ICA Förbundet Invest AB. The company was assigned to exercise an active ownership role in ICA AB as well as strengthening and developing the ICA idea.

NEW OWNERSHIP STRUCTURE IN ICA AB

The discussions between ICA-handlarnas Förbund and Ahold resulted in Ahold coming in as an owner of ICA AB in 2000. After this transaction, ICA AB became a joint venture jointly controlled by Ahold, ICA Förbundet Invest AB and Canica AS.

In spring 2005 a decision was made on an IPO for ICA Förbundet Invest AB which then changed its name to Hakon



THE ICA SYMBOL

- The idea of a joint symbol for the ICA retailers, with opportunities for joint marketing, was first raised at the end of the 1930s. It was to take almost another 30 years, however, before the ICA logotype became reality. In the third week of January 1994 the new ICA logotype was put up on all Sweden's ICA stores.

It took a long time to reach maturity but the effect was considerable, when the decision from 1939 was finally realized. A new uniform system was "a way to shake up the competition" as ICA director Gustaf Kollberg put it. The new ICA symbol also resulted in the consumer cooperative movement immediately setting up a committee assigned to propose a new cooperative symbol. This resulted in the infinity logo four years later, in 1968.

Invest. At the same time, it was decided that Hakon Invest's operations should be broadened and given a partly new focus. In December 2005, Hakon Invest was listed on the Stockholm Stock Exchange.

HAKON INVEST TODAY

Hakon Invest's assignment, with its own-

ership in ICA AB as a base, is to conduct active and long-term investment operations with a focus on retail companies in the Nordic and Baltic regions. Since 2005, Hakon Invest has successively built up a well-diversified portfolio of retail companies which, in addition to the 40% holding in ICA, consists of six holdings.

2000

Hakon Invest is formed under the name ICA Förbundet Invest AB. Ahold becomes an owner in ICA AB.

2004

- Canica sells its holding in ICA AB to Ahold, which sells half of the shares to ICA Förbundet Invest AB.
- ICA Förlaget changes name to Forma Publishing Group.

2005

Hakon Invest shares are listed on the Stockholm Stock Exchange. The company changes name from ICA Förbundet Invest AB to Hakon Invest AB and operations are broadened.

2000

2005

PARTNERSHIP INSTEAD OF STOCK EXCHANGE

The discussions between ICA-handlarnas Förbund and Ahold on ownership of ICA AB led to suspension of plans for an IPO for ICA AB and to Ahold becoming a part owner of ICA in 2000. This was the biggest change of ownership thus far in ICA's history.

The background to the plans for a change of ownership was that the ICA retailers and ICA-handlarnas Förbund needed to broaden ownership in ICA AB as the size and value of the ICA Group grew. It was important both to acquire good financing and to counteract the inherent risks in a totally closed ownership. The alternative was an IPO, which was also an idea at the end of the 1990s. Another alternative was to spread ownership to one or more partners which could also provide expertise and other resources. Ahold was a partner which suited ICA well in many respects, including its focus on not attempting to manage its partners in detail but instead to benefit from their local market expertise. Both ICA and Ahold had adapting to local conditions as part of their business concept at the same time as functioning in large networks with different store concepts. The companies also had the same basic approach to key issues concerning consumers and quality.

Ahead of the major change of ownership in ICA AB, ICA-handlarnas Förbund formed an investment company which was called ICA Förbundet Invest AB. The company was tasked with exercising the role of active owner in ICA AB and with strengthening and developing the ICA idea. It was this company which changed name to Hakon Invest AB in 2005.

After the entry of Ahold as part owner of the ICA Group, the ICA Group was



A handshake in December 1999 when the deal between ICA-Förbundet, Ahold and Canica was finalized. From left: Jan Andreae, (then responsible for Ahold's European operations), Stein Erik Hagen, (then deputy chairman of ICA AB), Roland Fahlin (then president of ICA-handlarnas Förbund and chairman of ICA AB), and Cees van der Hoeven (then CEO of Ahold).

50% owned by Ahold, 30% by ICA Förbundet Invest AB and 20% by Canica AS.

As a result of the change in ownership in ICA AB a shareholder agreement was drawn up in 2000 between ICA Förbundet Invest, Ahold and Canica. The agreement, which runs until year-end 2040, includes clear rules for when and how any changes in any of the parties' ownership

can take place. Under the agreement, the parties, for as long as they each own between 30 and 70%, have equal control in ICA AB. In October 2004, Canica sold its 20% holding of shares in ICA AB to Ahold, which subsequently sold half of these shares to ICA Förbundet Invest AB. The shareholder agreement from 2000 still applies today.

2006

Hakon Invest acquires 50% of the shares in Kjell & Company, 48% of the shares in Hemma and 45% of the shares in Cervera.

2007

- Hakon Invest becomes majority owner of Hemma.
- Hakon Invest acquires 50% of the shares in inkClub.

2008

Hakon Invest acquires 26.4% of the shares in Hemtex.

2009

Hakon Invest steadily increases its holding Hemtex to 68.5% through bids and acquisitions in the market.

2010

Hakon Invest acquires an additional 5% of the shares in inkClub bringing the holding to 55%.

2010

STRONG ECONOMIES GAVE RETAILING A LIFT

The recovery in the Nordic countries' economies contributed to stronger retail markets in 2010. Even the Baltic countries, which were hit very hard by the financial crisis, started to see an upturn although at a modest rate.

The strong recovery in the Swedish economy in 2010 had a positive impact on development for the retail sector during the year, although growth in the food retail market slowed during the second half.

Total retail trade in Sweden measured in current prices increased by 3.7% in 2010 which corresponds to a volume increase of 3.3%. This makes 2010 the third consecutive year with growth of over three percent for the Swedish retail industry.

In summary, 2010 showed a strong performance primarily for consumer durables, while food retail reported a weak increase compared with 2009. Unlike in the case of food retail, the volume increase for consumable durables was stronger than the increase measured in current prices.

RECOVERY IN SWEDISH ECONOMY

The recovery in the Swedish economy was powerful in 2010 and GDP grew 5.5%, led by strong growth in export industry and greater willingness to invest among Swedish companies. A faster recovery than anticipated in the global economy benefited Swedish export industry. Higher domestic demand, driven by increased disposable income for many Swedish households, also contributed to the recovery.

The Swedish krona strengthened in 2010 against the U.S. dollar and the euro. One contributory factor to the attractive retail climate in Sweden in 2010 was the increased purchasing power of Swedish consumers due to implemented stimulus measures such as tax reductions and historically low interest rates.

The low interest rates and increasingly strong confidence in their own and the country's economy have created scope among consumers to increase consumption, not just for basic necessities but also small luxuries.

MAJOR DIFFERENCES IN SWEDEN

Sub-sectors of the retail sector in Sweden showed major differences in development in 2010. Consumer durables had a volume growth of 5.6% in 2010 while food retail had a lower volume increase of 0.5%. Home electronics, furniture, sports and leisure retail showed a strong growth in volume in 2010. Among the losers were the jewelry, paint and book retailers.

The year ended strongly with record Christmas trading for the fifteenth consecutive year. Sales in December, which are highly significant for total retail development, amounted to SEK 64.8 billion. Sports retail was the December winner with an increase of 12%. The wintry weather probably reallocated household spending to sport and leisure from other parts of the retail sector.

Total retail trading in 2010 amounted to SEK 617 billion, corresponding to growth of 3.7% compared with 3.6% in 2009. Adjusted for price and calendar effects, the increase was 3.3% (2.8). Sales within food retail in 2010 totaled SEK 277 billion, an increase of 2.2% over the previous year.

DEVELOPMENT IN OTHER NORDIC COUNTRIES & BALTIC REGION

Following the downturn during the financial crisis, the Nordic countries' economies experienced a recovery in 2010. The Baltic countries, which were hit hard by the financial decline, also saw a turnaround, although at a modest level.

The Nordic countries have emerged strengthened from the financial crisis and it is only the emerging markets headed by China, India and Brazil, that have faster growth. A similar pattern can be discerned for retail trade development in Europe. Retailing in the Nordic region has higher growth than other countries within the EU.

During 2010 the retail industry in the Nordic countries succeeded in turning out of the decline caused by the financial crisis in the previous year. The exception is Denmark where the retail sector reported a small decrease for 2010. In Norway and Finland, the economic recovery was apparent from growing retail markets.

NORWAY

Even though the recession was less noticeable in Norway than in the other Nordic countries, Norwegian consumers remained restrictive with consumption and the savings quota remained high. This restraint appears to be starting to ease due to stronger confidence in the country's economy combined with low inflation and low interest rates. This indicates a recovery in consumption. Taken overall, Norwegian retailing increased by over 2% during 2010. Development was volatile during the year, however, with considerable monthly variations in volume.

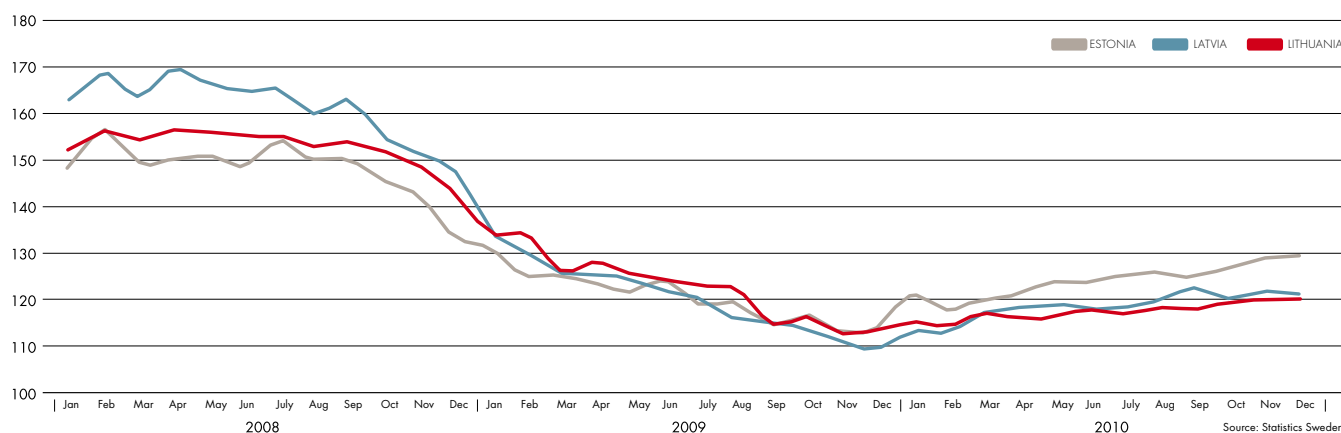
DENMARK

After the sharp decline in the wake of the global financial crisis, Denmark's economy has slowly but surely started to grow again and domestic demand has started to recover. Private consumption has started to turn upwards following tax and interest rate reductions, although a stricter fiscal policy, higher savings quota and calmer housing market will be restraining factors in the future.

Danish retailing has been moving backwards for some time. Overall retail development in 2010 was significantly better than in 2009, but still showed a general decline in volume during the year. A number of factors indicate that it may take time before there is real pace in retail trade growth in Denmark.

RETAIL TRADE DEVELOPMENT IN BALTIC COUNTRIES

2005 = 100 SEASON-ADJUSTED PRICES



In addition to a fairly modest wage development which is not strengthening consumers' disposable income to any great extent, the Danish government plans to introduce significant economic austerity programs such as a check on upward indexation of pensions and other transfers as well as cancellation of previously planned tax reductions.

FINLAND

Finland's economy, which was hit hard by the global crisis, improved in 2010. In pace with the country's stronger economy, low interest rates and consumers' increased disposable incomes during the year, Finnish consumers' willingness to spend increased, which could be seen through the upturn trend for retailing in 2010 which was broad and covered most sectors. Ac-

cording to Statistics Finland, Finnish retailing rose 3.8% during the year.

BALTIC COUNTRIES

The Baltic countries are among those in Europe most affected by the financial crisis in 2009. From a period just a few years ago when economies were running flat out and actually showed signs of overheating, things came to a sudden halt when the financial crisis took hold. What followed was that GDP fell by double-digit percentages in the three countries.

This total about turn affected retail in particular when consumers were forced to revise their household budgets and confine their purchases to essentials. A brighter development could be noted towards the end of the year which in a first phase meant that the negative trend was

broken and a slow recovery could start. It looks as if it will take some time before we can see clear signs of a reduction in the high unemployment figures.

What is gloomy for retail in the Baltic countries is that the measures implemented to get the countries' economies to work normally again, such as salary reductions and cost-cutting in the public sector, affected consumers to a great extent. This, combined with high unemployment, has put intense pressure on domestic demand. All three countries have seen a fall in private consumption, although not as substantial as in 2009.

ESTONIA

The biggest problem for Estonia, as for the other Baltic countries, is continued weak domestic demand. This is due, among other things, to action taken to remedy the imbalances in the country's economy which has affected consumers in the form of salary reductions and tax increases. Estonia is in a phase of unbalanced recovery in the sense that exports are the driving force while domestic demand does not make much of a contribution. In the latter part of 2010 an upturn started and the country's GDP increased by 1.8% during the year, compared with a fall of 13.9% in 2009.

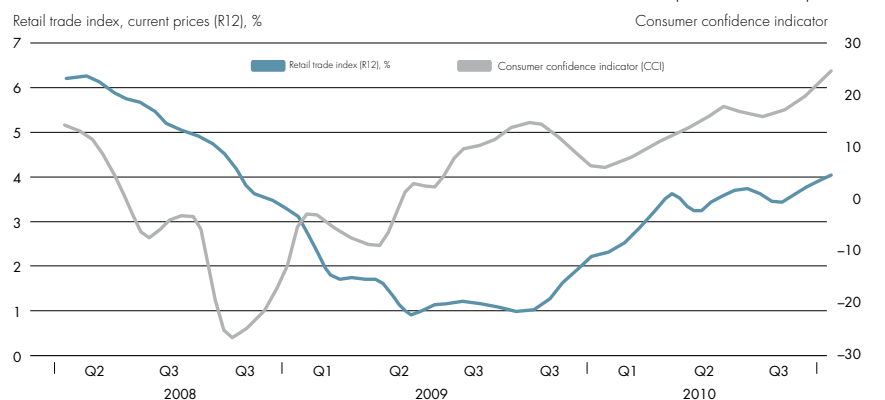
Retail trading decreased by 4% during 2010 due to a weak start to the year.

LATVIA

In Latvia, the Baltic country worst affected by the financial crisis, a slow economic

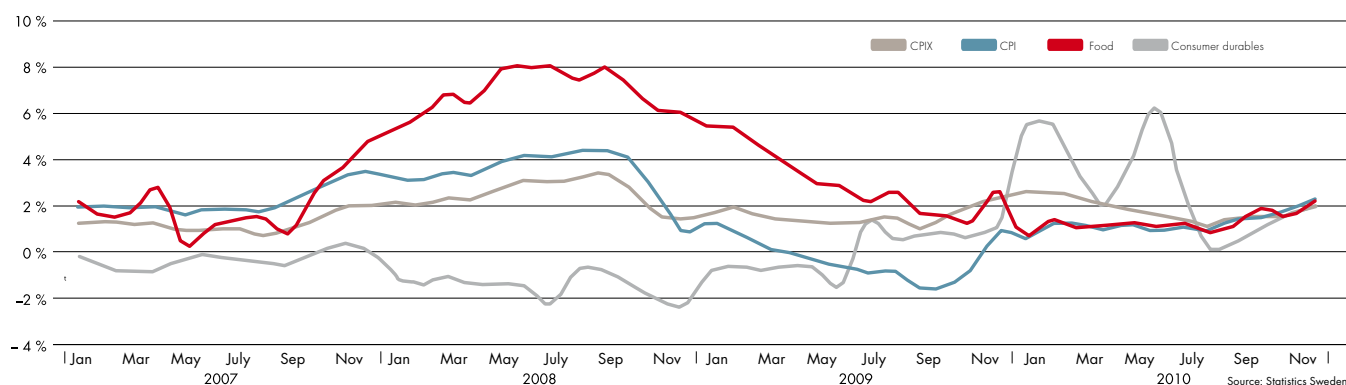
RETAIL TRADE DEVELOPMENT AND CONSUMER CONFIDENCE

12-month development, current prices, %



PRICE TREND CPI IN SWEDEN, CPIX*, FOOD RETAIL AND CONSUMER DURABLES

* CPI excluding interest costs



recovery is under way. GDP is not falling at the same rate as before.

Retail trade in Latvia has shown falling volumes since 2008, but towards the end of 2010 a reversal of this downward trend could be seen. Retail sales fell by 2.2% in 2010, of which food retail fell 5.3% and consumer durables by 0.4%. The fourth quarter of 2010 provided a positive sales performance with a plus of over 7% compared with the same quarter in the previous year. The increase in the fourth quarter was entirely attributable to a sharp increase in growth for consumer durables which rose almost 11%. Food retail showed weak negative growth in the fourth quarter.

LITHUANIA

In Lithuania as well, weak domestic demand inhibited the growth required for economic recovery. However, as in Estonia and Latvia, signs of a turnaround in the economy can be seen.

After the sharp slowdown in 2009 when retail sales fell by double-digit percentages, development stabilized in 2010 and the total for the full year was a decrease of just over 7% for retail sales. As in the other Baltic countries it is consumer durables that account for retail growth.

FUTURE PROSPECTS

The National Institute of Economic Research reports that Sweden is showing a very strong recovery from the financial crisis. The powerful recovery in 2010 should to some extent be seen as a recoil after the major downturn during the fi-

nanacial crisis in 2009. Better prospects for the global economy and a strong belief in the future among Swedish companies in the fourth quarter of 2010 are other contributory factors. Furthermore, Swedish consumers are positive about both their own and the country's economies, which indicates that they will spend more. Conditions are favorable for both increased exports and higher domestic demand. GDP development in Sweden is expected to see continued growth in 2011 and 2012, although the growth rate is expected to be somewhat lower than in 2010.

Global economic prospects continue to improve. The elements of anxiety with a wavering U.S. and a weakening China constitute potential threats to world growth as well as the Swedish economy. The greatest threat to the Swedish economy, however, is a sluggish Europe and continued problems with state finances in the debt-ridden EU countries and the spread effects this may give, not least since Europe is an important export region for Swedish industry.

Prospects for Swedish retail trade in the near future look fairly bright, despite the fact that rising commodity prices, shortages of raw material and higher demand in the major emerging markets can have a negative impact on retail in the form of rising purchase prices. The Swedish Retail Institute (HUI) predicts a steady volume growth in Swedish retail of about 2% for both 2011 and 2012. A continued recovery for the Swedish economy as a whole, reduced unemployment and optimistic consumers are expected to give

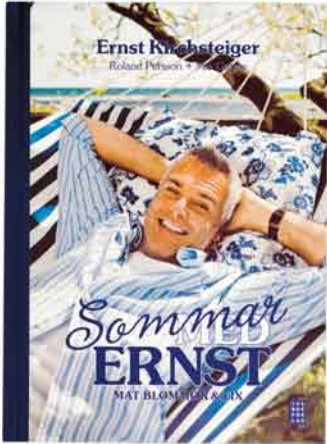
the retail sector another couple of years of good growth. The threat is higher interest rate hikes than anticipated which might have a moderating effect on private consumption. Each hike means that purchasing power is reallocated from consumption or savings to interest payments, which has a negative impact on retail growth.

The other Nordic countries, with the exception of Denmark where development has been more modest, are expected to have good retail development in 2011.

Forecasts for economic development in the Baltic countries show that better times are on their way. A sharp minus for development of both GDP and private consumption in the three countries is expected to be transformed into positive figures in the next few years. Such a turnaround would have a positive impact on retail development.



HOLDINGS ○ ○ ●



CONTINUED CHALLENGE IN NORWAY



GÖRAN BLOMBERG, CFO of Hakon Invest:

“For the ICA Group 2010 can be summarized by the words record earnings in Sweden, continued challenges in Norway, and turnaround in the Baltic countries. The main factors behind the improved earnings were the effects of completed action programs, improved margins and better cost efficiency above all within logistics.

“During the first half of the year there was strong development in the Swedish food retail market, but this slowed during the second half. There are still major challenges in Norway, even though ICA is heading in the right direction. The turnaround for ICA Norway was made harder by intensified price competition in the Norwegian market during the year.

“The set course is the right one, however, and rebranding of stores to the

Rimi concept, which has been very well received in the market, continues as planned,” says Göran Blomberg.

The year was also characterized by the turnaround in the Baltic countries.

“We can be pleased with the turnaround in the Baltic countries after a number of difficult years. Managements have done a fantastic job with implementing cost savings. In our main markets in the Baltic region, Estonia and Latvia, ICA gained markets shares throughout the recession. The excellent work carried out during this tough period is now starting to have an impact and the negative trend has been broken,” he says.

How does the future look?

“There is a continued focus on reversing the trend in Norway. ICA has a long-term approach and intends to build a sound platform for long-term success in the market. In Sweden, it is important to be continuously alert to changes in the market and in customer behavior and preferences,” says Göran Blomberg.

“The food retail market is contra-cyclical. During a recession the industry gives a strong performance and other parts of the retail sector, such as consumer durables, show a weaker trend. When the

economy strengthens, consumer durables increase and food retail enters a phase of growth roughly in line with inflation. The ICA holding therefore has a balancing effect on Hakon Invest’s portfolio of companies.”

Describe Hakon Invest as an owner of ICA.

“The sound retail experience in our organization means that we can react fast to changes in customers’ preferences and behavior. This creates a dynamic dialog between ICA and ourselves. The strength in our corporate governance is that we quickly receive signals from the retailers about what is happening in the market and what we should do,” Göran Blomberg continues.

What in your opinion are the key factors for successful retailing?

“The core of successful retailing is to have an attractive customer offering and an efficient supply chain, which in turn lead to sales growth. In the retail industry it is important to always give priority to growth, otherwise the company will sooner or later be overtaken by more alert competitors. You can’t reverse into the future,” summarizes Blomberg.

DEVELOPMENT IN THE HOLDINGS

Key figures, SEK M

	INCOME STATEMENTS				CASH FLOWS	
	Revenues		Operating profit		From operating activities	From investing activities
	2010	2009	2010	2009	2010	2010
ICA Group	93,860	94,651	2,924	2,713	3,188	-2,453
PORTFOLIO COMPANIES						
Forma Publishing Group	875	870	15	-20	35	-12
Kjell & Company	644	550	23	23	26	-5
Hemma	268	249	-35	-4	-19	-5
Cervera	707	544	-33	-25	-51	-20
inkClub	497	452	38	63	31	-60
Hemtex ⁴⁾	1,081	729	-233	-120 ⁵⁾	-117	-16

1) Interest-bearing net debt for ICA excludes ICA Bank.

2) Hakon Invest and Royal Ahold have joint control of ICA AB as a result of a contractual requirement for unanimity for all decisions at General Meetings of Shareholders and in the Board of Directors.

3) Hakon Invest and other principal owners have joint control of the company under an agreement.

FOCUS ON THE ABILITY TO ACT



STEIN PETTER SKI, SVP Investments & Portfolio Companies at Hakon Invest:

“2010 was marked by major change programs in our portfolio companies, which required both resources and time for us at Hakon Invest and for the companies.”

The various portfolio companies are meeting different challenges and market conditions for the companies differ. It is possible, however, to highlight, some aspects that characterized the year.

“We entered 2010 with a major focus on the companies’ costs and working capital. During the year the focus has been transferred to include actual corporate governance and a greater pressure on the companies to increase their ability to act and to deliver quality. We have become more concrete and specific in our demands on the companies. We are in the process of reviewing all companies’ business and strategic plans and we are mak-

ing clear and tough demands,” says Stein Petter Ski.

How does the future look?

“Overall it’s about improving profit levels in the companies. Corporate governance aspects are also in focus. We must create conditions to reach the profitability we believe the companies can achieve. We are now working on increasing structural capital in the companies, in the form of systems, employees and working methods.”

According to Stein Petter Ski the main focus now is on Hakon Invest’s existing holdings and possible add-on acquisitions rather than on totally new acquisitions.

“During 2010 we held many discussions with various players about possible acquisitions, but we have been cautious in view of a degree of doubt about market development. Also few deals were carried out in the market during the year. If an interesting acquisition candidate should appear on our radar, naturally we will evaluate it. We have not closed the door entirely,” he says.

Describe Hakon Invest as an owner of the portfolio companies

“The considerable experience from re-

tailing that exists within Hakon Invest means we can contribute a lot of expertise and a large network,” says Stein Petter Ski.

He underlines that ICA is very skilled at managing the supply chain, something that is essential for success within food retail. Where the right product must be in the right place at the right time. When handling fresh products this is also about the right amount.

“The sound knowledge of supply chain and merchandizing within ICA is something we derive considerable benefit from in our other portfolio companies.”

What in your opinion are the key factors for successful retailing?

“The two most important factors are a clear customer offering and supply chain, which together can lead to profitable growth. These two factors contain in their turn many different components. The customer offering includes store concept, product mix, marketing strategy, and sales channels (such as physical stores, online sales and mail order). The supply chain includes inventories, logistics and capital turnover rates,” summarizes Stein Petter Ski.

BALANCE SHEETS			HAKON INVEST'S OWNERSHIP			
Assets	Equity	Interest-bearing net debt	Contribution to Hakon Invest's earnings	Holding (%)	Investment	
2010	2010	2010	2010			
39,703	11,913	-201 ¹⁾	204	40% ²⁾	-	ICA Group
586	98	237	15	100%	200	PORTFOLIO COMPANIES
228	79	-43	8	50% ³⁾	102	Forma Publishing Group
353	148	85	-35	89%	151	Kjell & Company
397	138	20	-33	91.4%	240	Hemma
184	97	6	-2	55% ³⁾	467	Cervera
623	138	217	-233 ⁶⁾	68.5%	927	inkClub
						Hemtex ⁴⁾

4) Hemtex is reported as a subsidiary since June 30, 2009.

5) SEK 37 M of operating profit relates to impairment of goodwill, which did not affect the Hakon Invest Group's earnings.

6) Excluding impairment of goodwill of SEK 284 M.

ICA GROUP

The ICA Group's operating profit improved during the year due to strong earnings in Sweden and a reduced loss in Rimi Baltic. In the Norwegian market, price competition intensified and ICA Norway's operating result worsened.

OPERATIONS

The ICA Group is one of Northern Europe's leading retail companies, with around 2,200 of its own and retailer-owned stores in Sweden, Norway, and the Baltic countries. The Group includes ICA Sweden, ICA Norway, Rimi Baltic, ICA Real Estate and ICA Bank. ICA AB is a joint venture 40% owned by Hakon Invest and 60% by Royal Ahold N.V. of the Netherlands. According to a shareholder agreement, Royal Ahold and Hakon Invest share control of ICA AB.

Hakonbolaget, the origin of today's ICA, was formed by Hakon Swenson in 1917. Since then ICA has steadily developed to its present organizational and ownership structure. Read more about ICA's history on pages 10–13.

ICA's vision is to make every day a little easier for its customers. The vision guides ICA in the development of the different parts of its operations. Always listening to customers' needs and meeting them with clever new solutions is a key to ICA's way of doing business.

ICA conducts good business in three dimensions: customer, store and group. When these three dimensions work together in the best possible way, a positive value chain is created. Loyal customers lead to better stores. Better stores lead to a stronger group. And a stronger group can in turn reinvest to further improve operations.

The ICA Group's operations are conducted according to a number of different business models. Common to all ICA's models is that the starting point is that satisfied customers are the key to good business. Another shared factor is the ability to have a strong local connection.

ICA continuously develops its operations on the basis of external demands and conditions in order to become the leading retail company with a focus on food and meals.

The core of the ICA idea is to be best



"Billiga Veckan" ("Cheap Week") is part of ICA's major focus on attractive prices.

at being both small and large by combining entrepreneurship with economies of scale. Individual retailers join forces through joint purchasing, store establishments and marketing to achieve the same economies of scale as a chain.

ICA seeks to be a far-sighted and dynamic company with sound finances, aware environmental work, and strong social responsibility. ICA's Good Business is the guide star for sustainability initiatives.

DEVELOPMENT IN 2010

The ICA Group's net sales decreased marginally during 2010.

Operating profit increased by 7.8% to SEK 2,924 M (2,713), corresponding to an operating margin of 3.1% (2.9). This was the best-ever result in ICA's history. Operating profit includes capital gains from property sales of SEK 27 M (121) and impairment of non-current assets of

	2010	2009
Sales, SEK M	93,860	94,651
Operating profit, SEK M	2,924	2,713
Contribution to Hakon Invest's operating profit, SEK M	204	596
Growth, %	-0.8	4.1
Operating margin, %	3.1	2.9
Gross margin, %	14.4	13.9
Number of employees	20,373	20,412

SEK 39 M (-9). ICA Norway's result was a major disappointment, but was offset by strong earnings in ICA Sweden and a reduced loss in Rimi Baltic.

Profit for the year amounted to SEK 547 M (1,587), of which total tax expenses and reversed deferred tax of SEK 1,379 M (0) were charged against earnings.

During the year ICA continued to focus on developing the product range, both through development of the existing assortment and with new private labels. Work on streamlining the assortment of non-food items continued.

A total of 28 new stores were opened in five countries during the year.

The rebranding of the Norwegian stores to the new Rimi continued at an increased pace. 108 stores were rebranded during the year and the number of new Rimi stores now totals 184. Store upgrading in the Supermarket profile in the Baltic countries was carried out according to plan and a total of some ten stores were redesigned during the year.

During 2010, ICA Sweden launched its major investment, Cura, a new chain of pharmacies housed in ICA stores.

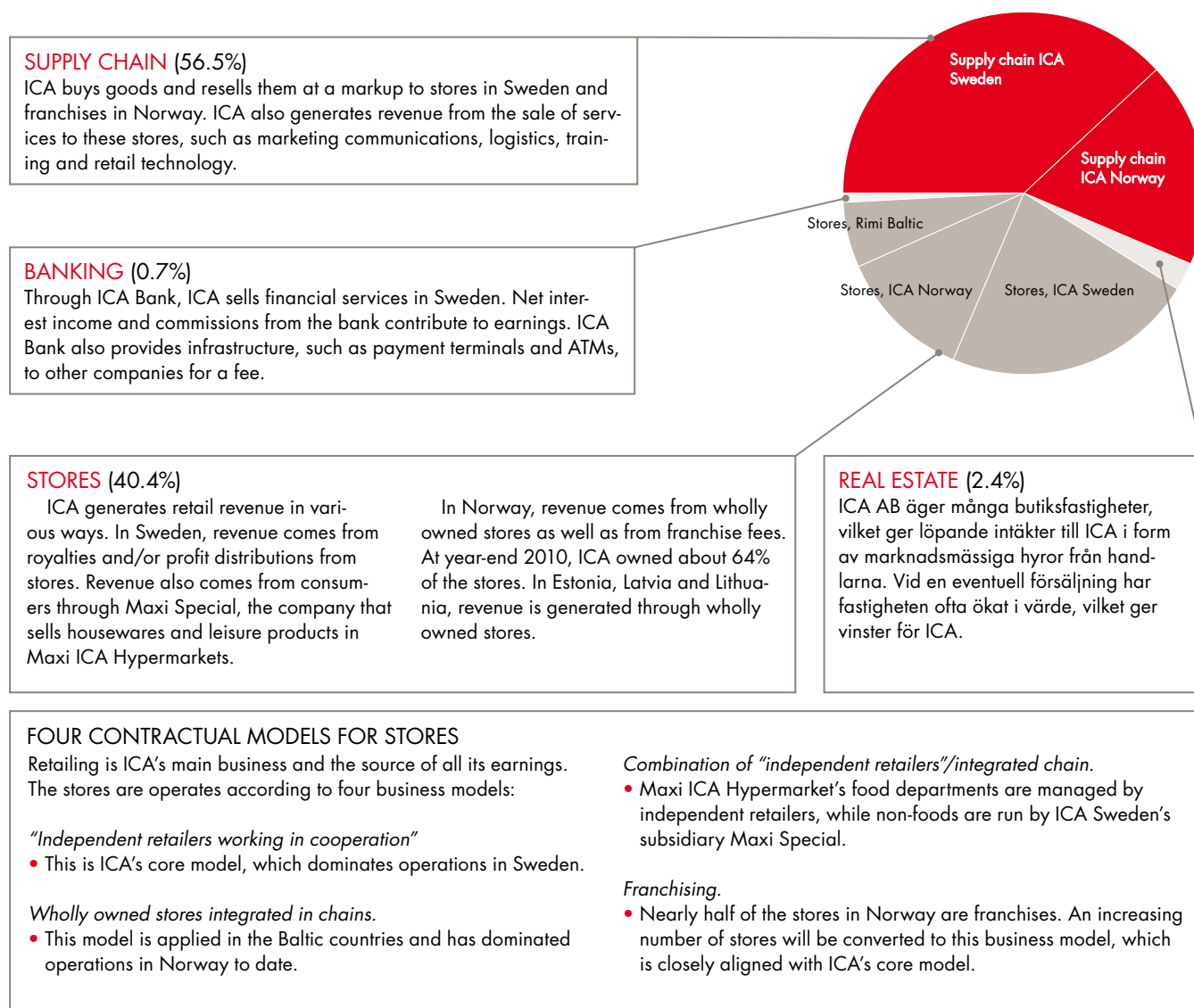
Rimi Baltic launched a loyalty card in Lithuania which was an immediate success.

The number of bank cards issued rose by 85,000. ICA Bank's product development continued and since 2010 the bank's customers can also buy homeowners and auto insurance.

ICA Real Estate formed a new real es-

BREAKDOWN OF ICA'S REVENUE 2010

The ICA Group's revenue comes from four main sources: sales of goods and services, store operations, real estate and banking services.



tate joint venture with pensions manager Alecta which will ensure the development of new marketplaces.

FUTURE PROSPECTS

In Norway, restructuring will continue and the plan is to rebrand some 100 stores to the new Rimi concept in 2011. In order to respond to customers' increased focus on price, the store profiles will be further streamlined towards the discount and quality segments respectively.

In Sweden, establishment of pharmacies continues and the plan is to open 30 new pharmacies in 2011. In order to meet the tough food retail market in Sweden, ICA will continue to focus on fresh foods and attractively priced offerings.

Rimi Baltic will launch its loyalty card in Estonia and Latvia as well. Plans also include continued expansion of the store network as the macroeconomic climate improves.

During 2011, ICA Bank's goal is to launch new savings products, mobile banking services and increase the number of bank card holders.

ICA Real Estate will continue to develop strategic marketplaces and the new joint venture.

ICA'S STRATEGIES, STRENGTHS AND GOALS

During the year ICA developed its operations in response to external demands and conditions. Economic, environmental and health issues are overall driving forces that dictate consumers' choices. ICA must also take into account industry trends and local conditions. ICA's success is based on its ability to make every day a little easier for its customers and is based on a number of strategies and strengths.

The ICA idea is one of the main strengths. The Swedish model with "independent retailers working in cooperation" is a cornerstone of the Group. All retailers and stores have a strong local connection, are committed and know their local markets and customers.

The ICA Group's strong finances give ICA resources to make necessary investments and take advantage of business opportunities when they arise, which is a strength in tough times. ICA's operations are in different phases of development which provides stability and a good

spread of risks. The ongoing dialog with customers gives the ICA Group the ability to quickly adapt which translates not only into the right products, but also the right way to present them in an inspiring environment.

The ICA brand is another key strength. ICA is one of Sweden's strongest brands. This is a huge asset in its marketing. Customer confidence is very high in Sweden and ICA's customers are more loyal than the competition's.

Another strength is ICA's efficient supply chain. Centralized purchasing generates very high volumes which in turn ensures good prices and high quality. ICA

has developed highly efficient systems to get the right products to stores cost effectively and just in time.

Committed employees are another strength. Value-based leadership and personal commitment distinguish ICA's operations and sharpen the focus on results. ICA strongly encourages job rotation to transfer know-how and experience between stores and Group functions.

ICA has both a strong social commitment and is on the cutting edge of climate and environmental issues. This commitment is found both at Group level and out in the stores.

ICA'S STRATEGIES

Customers

- Listen to customers
- Offer good prices and a wide assortment
- Put quality first
- Create personal offerings

Stores

- Have the most inspiring stores
- Create common formats that can be adapted locally
- Remain active in opening and updating stores

Group

- Work long-term and sustainably
- Create growth on a stable foundation
- Always be cost effective
- Provide a workplace where people can grow

ICA GROUP'S OPERATING AND FINANCIAL TARGETS

TARGETS

Increase sales faster than the total market in each sector.

Reach an operating margin of 3.5–4.0%.

Reach a return on equity of at least 14–16% over a business cycle.

Maintain an equity/assets ratio of 30–35% in the long term

TARGET OUTCOME 2010

ICA maintained its position in Sweden and the Baltic countries, but market shares in Norway decreased slightly.

Operating margin rose to 3.1% but ICA did not reach its target.

Return on equity amounted to 3.9% due to SEK 1,379 M in nonrecurring items.

Equity/assets ratio amounted to 30%.

ICA GROUP'S SUSTAINABILITY TARGETS

• Reduce the Group's direct greenhouse emissions by 20% by 2012 compared with 2006.

• Reduce the Group's direct greenhouse gas emissions by 30% by 2020 compared with 2006.

• 100% of ICA's suppliers of corporate brands in high-risk countries will be socially audited by 2011.

• 80% of ICA's suppliers of corporate-brand foods will be GFSI certified by 2010.



SUSTAINABILITY IN ICA'S BUSINESS

At ICA determined sustainability initiatives and a strong social responsibility go hand in hand with long-term profitability. ICA's customers and other partners must feel secure and have confidence in ICA and the operations ICA conducts. This is why ICA works every day in various ways to help to build a long-term sustainable society. Transparency, credibility and traceability are three keywords in ICA's sustainability work.

ICA's sustainability initiatives are based on the seven position statements known as ICA's Good Business. These describe ICA's approach to ethics and social responsibility and guide this work. For several years ICA has been affiliated

to the UN Global Compact which means that ICA accepts active responsibility for the Global Compact's ten international principles within human rights, labor law, environment and the fight against corruption. ICA's Good Business is formulated from these principles.

ICA's Good Business 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

More information about ICA's sustainability initiatives is provided on page 59 and in ICA's annual and sustainability report for 2010. A more detailed description and facts are provided in ICA's GRI Report at www.ICA.se/annualreports.

STRONG DEVELOPMENT IN SWEDEN

Despite less favorable market growth than expected, ICA Sweden and the ICA stores had a strong year in 2010 and several new projects were launched.

OPERATIONS

The food retailer ICA Sweden operates around the country in cooperation with independent ICA retailers, who own and manage their stores, but have agreements with ICA Sweden within several areas.

ICA Sweden has four store formats in order to meet customer needs: ICA Nära, ICA Supermarket, ICA Kvantum and Maxi ICA Hypermarket. At the end of 2010 there were 1,349 (1,359) ICA stores in Sweden. 30 pharmacies were opened during the year as part of ICA's new Cura pharmacy concept.

DEVELOPMENT IN 2010

ICA Sweden improved both sales and operating profit despite tougher competition in the market.

The improved earnings were mainly due to increased sales, a higher gross margin partly linked to private labels, and improved earnings for ICA Special.

The rate of new store openings was high during the year. 13 new stores were added as well as a large number of refurbishments and extensions to existing stores. ICA also established two pilot stores in Stockholm in the new ICA To Go concept. These stores offer alternatives to fast food outlets with meal solutions that are easy to take to work or bring home.



ICA had a major focus on fresh food selection in 2010.

During the year, ICA launched Cura, a totally new chain of pharmacies located inside ICA stores. Cura pharmacies are wholly owned by ICA Sweden and operate as a shop-in-shop.

ICA's assortment of private labels was expanded with 270 new products, including additional dairy products. The total private label share was 18.4%. ICA's

	2010	2009
Sales, SEK M	60,596	59,003
Operating profit, SEK M	2,750	2,320
Number of employees	6,424	6,258

private labels continued to be well received by customers.

Development of the fresh food selection in the stores continued during the year. Improvements were made to the product range and packaging designs and employees received further training in handling fresh foods.

After the success of personal product offers, ICA launched a new service in 2010 where customers receive discounts on new products they might like based on what they normally buy. This innovation has been well received by both suppliers and customers.

		Number of stores, December 31, 2010	Store sales in Sweden (SEK M)	Number of items per store
	Small, convenient stores offering good service, a narrow product range and quality fresh foods.	716	14,327	5–8,000
	Wide assortment for everyday meals or special occasions. High level of personal service and wide range of fresh foods.	443	29,903	8–10,000
	Designed to be the leading local supermarket, with foods for everyday and special occasions. High proportion of fresh foods.	116	21,836	10–30,000
	Everything at good prices under one roof. Wide variety of foods and non-foods. Extended opening hours, easy access for customers who drive to the store.	72	26,204	30–45,000
TOTAL		1,349	92,970	

MARKET

In 2010, growth in the Swedish food retail market was slightly lower than expected. Total sales amounted to SEK 269.8 billion, an increase of 2.0%, compared with 4.2% in 2009.

Sweden is a mature food retail market that normally grows at a slow rate. The market has been dominated for several years by ICA, Axfood, Coop and Bergendahls. In addition to the major players, there are discount chains and various niche players. In terms of total food retail consumption, ICA has a market share of 36.5%, which is unchanged compared with 2009.

Competition has been intense for some time. The financial crisis in 2008 and

2009 also caused customers to focus more on price, leading to intensified competition and price pressure. At the same time, the customers want healthy products as well as simple, convenient solutions. Awareness of climate and environmental issues continues to grow and is driving demand for organic, local and fair trade products.

FUTURE PROSPECTS

Establishment of new pharmacies will continue. The plan is to open another 30 pharmacies in 2011. The pilot stores for the ICA To Go concept will continue to refine the concept and build store traffic. ICA will then evaluate how to proceed with the concept.

Reducing ICA's impact on the environment and climate and living up to ICA's Good Business values (see page 23) are always a priority.

The focus will continue to be on opening new stores, as well as enhancing existing stores in order to better satisfy customer needs. Development of new offerings will continue. In 2011, ICA Sweden plans to offer a meal delivery concept containing the ingredients and recipes that customers can either fetch in the store or have delivered to their door.

FOOD AND MEDICINE UNDER ONE ROOF

The first Cura pharmacy was inaugurated in Sweden in April 2010 at Maxi ICA Hypermarket in Gothenburg. At year-end there were 30 pharmacies around the country. The plan is for some 100 pharmacies within 2–3 years.

In 2010, ICA's pharmacy concept was launched and a totally new pharmacy chain, Cura pharmacy, was established in the Swedish market. Cura pharmacies are wholly owned by ICA Sweden and function as separate businesses in ICA stores around the country.

"This venture has done very well so far with a good sales trend and customer flow. The most positive surprise has been the response from customers. They find our concept with its generous opening hours and ease of access attractive. They appreciate being able to get what they need from the pharmacy at the same time as shopping at ICA, when it suits them," says Håkan Magnusson, business manager of Cura pharmacy at ICA Sweden.

Cura pharmacies are staffed with trained pharmacy employees who are responsible for giving advice, patient safety and handling pharmaceuticals. Customers can pick up their prescriptions, obtain personal advice, buy non-prescription medicines, and select from a carefully chosen range of diet supplements, ap-

proved natural medicines and products that promote health and well-being.

New pharmacies have been opened at a high rate during the year which Håkan Magnusson believes is important in order to become established in the market. The aim is a continued high establishment rate which makes demands on recruiting qualified employees, building the brand, developing the offering and quality assurance for operation and routines. Competition in the Swedish pharmacy market is intensifying, for both trained staff and for customers.

"The greatest challenge is to recruit qualified staff in pace with our opening plans," says Håkan Magnusson.

Cura pharmacy's main competitive advantages are ease of access, simplicity and the generous opening hours. Their location in ICA stores provides access to an existing customer flow.

This concept is appreciated by customers. Cura pharmacy has earned high grades in the customer surveys carried out.

"Now we must make sure we maintain high quality and develop the concept so we can continue to meet customer expectations," says Håkan Magnusson.

**FACTS: CURA PHARMACY**

Number of pharmacies at December 31, 2010: 30

Target: Approx. 100 full-scale pharmacies within 2–3 years

Average size: 130 m² (100–150 m²)

PRICE PRESSURE IN NORWAY

ICA Norway had a tough year in 2010. The new Rimi stores saw good growth, but intensified price pressure in the market put pressure on earnings.

OPERATIONS

ICA Norway conducts food retailing, where half the stores are operated by ICA Norway and half are franchises. At year-end 2010, there were a total of 312 ICA stores and 266 Rimi stores in the country. This is in addition to a number of associated stores. The stores have four formats: ICA Naer, ICA Supermarked, ICA Maxi and Rimi.

DEVELOPMENT IN 2010

ICA Norway's performance in 2010 was a disappointment. The operating loss increased due to lower like-for-like sales, lower gross margins due to price pressure in the market, and costs for rebranding the Rimi stores.

During the year ICA Norway decided to accelerate the rebranding of the Rimi stores, which will now be completed within two years instead of four. 108 converted Rimi stores were reopened during the year and by year-end a total of 184 stores had been rebranded. The renovated stores generated both higher sales and better cost control.

A new, common business system was installed in the stores during the year. After some technical difficulties, the system is now in operation and working well.

MARKET

The Norwegian food retail market grew slowly in 2010. Growth was about 3.2% percent, compared with 6.2% in 2009 and 8% in 2008. Total sales amounted to approximately NOK 138,505 M (134,232)¹⁾. One key reason for the in-



The new Rimi stores were very popular with customers.



Norwegian consumers like to shop for food several times a week.

creasingly slow growth was the price pressure in the discount segment during the year.

	2010	2009
Sales, SEK M	21,225	21,666
Operating result, SEK M	-588	-506
Number of employees	5,345	5,357

The premium segment was also affected indirectly by price competition since more customers were tempted to go to discount stores. Price remains important to Norwegian customers, but healthy and locally produced food are also key factors.

The market is nominated by a small number of players. Norgesgruppen is the market leader, followed by the Reit-an Group (Rema 1000), Coop and ICA Norway, with a market share of 14.8%.

FUTURE PROSPECTS

Work on Rimi stores will continue and another 100 will be converted in 2011.

In response to customers' increased awareness of price, the store formats will be further streamlined towards discount and premium segments respectively. ICA Naer will be rebranded in 2011, including some as Rimi stores. The first pilot store for the new Supermarked concept is expected to open in the Oslo area in the first quarter of 2011.

Work on renewing the product range in all formats, especially with regard to high-quality private labels, will continue.

A number of new Rimi stores have franchise agreements. Work continues together with current franchisees to find an optimal model.

1) Preliminary figures from February 2011.

	Number of stores December 31, 2010	Store sales (NOK M)	Number of items per store
ICA Small convenience stores offering good service, a limited product range and local products. A passion for good food and diversity, personal service and a wide selection.	287	8,724	3,600-6,000
rimi Discount stores that make it easy and convenient for customers to do their daily shopping.	266	7,945	3,500-4,000
ICA MAXI Everything in one location. A wide selection of foods combined with non-foods. Convenient for access by car.	25	3,041	14,000-17,000
TOTAL	578	19,710	

BRIGHTER PROSPECTS IN BALTIC REGION

During 2010 the food retail market brightened in the Baltic countries and Rimi Baltic's loss decreased. A new loyalty card was launched in Lithuania during the year and was a major success. Similar cards will be launched in Estonia and Latvia in 2011.

OPERATIONS

Rimi Baltic conducts food retailing operations in wholly owned stores in Estonia, Latvia and Lithuania. There were a total of 235 stores (246) at year-end 2010.

In all three countries, Rimi operates hypermarkets and supermarkets that focus on fresh foods and good service. In the discount segment, Säästumarket operates in Estonia, and SuperNetto in Latvia and Lithuania.

DEVELOPMENT IN 2010

Rimi Baltic reported a negative sales trend during the first half of the year. In the second half, the sales decrease leveled out. Operating result improved due to better gross margins and lower costs in the stores.

Store renovations in the Supermarket format continued according to plan with a focus on high quality, good service and competitive prices. A total of some ten stores have now been renovated.

In September, a loyalty card was launched in Lithuania and was an immediate success. After ten weeks, 60% of test customers were using the card and accounted for upwards of 70% of sales.

During the year Rimi Baltic invested in a strategic price campaign called "New Era", which included three rounds of price cuts on 1,000 items. Surveys show that the campaign had an impact and customers increasingly see Rimi Baltic as offering better value than before.

Work on broadening the product range

Store sales, EUR M	2010	2009
Estonia	342	358
Latvia	526	558
Lithuania	213	238
Total	1,081	1,154

	2010	2009
Sales, SEK M	10,352	12,329
Operating result, SEK M	-13	-109
Number of employees	7,623	7,880



Rimi Baltic has continued to broaden the assortment and sales of private labels rose.

continued during the year. The proportion of private labels rose from 9.3% to 12.9%. Among other things, about 80 I love eco products were introduced and were very well received by customers. Rimi Baltic also initiated cooperation with local producers in Lithuania who will supply Rimi Baltic's refrigeration units on commission so that customers can find local, small-scale alternatives. To date, this cooperation extends to four of the country's largest hypermarkets.

MARKET

Estonia, Latvia and Lithuania are three different markets, with distinct customer behavior and competitive situations. The common denominator, however, is that all three markets are characterized by intense competition and many players, for example Maxima, IKI, Norfa, ETK, Selver, Elvi and Mego. Rimi Baltic is market leader in Estonia and Latvia and the fourth largest in Lithuania. Rimi Baltic's total market share in all three markets was 22.4% ¹⁾ (22.8).

All three Baltic countries suffered from the effects of the recession in 2010, with reduced wages and prices and high unemployment. At the same time, the second half of the year brought a clear turn for the better.



FUTURE PROSPECTS

The launch of the loyalty card in all three countries has top priority for the future. The proportion of private labels will continue to increase. Rimi Baltic will focus in various ways on improving the store experience and becoming stronger in various categories, such as fruit and vegetables.

The plans are to continue to renew the Supermarket profile and expand the store network to areas where Rimi Baltic has no stores or hypermarkets.

The strong control of costs will continue in 2011.

1) Different calculation method than in the previous year. This figure provides a more relevant market picture. Source: Nielsen.

	Number of stores				Number of items per store
	Estonia	Latvia	Lithuania	Total	
 Discount stores with a sharp price profile and wide selection of everyday items.	58	61	13	132	1,500–2,000
 Wide selection for food lovers with a focus on fresh foods and good service for everyday needs.	12	32	20	64	3,000–12,000
 Everything under one roof. Wide selection of competitively priced foods, combined with non-foods. Easily accessible by car and with generous opening hours.	10	15	14	39	20,000–50,000
TOTAL	80	108	47	235	

ICA BANK GOES MOBILE

ICA Bank continues to increase its business volume and customer base, and loan losses in 2010 were the lowest ever. Development of new products and services continued during the year. In 2011, customers will be able to do all their banking in their mobile phone.

OPERATIONS

ICA Bank operates in Sweden and has agency agreements with almost all ICA stores in the country. The business concept is to offer banking services that build loyalty among ICA's customers, as well as to increase the share of store transactions executed with ICA's own cards. ICA Bank has had a complete service offering since 2007 which includes current accounts, various forms of bank cards, unsecured loans, mortgages in cooperation with SBAB, and insurance in cooperation with Aon.

ICA Bank also has a number of corporate customers, such as ICA retailers, Group companies and other organizations. ICA Bank's strategy is low fees and clear, transparent terms. ICA Bank also administers the ICA card which celebrated its 20th anniversary in 2010.

DEVELOPMENT IN 2010

Customer growth continued in 2010. The business volume rose 8.8% and the number of bank cards issued increased by almost 85,000. At year-end, 363,000 bank cards were in issue.

	2010	2009
Sales, SEK M	612	634
Operating profit, SEK M	91	132
Business volume, SEK M	19,174	17,625
Bank card holders	363,000	327,000
Number of employees	273	253

Operating profit decreased in 2010 due to lower net interest income and higher marketing costs related to bank card campaigns. ICA Bank's loan losses were the lowest ever: 0.6% of total lending, due to restrictive credit assessments.

Development of new products and services continued and since 2010 ICA Bank's customers have been able to buy homeowners and auto insurance.

During the year, ICA Bank decided to terminate the cooperation with Nordnet, which will take place in the first half of 2011. The bank will then offer customers new savings solutions.

ICA Bank initiated a focus on the corporate segment during 2010 and took part in several procurement processes during the year and won contracts from the Na-

tional Debt Office, among others. Starting in 2011, the bank has a new organization for corporate customers.

All ICA retailers in Sweden have new payment terminals with smart card readers that are more reliable than magnetic card readers.

According to the Swedish Quality Index, ICA Bank's customers are increasingly satisfied and ICA Bank exceeds the industry average.

ICA Bank launched a new website, www.icabanken.se, which Web Service Award named Sweden's best in the "Information & Service" category.

MARKET

The Swedish banking sector consists of the major banks on the one hand, and a number of niche players on the other.

ICA Bank has a distinctive position in the banking market since it focuses on ICA's existing and future customers, and is not a niche player that sells banking services in general. ICA's large store network also makes ICA Bank special.

ICA Bank's unique position became clear during the financial crisis. The crisis led customers to turn to safe players, which increased ICA Bank's customer base. The bank emerged stronger from the crisis.

FUTURE PROSPECTS

In order to make everyday life easier for customers, all banking services will be available via mobile phones during 2011. Mobile banking will be launched for all types of smart mobile phones. To make everyday life easier for students, ICA Sweden and ICA Bank have developed a unique full-service solution with value for money food, banking and insurance offerings which are being tested at selected colleges and universities.

Investments in new customers continue in order to persuade more people to use one of ICA Bank's products.



NEW COMPANY STRENGTHENS MARKETPLACES

For ICA Real Estate, the most important event in 2010 was the formation of a new real estate joint venture with the pensions manager Alecta. This deal gives ICA influence over the development of strategic marketplaces.

OPERATIONS

ICA Real Estate's mission is to satisfy the ICA Group's need for the right premises in the right locations in Sweden and Norway. This is done by the company owning, leasing and developing marketplaces. The Group owns approximately 180 store properties. Since 2009, the company's mission has included purchasing properties with existing ICA stores in order to ensure the development of strategic marketplaces.

In the leasing market, the company's role is to manage the Group's leases with external property owners. By maintaining full control over the entire chain, from buying land, building, managing, selling and renting real estate, ICA Real Estate can capitalize on opportunities at every level.

ICA Real Estate develops Retail Parks, marketplaces with high-volume retailers near or directly beside large ICA stores. This concept is called "Good neighbors" and the neighboring stores include both national chains and local retailers.

Measured in number of square meters, a total of approximately 840,000 m², ICA Real Estate is a major player in the retail property market, especially in Sweden where ICA Real Estate is the second-largest company in terms of space. ICA is also the largest single customer of many Swedish and Norwegian real estate companies because of its many store leases.

DEVELOPMENT IN 2010

ICA Real Estate's operating profit decreased due to lower capital gains than in 2009. The underlying result was on a par with earnings for 2009.

During 2010, ICA Real Estate and pensions company Alecta formed a new real estate joint venture and acquired twelve properties from ICA Real Es-

	2010	2009
Sales, SEK M	2,135	2,095
Operating profit, SEK M	917	1,025
Number of employees	65	67



ICA Real Estate manages ICA stores in strategic locations. The company manages a total of 835,000 m².

tate Sweden. Each property is the site of a Maxi ICA hypermarket. The company, in which ICA and Alecta each have a 50% stake, will initially have a real estate portfolio worth slightly over SEK 2 billion. The purpose of the new company is to acquire, own and manage ICA stores in strategic locations. The company allows ICA Real Estate to retain an interest in the market places and the opportunity to create good conditions for ICA's core business.

A total of SEK 825 M (515) was invested in properties during the year. In Sweden, two properties with existing ICA stores were acquired, and a number of small properties were acquired in Norway. A number of new constructions and refurbishments were carried out in Sweden. Renovations were also carried out in Norway.

ICA Real Estate conducts continual environmental work. During 2010 work started on installation of electric charging stations for electric cars in the parking lots at ICA stores. The goal is that around 20 large ICA stores will offer this service

within five years. During the year, ICA Kvantum Sannegården opened, which has achieved major energy savings with many small improvements. The store is a model for how all future ICA stores will be built.

ICA Eiendom Norge AS was one of the first Norwegian private property companies to receive ISO 14001 environmental certification. ICA Real Estate Sweden already holds this certification.

MARKET

Following a weak period in the wake of the financial crisis, the real estate market has recovered. Capital has returned and there is willingness to invest, which can be seen from the number of transactions in the industry.

The role as a strong partner in the ICA Group's business development means that ICA Real Estate cannot be directly compared with pure-play property companies. ICA Real Estate was not affected by the financial crisis to the same extent as other real estate companies since its operations follow those of the ICA Group rather than development in the property market.

FUTURE PROSPECTS

ICA Real Estate will continue to acquire existing properties with ICA stores as tenants in order to ensure the development of strategic marketplaces. Development of the new joint venture will continue.

Together with the rest of the Group, ICA Real Estate will invest in various energy-saving measures in order to contribute to the groupwide targets for emissions and energy consumption.

Since January 1, 2011, Lena Boberg has been the new President of ICA Real Estate. Lena Boberg has been CFO of ICA Real Estate since 2007.

FIVE-YEAR FINANCIAL OVERVIEW, ICA GROUP

SEK M	2010	2009	2008	2007	2006
SUMMARY INCOME STATEMENTS					
Net sales	93,860	94,651	90,963	82,326	67,395
Operating profit before depreciation	4,529	4,272	3,753	4,080	3,545
Depreciation and impairment	-1,605	-1,559	-1,636	-1,478	-1,248
Operating profit before impairment of goodwill	2,924	2,713	2,117	2,602	2,297
Impairment of goodwill	-	-	-	-	-
Operating profit	2,924	2,713	2,117	2,602	2,297
Financial items	-327	-404	-323	-320	-251
Profit after financial items	2,597	2,309	1,794	2,282	2,046
Tax	-2,050	-722	-66	-116	-12
Profit for the year from discontinued operations	-	-	-	-	367
Profit for the year	547	1,587	1,728	2,166	2,401
SUMMARY BALANCE SHEETS					
Intangible assets	3,590	3,940	3,742	3,599	3,447
Property, plant and equipment	15,364	15,755	15,544	14,959	13,232
Financial assets	5,368	3,701	3,772	3,368	3,959
Other non-current assets	7	515	424	276	181
Other current assets	12,272	12,827	13,464	11,637	10,938
Cash and cash equivalents	3,102	3,422	3,023	3,480	3,749
Total assets	39,703	40,160	39,969	37,319	35,506
Equity	11,913	13,962	12,796	12,073	10,216
Interest-bearing liabilities and provisions	15,147	14,490	15,161	14,475	15,563
Non-interest bearing liabilities and provisions	12,643	11,708	12,012	10,771	9,727
Total equity and liabilities	39,703	40,160	39,969	37,319	35,506
KEY RATIOS					
Operating margin, %	3.1	2.9	2.3	3.2	3.4
Return on capital employed, %	15.5	13.5	11.4	13.8	12.9
Return on equity, %	3.9	11.3	13.5	19.1	25.7
Equity/assets ratio, %	30.0	34.8	32.0	32.4	28.8

PROFITABILITY BEFORE GROWTH

OPERATIONS

Forma Publishing Group is one of Sweden's largest publishing houses and a leading media group in the Nordic market. Operations are conducted in three subsidiaries: Forma Magazines (trade and consumer magazines), Forma Books (publishing house) and Forma Contract (contracting operations). The group has operations in Sweden, Finland and Estonia.

Forma Books offers a large selection of book titles within both non-fiction and fiction as well as literature for children and young people. Forma Magazines has some of Sweden's leading magazines, including Icauriren and Hus&Hem. Forma Contract, which operates under the OTW brand, is a leader in editorial communication across all media channels, and activities include customer magazines, television productions and live webcasts.

BUSINESS CONCEPT

Forma Publishing Group's business concept is to use commercial editorial activities to provide people with knowledge, inspiration and entertainment.

DEVELOPMENT IN 2010

2010 was a year of consolidation. The fo-



Hus&Hem is one of many popular titles in Forma Magazines' product portfolio.

cus was on improving profitability before growth. In order to clarify responsibility and role allocation, Forma's three business areas – Forma Magazines, Forma Books and Forma Contract – were incorporated during the year.

FORMA MAGAZINES

After a tough year in 2009, Forma Maga-

zines improved its earnings significantly in 2010, mainly because the advertising market for magazines in Sweden recovered while Forma gained market shares in this growing market. The Finnish advertising market continued to show a negative development, but started to show signs of stabilizing towards year-end.

Many of Forma Magazines' publications improved their earnings in 2010, with Hus&Hem showing the biggest improvement in profitability. Apart from increased advertising sales, the improvement was due to an action program implemented in 2009.

FORMA BOOKS

In 2010, Forma Books increased its sales of non-fiction and fiction titles compared with 2009, while books for children and young people encountered difficult comparative figures from the best-selling Twilight books. The market situation in the publishing industry is tough. Book sales remain good in volume terms but a larger proportion of low-price books with lower margins are being sold. Price competition among retailers is intense and the annual book sale is playing an increasingly minor role.



"Sommar med Ernst" ("Summer with Ernest") was a best-seller for ICA Bokförlag. "Sommar med Ernst" was also shown on TV4, produced by Forma Contract through OTW.



OTW produces some 40 recurrent titles – from newsletters to monthly magazines.

FORMA CONTRACT

During 2010, Forma Contract took a further step towards the goal of creating “One OTW” by merging the operations within printing and digital communication to a single company, OTW Communication (production of magazines and interactive editorial services). This development is in response to customers’ growing demands for editorial communication in more than one media channel. As a result of cooperation and cross-fertilization

between OTW’s various departments, customers can be offered access to all media channels which will be an increasingly important competitive advantage.

Although Forma Contract lost a major sports production assignment, the company’s growth in 2010 was good. Operations within entertainment television showed strong growth and development during the year, and became established in the market as a significant supplier of television productions. OTW Communication developed well during the year and increased both revenues and earnings.

Anders Knave took over as the new President of Forma Contract during 2010.

REVENUES AND EARNINGS 2010

Net sales amounted to SEK 875 M (870), an increase of 0.6%.

Operating profit rose to SEK 15 M (–20), largely due to an improved advertising market for magazines and the cost-cutting program implemented in 2009.

FUTURE PROSPECTS

For Forma Magazines competition for readers in the Nordic market is intense and readers are less loyal than before. Forma Magazines has a number of strong titles and every opportunity to succeed well in the competition. The focus is on continued growth by developing new and existing titles, increasing reader revenues, both from single copy sales and subscriptions, and to continue to gain market shares in the advertising market.

For Forma Books the major restructuring taking place in the market brings challenges, but also opportunities. In future Forma Books will focus on improving profitability, increasing the proportion of Swedish authors and building a stable base for future expansion.

Forma Contract aims to continue to grow both inside and outside Sweden.

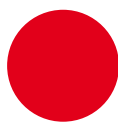
The rapid development of digital media is changing people’s media consumption which faces the entire media industry with major changes and challenges. Forma has a good starting point in the ongoing change process due to the group’s operations in many different media channels. Its broad offering means that Forma is well equipped to meet changes in the market.



In TV3’s “Landskampen” (international match) Swedish and Norwegian winter athletes competed against each other.



The skolvärlden.se website is a complement to the magazine Skolvärlden which is produced for the National Union of Teachers in Sweden.



2010 PROVIDED A SUBSTANTIAL LIFT FOR OTW TELEVISION WITH SEVERAL MAJOR PRODUCTIONS IN SOME OF SWEDEN'S BIGGEST TELEVISION CHANNELS. IN ADDITION TO "SVENSKA HJÄLTAR" COULD BE NOTED "JUL MED ERNST", "NYÅR MED TINA", "MITT LIV SOM HELLNER" AND "TOLVSLAGET PÅ SKANSEN".

2 QUESTIONS TO:

PRESIDENT PATRIK WIDLUND

How are magazines handling digital development?

"It is important to expand the brands by investing in the web, developing apps and events. Our first own app was developed by our Finnish magazine Kotivinkki. OTW also produces apps under contract, among others for Expressen."

How do you view Hakon Invest as an owner?

"We have had the same owner since we started operations, which creates a long-term view that few enjoy. Hakon Invest is a stable and persistent owner with considerable knowledge of business and with a large network in the Swedish business community."



BEST-SELLING TITLES

- "RUTIGA KOKBOKEN"
- "BREE TANNERS ANDRA LIV"
- "SJU SORTERS KAKOR"

BEST-SELLING AUTHORS

- ANN ROSMAN
- MARKUS BIRRO
- OLLE LÖNNAEUS

FACTS

SEK M	2010	2009
Net sales	875	870
Operating profit/loss	15 ¹⁾	-20
Contribution to Hakon Invest's operating profit	15	-20
Growth, %	1	-1
Operating margin, %	2.0	2.3
Gross margin, %	34.0	35.0
Hakon Invest's holding, %	100	100
Number of FTEs	302	322

1) Forma reports in its annual report an operating profit of SEK 18 M due to a change in the PRI liability being recognized in comprehensive income.

SUCCESSFUL KJELL CULTURE

OPERATIONS

Kjell & Company is one of Sweden's leading retailers of home electronics accessories. The company owns and operates 53 stores in 30 places in Sweden, all carrying a full product range of some 7,000 items. In addition to the stores, mail order and the online shop are key sales channels. The company has its head office in Malmö and a purchasing office in Shanghai.

A high level of service and product expertise are keywords. The aim is to be perceived as innovative and always have an up-to-date, attractively priced and well-stocked product range requires a constant focus on purchasing. Accessibility is a key part of the business concept and the stores are located in the most populous marketplaces in each locality. The largest product categories consist of accessories for computers and audio video. In addition to well-known electronics brands, Kjell & Company has six private labels. The hub for distribution and logistics consists of a 7,000 m² logistics center in Malmö. The catalog is an important sales channel, which presents the entire range and is issued twice a year in 1.6 million copies.

BUSINESS CONCEPT

Kjell & Company's business concept is to offer consumers in the Nordic countries the broadest range of home electronics accessories via a nationwide store network as well as a smooth-functioning online shop and with genuinely knowledgeable employees to provide a world-class service.

DEVELOPMENT IN 2010

Kjell & Company continued its growth journey in 2010 and increased sales with retained good profitability. Costs were incurred during the year for seven store openings and two store relocations. At year-end the chain had 53 stores throughout Sweden.

In pace with the company's rapid growth the increasing challenge is to retain the strong corporate culture, which is usually summarized as the "Kjell culture". Kjell & Company is characterized by a high level of service and a high de-

gree of product expertise among employees, as well as a broad product range. This is demonstrably appreciated by customers. The company has grown steadily and achieves high grades in different surveys of customer confidence in the store brand.

In order to retain the corporate culture and keep the company together, a leadership program was initiated in 2010 for all employees in leading positions within Kjell & Company. In addition to the leadership program, training programs are provided in the company's own training concept, the Kjell Academy, which include all employees. Product training, sales training and development of business acumen are always subjects on the agenda.



Kjell & Company sells its own book "Hur funkalar det?" ("How does it work?"), which in 400 pages covers most things about home electronics. The first edition, which was published in August 2009, sold 160,000 copies within one year.

When the magazine Market presented its 2010 annual survey of how consumers perceive different store brands within Swedish retail, Kjell & Company came second in the category Sweden's hottest brand. The survey places great emphasis on questions about service and attitude to customers, as well as employee expertise. Kjell & Company has been nominated in three of Retail Awards 2011 total of twelve possible attractive categories for retail players: Improved customer service, Comet of the year and Store salesperson of the year.

In order to make sure the right product is in the right place, Kjell & Company conducted extensive efficiency improvements to logistics and stock keeping during the year, where a new inventory control sys-

tem was purchased. The new system will go into operation in May 2011.

REVENUES AND EARNINGS 2010

Kjell & Company reports a continued strong sales increase both in existing and newly opened units.

Net sales increased by 17% to SEK 644 M (550) during the year. Like-for-like sales increased by 4%.

Operating profit was unchanged at SEK 23 M (23). The operating margin amounted to 3.6% (4.2). The gross margin amounted to 46.4% (46.1).

Established stores contributed to increased profitability while the strong expansion during the year was charged against earnings.

MARKET

A recovery occurred in the Swedish home electronics market during 2010. Swedes' purchases of consumer durables and capital goods increased in pace with the improved economy. Kjell & Company, however, also gave a strong performance during the recession. In less good times consumers often choose to upgrade their existing home electronics rather than buying new one, which benefits Kjell & Company.

Growth in the home electronics market has taken place at the cost of profitability. The Swedish home electronics market is exposed to intense competition, which has led to strong price pressure, which in turn has worsened profitability in the market.

FUTURE PROSPECTS

Kjell & Company's growth strategy is unchanged and the high rate of expansion will continue. Future growth will also take place outside Sweden.

Another aim is to increase profitability, among other things by improving the efficiency of logistics, improving the customer experience in the stores, and continuing to develop private labels.

The challenge and the opportunity for Kjell & Company is to continuously monitor market development in order to offer an attractively priced and updated assortment of products that customers demand.



THANKS TO TRAINING IN PRODUCT EXPERTISE AND SALES TRAINING WITHIN KJELL & COMPANY STORE MANAGER THOMAS WENDEL AND HIS COLLEAGUES CAN HELP CUSTOMERS FIND WHAT THEY WANT AMONG THE COMPANY'S 7,000 PRODUCTS OR SOLVE THEIR TECHNICAL PROBLEMS.

2 QUESTIONS TO:

PRESIDENT THOMAS KEIFER

How do you view Hakon Invest as owner?

"One of the main advantages of having Hakon Invest as an owner is that they understand retail and our business. We can discuss with them from an operational perspective and not just from a key ratio perspective. Furthermore, Hakon Invest is an interested and active owner. They give us good support."

What in your opinion are the key factors for successful retailing?

"How we act in the customer encounter is by far the most important thing. A store can be as big and smart as you like, but if the service is bad it doesn't matter how smart the store is. This is why we are so keen to retain Kjell & Company's corporate culture – the Kjell culture – with knowledgeable employees who provide good service. This only works if you have good leaders who make sure employees enjoy their work. This is why we are investing in the leadership program and continual skills development for our employees."

"In addition, it is naturally important to have a good assortment with attractively priced products of high quality which customers want."



BEST-SELLERS

- USB MEMORY STICKS
- CABLES
- PLEXGEAR VIDEO GRABBER
- KJELL & COMPANY'S OWN BOOK

FACTS

SEK M	2010	2009
Net sales	644	550
Operating profit	23	23
Contribution to Hakon Invest's operating profit	8	6
Growth, %	17	24
Like-for-like growth, %	4	8
Operating margin, %	3.6	4.2
Gross margin, %	46.4	46.1
Hakon Invest's holding, %	50	50
Number of stores	53	46
Number of employees	331	272

COSTLY EXPANSION

OPERATIONS

Hemma is one of Sweden's largest retailers of white goods and household appliances with 26 wholly owned and 82 member-owned stores throughout Sweden. The product range includes products from known brands within home, kitchen and laundry. Hemma operates its own stores in metropolitan regions and is the member organization for the Hemma chain's voluntary members who own and operate their stores. The chain offers its customers a combination of product expertise and a fast, smooth and simple way to purchase white goods. Part of the customer offering is the service surrounding the product such as home delivery, installation and removal of the customer's old product. As well as in the stores, customers are offered the same broad range via Hemma's online shop, the main purpose of which is to be a marketing channel and to support the physical store network.

BUSINESS CONCEPT

Hemma's stores shall offer attractive white goods and household appliances to customers who appreciate being able to shop quickly, conveniently and easily.

DEVELOPMENT IN 2010

15 new Hemma stores were added in 2010, both wholly owned and new member stores, which is a record for one year. Hemma took advantage of opportunities to take over premises in good sites which became available in the wake of tough market conditions.

Hemma's new store concept, with smaller stores in high customer traffic areas, was launched and a total of eight wholly owned stores according to the new concept were opened. Customer flows to the new stores and customer reception have been good.

Hemma's new service concept was also launched during the year, initially in Stockholm. The new concept offers customers home delivery and installation as well as removal of the old product using Hemma's own installation engineers. The intention is to guarantee the quality of work at the customer's and thus improve

customer satisfaction, make closer ties to customers and strengthen the Hemma brand.

Hemma started strategic cooperation with ICA, the Swedish Homeowners Association and Fastighetsbyrån during the year. This cooperation will strengthen Hemma's brand and allow the chain to be more proactive in its sales efforts.

The cooperation with ICA involves various activities. In a supplement to ICA's customer magazine Buffé, for example, ICA's card customers are offered various discounts from Hemma if they show their ICA card. In late autumn, Hemma opened its first store attached to an ICA Kvantum store. By cooperating with the Swedish Homeowners Association and Fastighetsbyrån, Hemma reaches new customer groups in situations where they are especially interested in the home and housing.

During the year work was carried out to increase central purchasing in order to take advantage of the chain's economies of scale and improve the negotiating position with suppliers.

REVENUES AND EARNINGS 2010

Sales in both existing and newly opened units developed positively during 2010. Net sales rose 8% to SEK 268 M (249). Like-for-like sales increased by 1%.

The gross margin fell due to planned offers in conjunction with new store openings. The operating result fell to SEK -35 M (-4) due to increased costs for store expansion and initial costs for implementation of the new service concept.

MARKET

A recovery took place in the Swedish white goods market in 2010. The market is over-established, however, and remains intensely exposed to competition. New online players are joining the market. One new competitor is IKEA which has seriously started sales of white goods. In addition to other retailers, Hemma's main competitors are online retailers and the large electronics department stores. Hemma's market share is about 15%.

Demand for household appliances and white goods is driven by the contin-



Hemma's new, more city-focused store concept means smaller stores with a central location in shopping malls and city centers. With a slimmed-down assortment in a smaller space, new display methods and an increased level of innovation, the new stores will attract new customer groups which did not previously have Hemma stores as their purchasing channel.

ued major interest in cooking, design and home furnishing, as well as the increased status of the kitchen in the home, which places higher demands on the appearance and function of kitchen appliances.

In order to be where customers' buying process often starts, i.e. on the internet, Hemma has opened an online shop. Before making a purchase, customers often look for facts about different products on the internet and select potential purchase channels, which makes this channel important.

FUTURE PROSPECTS

Ahead of 2011 the focus is on consolidating the chain and improving profitability in existing units rather than on future expansion. The work of reviewing the store network will continue to be in focus. Hemma will continue to try to find new cooperation partners in order to strengthen the brand and be more proactive in its sales activities. Hemma expects a continued positive market development in 2011 due to comparatively good prospects for the Swedish economy.



LOUISE KILJANDER SHOWS A CUSTOMER THE FRIDGE AND FREEZER DEPARTMENT IN THE HEMMA STORE ON FLEMINGGATAN IN STOCKHOLM. THANKS TO HEMMA'S SERVICE CONCEPT CUSTOMERS CAN OBTAIN HELP WITH HOME DELIVERY AND INSTALLATION OF THE NEW PRODUCT.

2 QUESTIONS TO:

PRESIDENT DANIEL LINDIN

How do you view Hakon Invest as owner?

"Hakon Invest has a lot of retail expertise and understands our business. Another advantage in the long-term approach. It is positive that Hakon Invest listens to the opinions and wishes of its portfolio companies. One result of this is the synergy project started in 2010. Many indirect costs are similar for the companies, regardless of sector, and here there are synergy gains to be exploited."

What in your opinion are the most important factors for successful retailing?

"To be alert to changes in consumer preferences."



BEST-SELLERS

- WASHING MACHINES: MODELS FROM ELECTROLUX
- DISHWASHERS: MODELS FROM SIEMENS
- REFRIGERATORS: MODELS FROM HUSQVARNA

FACTS

SEK M	2010	2009
Net sales	268	249
Operating profit/loss	-35	-4
Contribution to Hakon Invest's operating profit	-35	-4
Growth, %	8	-18
Like-for-like growth, %	1	-15
Operating margin, %	-13.2	-1.6
Gross margin, %	26.8	30.0
Hakon Invest's holding, %	89	89
Number of stores	110	100
Number of employees	129	118

GOOD RESPONSE TO NEW CONCEPT

OPERATIONS

Cervera is Sweden's leading retailer of high-quality products with a focus on the kitchen and dining area. The chain offers a broad range of well-known high-quality and design products for preparing food, serving food and decoration in an inspiring store environment. The stores sell brands from both well-known suppliers and under the Cervera private label. Cervera has 58 wholly or partly owned stores and 22 franchise stores. The group also includes NK Glas, Porslin & K  k with two stores.

BUSINESS CONCEPT

Cervera's business concept is to sell a selected range of products for food preparation, serving and decoration in an inspiring store environment, based on our customers' needs. Service, expertise and attractively gift-wrapped packages give our customers added value.

DEVELOPMENT IN 2010

The year was characterized by a major focus on sales. Sales increased, both in like-for-like and acquired units. Store profitability remains a prioritized area for the chain.

Implementation of the new store concept, launched in conjunction with acquisition of the Duka stores in 2009, took place throughout 2010. Customer response has been very good. Interest in Cervera's customer club, which was introduced at the end of 2009, has been substantial. A full 250,000 members signed on during the year.

Complementing and changing the store portfolio is ongoing within Cervera. During the year work with store planning was intensive. The store densification which results from the Duka acquisition led to costs during the year for closure of outlet stores in some locations. All the acquired Duka stores were integrated into the Cervera system during the year.

Peder Larsson, former President of



Cervera's customers can always, regardless of season, have their purchases gift-wrapped in attractive packages. This is one of Cervera's characteristics.

ICA Sweden, has been acting President of Cervera since autumn 2010.

During the year Cervera worked to improve the efficiency of the new central distribution center in J  nk  ping, which went into operation in 2009, and to attach more suppliers to the chain's logistics system. The challenge ahead is to get maximum effect from the new central warehouse and logistics system.

REVENUES AND EARNINGS 2010

Net sales increased by 30.0% to SEK 707 M (544) in 2010. Like-for-like sales increased by 9%. Sales increased in both existing and newly opened units. Operating result amounted to SEK -33 M (-25). The fall in earnings is mainly due to Cervera operating more stores in a seasonally weak period compared with the previous year, and to restructuring costs of SEK 13 M.

Cervera's sales show major seasonal variations, where a large proportion of revenues are linked to December. Although Christmas trading will continue to be an important sales period for Cervera, it is important to create more sales peaks during the year to reduce dependence on the Christmas season. Directed offerings to members of the customer club, may activate customers on more occasions in the year.

MARKET

Consumer behavior was characterized by continued polarization where consumers on one occasion look for a low price and on another for quality and design. Sales show clear seasonal patterns where a large proportion of revenues are linked to December. Sector overlap in the market has been clear in recent years and Cervera competes with players from different sectors within different parts of the assortment. After the acquisition of the Duka stores, Cervera is the only large nationwide retail chain within its market segment.

The major interest in the kitchen and food preparation is driving demand for kitchen products. Demand for glass is growing. Private labels' share of sales is increasing among all market players. During the year, Cervera launched its series for glass and porcelain under the Great brand. The new series complements the rest of the range and meets identified price and quality gaps in Cervera's product range. Private labels are not about removing strong brands, on the contrary. The market is characterized by the fact that many old, classical brands are still very strong. They have survived for many years and are expected to continue to do so.

Online shopping is showing strong growth, but from low levels. Online shopping functions as a complement to the physical store network.

FUTURE PROSPECTS

The main future challenges are to achieve even more efficient and more profitable store operation, which is based on a strong customer offering and assortment. This in turn must be supported by efficient logistics.

Work is under way at Cervera to create a clearer and more concentrated product range and to change the sales mix in order to improve gross margins. Cervera's stores must have the products customers demand.



CERVERA OFFERS A COMPLETE AND INSPIRING PRODUCT RANGE FOR THE KITCHEN AND DINING AREA. IN CERVERA'S NEW GLASS AND PORCELAIN SERIES CUSTOMERS CAN CHOOSE AMONG SEVERAL DIFFERENT GLASS AND PLATE MODELS FOR AN ATTRACTIVE TABLE SETTING.

2 QUESTIONS TO:

ACTING PRESIDENT PEDER LARSSON



How do you view Hakon Invest as owner?

"Hakon Invest is a strong and retail-expert owner who cares. By this I mean they involve themselves in the portfolio companies, not only at board meetings and on reporting dates, but they have a continuously active involvement."

"We are very happy to have Hakon Invest as an owner. They can support us with their expertise and knowledge of what other portfolio companies have done. We can make comparisons between portfolio companies. In addition to learning from each other, the portfolio companies can cooperate within various areas. The main areas of cooperation, in my opinion, are logistics and matters relating to new establishment and structure."

What in your opinion are the key factors for successful retailing?

"There is just one word: customer-focus. It is all about meeting customer needs and preferences. The person who can work out what the customer wants and provide it, is the winner. It is as easy, or difficult, as that."

BEST-SELLERS

- KITCHEN AID FOOD PROCESSOR
- ORREFORS INTERMEZZO GLASS
- JAMIE OLIVER'S FRYING PANS

FACTS

SEK M	2010	2009
Net sales	707	544
Operating profit/loss	-33	-25
Contribution to Hakon Invest's operating profit	-33	-25
Growth, %	30	60
Like-for-like growth, %	9	0
Operating margin, %	-4.6	-4.6
Gross margin, %	46.4	46.4
Hakon Invest's holding, %	91.4	91.4
Number of employees	357	259

ACQUISITIONS BROADEN COMPANY

OPERATIONS

inkClub conducts online sales of attractively priced consumables in 15 European countries. The core business is ink cartridges and other printer accessories, but inkClub's product range also includes light bulbs, batteries, vacuum cleaner bags and beauty products. Customers are offered a broad product range at low prices, exclusive member offers and fast deliveries. The online sales channel offers the customer an attractive, broad and deep specialty range within each product niche.

BUSINESS CONCEPT

inkClub offers simple, fast and secure online sales to consumers and small companies of attractively priced consumables and accessories. inkClub simplifies selection and ordering of products that are difficult to purchase via traditional sales channels.

DEVELOPMENT IN 2010

During 2010, inkClub continued to broaden its operations through acquisition of additional online retailers and starting yet another new branch of operations with its own website, lightClub, which sells light bulbs on the internet. inkClub acquired Beauty Planet, which sells beauty products online, and 112Ink which sells ink cartridges on the internet.

These acquisitions provide opportunities for cross-selling and synergies, for example within administration and logistics, and mean that inkClub is entering new market segments.

inkClub moved to new premises during the year. The intention is to collect all operations in the same place so as to facilitate communication between the company's different sections and establish a new, large and modern warehouse.

With more than 1.5 million shipments per year, inkClub's operations are logistic-dependent. Acquisition of new operations and new clubs means more items in the warehouse, which places even higher demands on an advanced and effective logistics system. The new warehouse gives inkClub's logistics system the possibility to handle even more advanced flows.

During the autumn, inkClub started a major CRM project designed to create better knowledge of customers and make work on the customer database more effective.

REVENUES AND EARNINGS 2010

All business areas increased their sales in 2010 compared with the previous year. Net sales increased by 10% to SEK 497 M (452). Operating profit amounted to SEK 38 M (63), a decrease of SEK 25 M. The operating margin amounted to 7.7% (13.9). Currency effects had a negative impact on earnings.

inkClub's profitability decreased due to a product mix that was unfavorable to the gross margin, the lower gross margin of acquired operations, and a slightly lower price scenario for ink cartridges. In addition, inkClub had higher costs during the year for handling acquired and newly started operations.

MARKET

Sales of ink cartridges in 2010 were negatively affected by the global decline in printer sales in 2008–2009. Sales of ink cartridges track printer sales with some delay.

During the autumn inkClub worked

to broaden the product range in order to meet demand in the market.

Competition between online retail companies for media space is intense. Advertising prices have risen with the stronger economy. Online retailing is starting to become a more mature sector with higher entrance barriers, as well as higher costs for acquiring new customers and marketing. This is still a fast-growing market, however, with major opportunities for players who act fast and strategically correct.

inkClub is the market leader in Sweden within its market segment, and brand awareness is high. inkClub's position is also strong in the other Nordic countries, while market shares are lower in the rest of Europe.

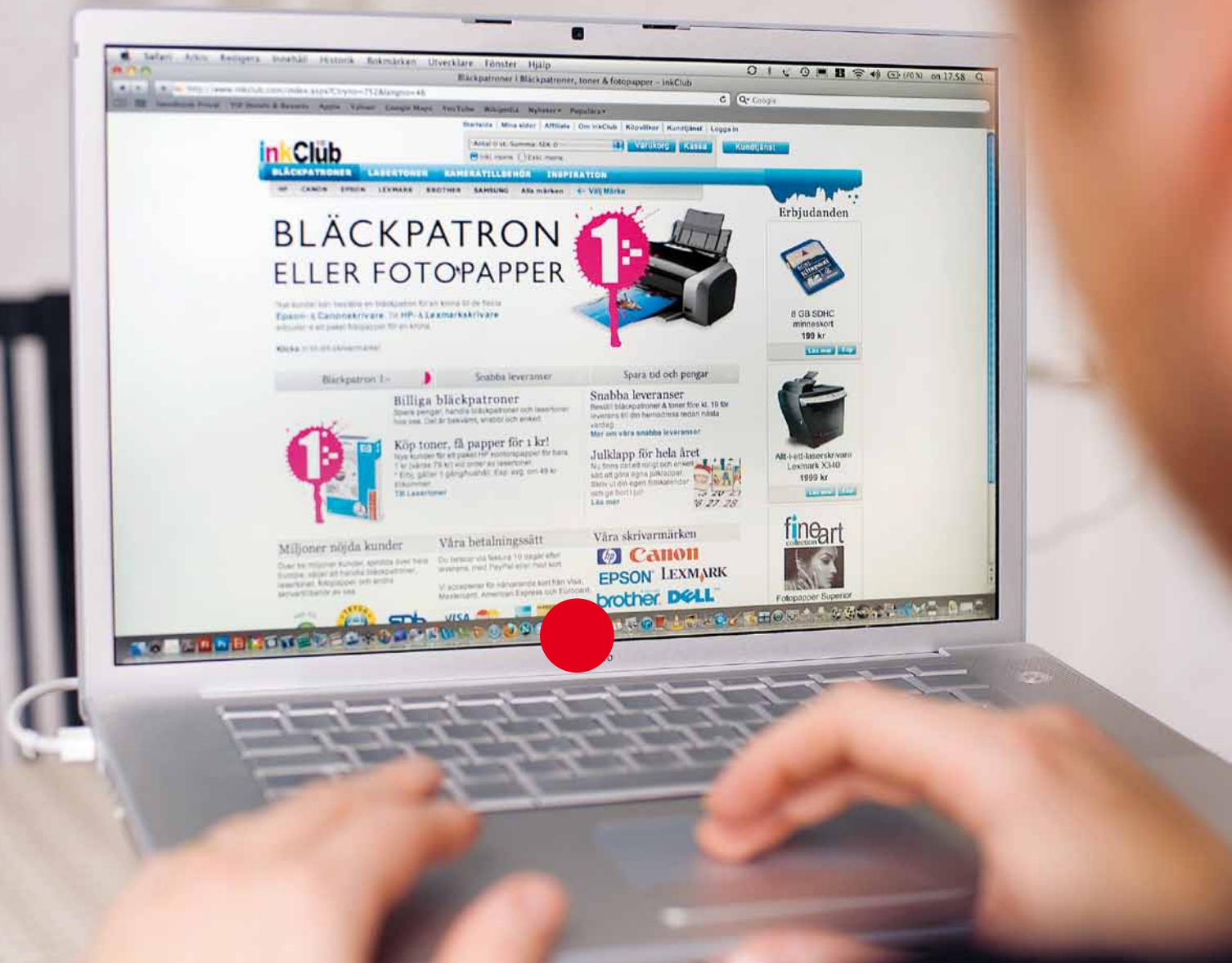
FUTURE PROSPECTS

As long as the economy remains strong, prices for media space will remain high which makes it increasingly important to choose the right channels.

There is major growth potential in nurturing and developing the existing customer base, increasing repurchasing frequency and persuading customers to buy more products in addition to ink cartridges.



Order management at inkClub's warehouse in Uppsala. More than 1.5 million shipments are sent every year.



2 QUESTIONS TO:

PRESIDENT FREDRIK BRANDT



How do you view Hakon Invest as owner?

"I appreciate the network that Hakon Invest has created. The presidents of the other portfolio companies have become colleagues. We can discuss different subjects from a president perspective.

"I appreciate all the initiatives and projects that Hakon Invest starts, and the training programs they offer. They help us portfolio companies to progress in our development. They give us tools, templates and frameworks to quickly reach a good level in our areas."

What in your opinion are the key factors for successful online retailing?

"Delivering the right products, at the right time to customers, minimizing errors, handling complaints well. This is extra important when almost all contact with customers is virtual. Marketing is also very important.

"Online retailing has become increasingly technically sophisticated, which places high demands on IT solutions. It is no longer about how we deliver ink cartridges compared with our competitors, it is about the entire shopping experience."



CONSUMABLES ARE SOLD IN 15 COUNTRIES VIA INKCLUB'S WEBSITE, WHICH IS THE COMPANY'S MEETING PLACE WITH THE CUSTOMER. THE CORE BUSINESS IS INK CARTRIDGES AND PRINTER ACCESSORIES.

FACTS

SEK M	2010	2009
Net sales	497	452
Operating profit	38	63
Contribution to Hakon Invest's operating profit	-2	9
Growth, %	10	15
Operating margin, %	7.7	13.9
Gross margin, %	47.2	49.5
Hakon Invest's holding, %	55	50
Number of employees	80	68

Customer benefit via the net

Improved knowledge of the customer will increase the effects of marketing activities and create relevant offerings at the right time. inkClub will sharpen its marketing and work with selective customized communication to a greater extent.

In order to create a better understanding of customers and set a strategy for future customer canvassing, inkClub started a CRM project in autumn 2010 in order to map the company's large customer base. Better knowledge of its customers will allow inkClub to work with more customized marketing.

"Communication with our customers has so far taken the form of mass communication. We have made mass mail shots in the form of good offers to existing customers, which have functioned satisfactorily so far. Now the time is right, however, to work with more targeted and with more relevance through customers' entire purchasing cycle," explains Fredrik Brandt, inkClub's President.

CRM AS A TOOL

The background to the CRM project is that customer acquisition costs in the online retail market are rising. More market competitors have made it increasingly difficult and expensive to recruit new customers through traditional marketing. In order to increase sales in a more cost-

effective way, it is necessary to also develop the existing customer base. The customer database is one of an online retailer's key assets and inkClub's large customer database has major potential.

In addition, inkClub's acquisitions of online retailers and start of new clubs in recent years mean that the company today sells several different products, which allows sales offers across operating borders. This will further increase the impact of marketing activities.

CUSTOMER COMMUNICATION

inkClub's customers have been divided into different customer segments which have different purchasing behaviors and needs. The company can collect customer data and analyze it. Based on where the

customer is in the purchase cycle, inkClub can send out relevant offerings, preferably combined from several different clubs.

"With better tools and greater understanding of customers, we can send out personal and relevant offers at the right time to our customers. It is important not to tire them out with too much information. This is very much about cross-marketing, making offers that stretch over club borders and about communicating as relevantly as possible with our customers," says Fredrik Brandt.

THE GOAL – A COMMON SHOPPING BASKET

The goal of the CRM project is to create a better balance between existing and new customers to increase the efficiency of inkClub's marketing activities. inkClub will get more customers who make more than one purchase, increase revenues per customer, increase repeat purchases and, over time, reduce the cost of acquiring new customers. inkClub will also increase cross-selling which will lead to higher revenues and improve customer loyalty.

"Customers will be able to look forward to a more relevant offering which will come at a more relevant time. We will get in touch when we have something worth offering. Our customers have different purchasing behaviors and it is about reaching them at the 'right' purchasing moment," says Fredrik Brandt.

The CRM work also creates conditions for a "common shopping basket" where customers can order goods from all inkClub's clubs at one go and get all items delivered together with one invoice and one shipping charge. The goal is to simplify things for the customer as much as possible.

These efforts demand advanced IT and logistics systems. The new warehouse means that inkClub's logistics system is able to handle the advanced flow of goods.

"CUSTOMERS WILL BE ABLE TO LOOK FORWARD TO A MORE RELEVANT OFFERING WHICH WILL COME AT A MORE RELEVANT TIME."



Personal offerings will increase the efficiency of inkClub's marketing activities.

RENEWAL WORK STARTED

OPERATIONS

Hemtex is a home textiles chain with operations in Sweden and Finland. Hemtex offers an attractively priced, inspiring and functional range of textile products of good quality for every room in the home. Of the total of 179 stores, 159 are owned by the Hemtex group and 20 are franchise stores. The stores sell home furnishing products under a common brand with the main emphasis on home textiles.

Hemtex has no production of its own but uses a number of suppliers which manufacture the products. Purchasing offices in Borås, China and Bangladesh function as hubs for both purchasing and inspection work. (Read more about sustainability work at Hemtex on page 60.)

BUSINESS CONCEPT

Hemtex's business concept is to design and sell home textiles with inspiration, quality and service at a surprisingly attractive price.

DEVELOPMENT IN 2010

2010 was characterized by the work of conversion to the new Hemtex and an extensive action program designed to reverse the company's negative development. The company has implemented many measures in a short period. These include introduction of a new organization and new work processes, a new strategy for logistics and stock keeping, discontinuation of presence in markets with heavy losses, launch of a new brand platform and a new store concept, and a revision of the price strategy.

Despite all these measures, development for Hemtex in 2010 was a disappointment and the company's sales and earnings were less favorable than expected.

The extraordinary costs for all the measures implemented combined with a less favorable financial development, have led to a need for additional capital. When it was clear that as of October, Hemtex did not meet the banks' loan terms and conditions, at the beginning of November the Hemtex board decided to propose that an extraordinary general meeting should decide on a new share issue with preferential



The new store concept in Hemtex on Götgatan in Stockholm provides inspiration for textiles in the home in a pleasant environment.

rights for Hemtex's existing shareholders. The total rights issue amounts to approximately SEK 325 M. Hakon Invest has guaranteed its share, 68.5%, in the issue.

In autumn 2010, three pilot stores using the new store concept were opened and other stores in Sweden and Finland were given a facelift. As part of this renewal program, Hemtex changed the store organization in order to create clearer responsibility and work roles. This resulted in a reduction of the number of store managers and increased responsibility for those who remained. In addition, Hemtex created new specialist services in the form of experts in how the assortment and brands are presented in the stores.

A thorough analysis of the earlier price strategy resulted in reduced ordinary prices for a number of products. A careful review of the store portfolio in all countries led to the decision to phase out Hemtex's presence in the loss-ridden markets Denmark, Norway and Poland, and to halve the number of stores in Finland. Work on closure of these stores was ongoing during the year.

Efforts to make the supply chain more efficient during the year resulted in re-

duced inventories, lower tied-up capital and an improved cash flow.

REVENUES AND EARNINGS 2010

Net sales fell 16.5% to SEK 1,081 M (1,295) in 2010. Like-for-like sales decreased by 9% compared with 2009. The weak comparable sales development is largely explained by the fact that the assortment has not yet met customers' expectations. Sales also decreased as a result of the decision to close all stores in Norway and Denmark.

Operating result amounted to SEK -233 M (-221). Nonrecurring costs, among other things for discontinuation of the units in Denmark and Norway, were charged against earnings with SEK 31 M.

Starting on January 1, 2010, Hemtex has the calendar year as its fiscal year.

MARKET

Demand in the home textiles market is greatly affected by the macroeconomic situation although the industry has historically been less cyclically sensitive than other parts of the retail sector. Increased interest in interior design in recent year has driven growth in the home textiles market. At the same time, an increased level of maturity has made the industry more sensitive to economic fluctuations than before.

FUTURE PROSPECTS

Competition in the Swedish home textiles market is increasing. Online retail is showing strong growth and gaining market shares, as are textiles in department stores.

In order to reverse the negative trend and retain and strengthen its position as one of Sweden's leading home textile chains, it is essential for Hemtex to be able to meet the changed preferences of customers. The main future challenge is to get sales under way and ensure that the completed action program has an impact.

In 2011 implementation of the new concept and the action program to improve profitability will continue. It will take time before these changes have an effect. The change in the product range will not be entirely completed until spring 2011.



EVERYTHING IN THE NEW HEMTEX STORE CONCEPT, FROM PRODUCT RANGE TO SIGNS, IS PERMEATED BY THE COMPANY'S PASSION FOR TEXTILES. THE NEW LOGOTYPE WILL GIVE THE CUSTOMER A TEXTILE ASSOCIATION.

2 QUESTIONS TO:

PRESIDENT ERIK GUMABON

How do you view Hakon Invest as owner?

"The main advantage is that we have a strong, long-term owner with sound knowledge and experience of Nordic retail. We also appreciate that Hakon Invest initiates projects such as synergy projects so that we portfolio companies can obtain additional advantages of being owned by Hakon Invest through cooperation within many areas."



What in your opinion are the key factors for successful retailing?

"Effective store operation, attractive and modern product range and an efficient supply chain and logistics."

BEST-SELLERS

- BLACKOUT CURTAIN
- PERCALE BEDDING
- FLEECE BLANKETS

FACTS

SEK M	2010	2009
Net sales	1,081	1,295
Operating profit/loss	-233	-221
Contribution to Hakon Invest's operating profit	-233	-83
Growth, %	-17	-13
Like-for-like growth, %	-9	-15
Operating margin, %	-21.5	-17.0
Gross margin, %	53.1	50.1
Hakon Invest's holding, %	68.5	68.5
Number of stores	179	214
Number of employees	526	768

Hemtex has been listed on NASDAQ OMX Stockholm since October 6, 2006.

New Hemtex takes shape

The “new” Hemtex was launched in 2010. With a new store concept and product range, Hemtex will attract more customers to the stores and be a profitable home textiles specialist once again.

It was August 26, 2010, when the doors were opened to the first store remodeled according to the new concept, in Stockholm’s Södermalm district. Two more pilot stores, one in Stockholm and one in Gothenburg, were opened in the autumn. The other stores in Sweden and Finland were given a facelift during the year.

“The new Hemtex means a new store concept, a renewed product range and a new identity and communication,” says Hemtex’s President Erik Gumabon. “The idea is to raise the fashion content and find our way back to our origins, home textiles. We will go back to being specialists in home textiles.”

This aim can be seen in the new logo-type which can be associated with fabrics. In order to clarify that home textiles are the core business the business concept has been reformulated. The new product range will attract a broader target group, which is a strategically important step towards strengthening the brand.

“The changed product range is the guiding star in the renewal program. Modern design and classical patterns will be blended with playful designs and unexpected expressions. There will be a clear category division and a broader assortment base,” says Erik Gumabon.

EMPLOYEES PIVOTAL

The background to the need for change and a new Hemtex was the company’s negative performance. It was essential to do something to reverse this trend. Hemtex therefore initiated essential and purposeful work in order to once again be a modern home textiles chain with long-term profitability.

As part of the conversion, Hemtex changed the employee organization at store level. It is in the store that the decision is made whether a visitor becomes a paying customer or not, and here employees play a pivotal role.



The check-out in the refurbished stores brings to mind a traditional fabric cutting-out table.

“The intention was to create a more professional organization with clearer responsibility and work roles. We have reduced the number of store managers and given those who remain an extended responsibility for employee and skills development. We have also set up specialist services in the form of experts in how the product range and the brand are presented in the store,” says Erik Gumabon.

As part of the renewal program, Hemtex has also taken an overall approach to the web and customer club in order to broaden the existing target group. Online retailing’s share of the home textiles market is growing. Since autumn 2010, Hemtex’s entire product range can be purchased via the web shop.

FOCUS ON SALES

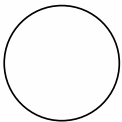
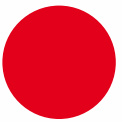
The major challenge now is to gain momentum for sales.

“We must get more people to visit the

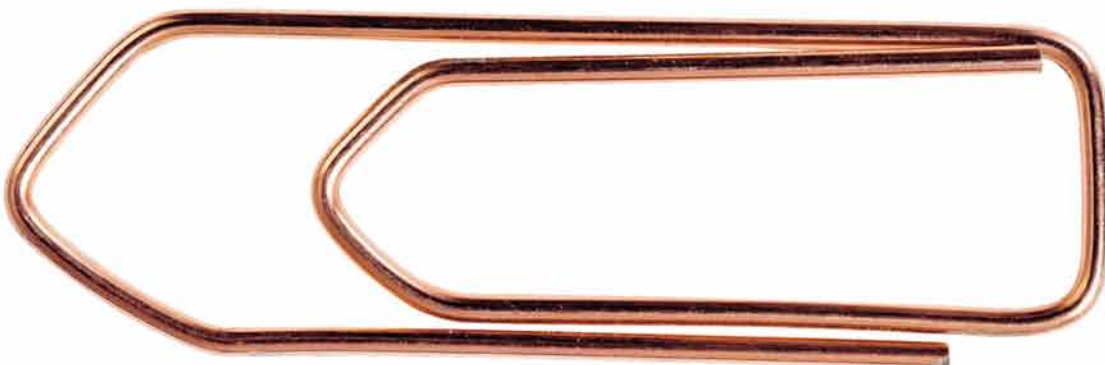
stores, but also be better at persuading visitors to shop and increase the average purchase. Factors for success are an attractive and modern product range, inviting stores and knowledgeable and motivated employees,” says Erik Gumabon.

“Since Hakon Invest came in as an owner in Hemtex, we have worked together to advance Hemtex’s market position and changed the price strategy and brand image,” says Stein Petter Ski, SVP Investments & Portfolio Companies at Hakon Invest.

Together with Hemtex, Hakon Invest identified a number of prioritized areas, such as product range strategy, supply chain, store operation and communications strategy, which Hemtex has focused on since then. Despite all the action taken, development in Hemtex in 2010 was a disappointment. It is taking longer than originally predicted to reverse the downward trend.



OPERATIONS



LONG-TERM PARTNER WITH RETAIL EXPERTISE

Hakon Invest makes long-term investments in retail companies. Sound retail expertise and financial strength make Hakon Invest a stable owner in all business climates.

Hakon Invest's mission, with its ownership in ICA AB as a base, is to conduct active and long-term investment activities with a focus on retail companies in the Nordic and Baltic regions. The holding in ICA AB is the base for our ownership and our operations. The aim over time is to build a portfolio of up to ten retail companies. The holding in ICA is "permanent", while the composition of the rest of the portfolio companies will change over time.

By being an active, responsible and long-term owner with financial strength and in-depth retail expertise, we help to create growth in value in ICA and to develop the portfolio companies, all of which are independent companies with their own result and profitability responsibility.

ACTIVE OWNERSHIP IN ICA

The ICA idea's unique dynamics and ability to create values for all stakeholders serves as Hakon Invest's model and source of inspiration. One key part of our business mission is to safeguard the ICA idea over time and thus ICA's sustained competitiveness.

ICA's business model is based on professionalism, flexibility and close contact with consumers. The model rests on making money at every stage and creating value every day. ICA endeavors to be best at being both small and big by combining entrepreneurship with economies of scale.

Hakon Invest's influence as an owner of ICA is mainly exercised through work on the board where our representatives play an active part in ICA's board and committee work.

We are active in ICA's overall business development which can involve structuring and planning operations, budget work and decisions on acquisitions and long-term investments in for example logistics and other infrastructure. (Read more about ICA on pages 20–30.)

ACTIVE OWNERSHIP IN THE PORTFOLIO COMPANIES

Our financial strength makes Hakon Invest a stable and secure owner in all economic situations. The long-term approach is our core value. We know that active and long-term efforts yield results. Our main competitive advantages are retail expertise, financial strength and a long-term approach.

Hakon Invest works in a similar manner to a venture capital company but with a focus on companies operating within retail. We buy, develop and sell companies. The main strategy is to identify suitable retail companies and invest in them on as advantageous terms as possible, provide the resources needed to create growth and profitability in the companies, and – when

the time is right – sell the companies in one way or another with a good capital gain.

As owner Hakon Invest seeks to ensure that the portfolio companies have the right focus in their customer offering, concept and supply chain. Ownership is exercised through board work and under the motto "active ownership every day". This includes close contacts with the companies and continuous, close cooperation.

We have many years of experience of how retail functions and what aspects are important to manage and work with. We have access to extensive market information, including quarterly reports about developments in different retail markets compiled by our subsidiary Forma Publishing Group.

In addition to the portfolio companies having access to all the knowledge and expertise within retailing that exists at Hakon Invest and our extensive network, the companies can increasingly exchange knowledge and experience with each other. Even though the companies operate within different parts of the retail sector, there are many common issues where they can benefit from each other's experience. The synergy project started in 2010 is one example.

At least board member in each holding must be attached to Hakon Invest and we normally strive to be entrusted to appoint the chairman. Representation on the boards ensures that reporting and internal control are handled in a satisfactory manner and according to applicable laws and regulations. Hakon Invest's finance function has ongoing dialog with the people responsible for finance at all the holdings and provides instructions and advice for the preparation of the companies' financial reports, which in turn provide the basis for Hakon Invest's financial reports.

Work with the portfolio companies in 2010 involved to a great extent consolidating and improving structural capital in each

SYNERGIES THROUGH COOPERATION

• In 2010, Hakon Invest started a number of synergy and cooperation projects in the portfolio companies in order to identify and exploit possible synergies between the companies. This project is one example of how Hakon Invest works with coordination and governance.

Synergy effects refer to opportunities in various ways to reduce costs through lower prices on purchases of goods and services, as well as more efficient arrangements which reduce other costs. A further purpose of the project is to facilitate exchange of experiences and comparisons between the companies.

HAKON INVEST'S BUSINESS MODEL

	ICA	OTHER PORTFOLIO COMPANIES
Holding strategy	Hakon Invest's shareholders	Long-term, 8–10 holdings Companies acquired, developed and sold on
Return	14–16% of equity over a business cycle	>15% per year on total invested capital
Cash flow	Annual dividend (>40% of earnings)	Proceeds from acquisitions and sales Dividends

Hakon Invest's shareholders	High equity/assets ratio Dividend policy >50% of Parent Company's profit
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business, and reviewing costs. In addition to growth, which is a consistently prioritized area, we have also focused on efficiency and profitability in the companies. During the year we also worked with capital rationalization in order to reduce the companies' tied-up capital. Read more about the portfolio companies on pages 31–45.

BUILDING A PORTFOLIO WITH A BALANCED RISK PROFILE

In addition to managing and further developing ICA AB, Hakon Invest's aim over time is to build a portfolio with up to ten holdings. The portfolio should have a balanced risk profile and consist of retail companies in the Nordic and Baltic regions. Since the IPO in 2005 we have worked to build up a well-diversified, retail-oriented portfolio of companies with a good spread in terms of the companies' size and focus. Since acquisitions have been carried out in stages, we have also created risk diversification over time. The portfolio, which originally consisted of ICA AB and Forma Publishing Group, has gradually been filled up with five companies from different parts of the retail sector. Since Hakon Invest became an owner, the portfolio companies themselves have in turn made several acquisitions.

INVESTMENT PHILOSOPHY

Hakon Invest invests in companies in the retail sector in the Nordic and Baltic regions which have made some progress in their development but need a strong partner with retail expertise in order to advance still further. We use the following criteria when identifying attractive acquisition candidates:

- Clear concept, or good opportunities to chisel out a clear position in the market
- Entrepreneurship – a key factor for successful retailing
- Strong and motivated management and/or owners
- Positive cash flow
- Good growth opportunities

Hakon Invest's main strategy is an ownership stake of at least 50% in the portfolio companies. We are happy for the compa-

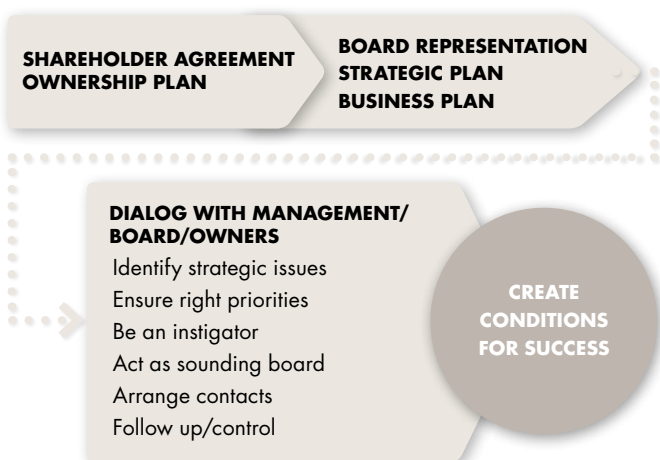
ny's founder and previous owners to remain as owners in order to take advantage of the entrepreneurial spirit which we regard as a key factor for success. This also creates common interests between Hakon Invest and the companies' entrepreneurs. At the same time, there might be advantages with whole ownership, so we do not rule out a 100% stake.

EXIT

Hakon Invest is a long-term owner and has no predetermined timescale for ownership. Our long-term approach to ownership is based on our experience that retailing often needs time to be truly successful.

With the exception of ICA AB which is a "permanent" holding in Hakon Invest's portfolio, the portfolio companies will eventually be sold. The time to sell will be chosen carefully and in a manner that creates the best possible return for Hakon Invest's shareholders.

HAKON INVEST AS OWNER





FINANCIAL STRENGTH IS ESSENTIAL FOR LONG-TERM OWNERSHIP

Hakon Invest has had a low debt/equity ratio and a high equity/assets ratio ever since the IPO in 2005. A large portion of Hakon Invest's assets consist of financial investments and liquid assets. These assets will be used for future investments in both new and existing portfolio companies.

A strong financial position is essential if Hakon Invest is to be a stable and secure owner in the long term, and ensures that we can take a long-term approach even in times of weak business climate and less favorable conditions for retailing.

This financial strength also provides scope to take advantage of attractive deal opportunities at the same time as we can maintain a high dividend level to shareholders, regardless of the economic situation. A strong financial position is a shared basic philosophy for Hakon Invest and the core holding ICA AB.

Hakon Invest creates shareholder value through growth in value in ICA and the portfolio companies combined with a good dividend yield. When Hakon Invest was listed at the end of 2005, the company had approximately SEK 3 billion in financial assets and a portfolio that comprised the 40% holding in ICA and the wholly owned media group Forma Publishing Group. Since then and until year-end 2010, Hakon Invest has invested approximately SEK 2 billion in five portfolio companies.

FINANCIAL STABILITY IN HAKON INVEST

One of Hakon Invest's financial targets is to have an equity/assets ratio, i.e. equity in relation to total assets, that exceeds 70%. The equity/assets ratio has been considerably above this level each year since the 2005 IPO. At year-end 2010 the equity/assets ratio amounted to 86.5% (89.8).

A significant portion of Hakon Invest's assets have comprised liquid assets and short-term investments. Even though these assets have decreased with the acquisition of the portfolio companies, cash and cash equivalents and short-term investments amounted to SEK 1,223 M (1,049) at year-end 2010.

ASSET MANAGEMENT FOR FUTURE INVESTMENTS

The main purpose of asset management at Hakon Invest is to ensure that funds are available for future deals. This means that risk taking is limited in order not to jeopardize our ability to take advantage of new investment opportunities when they arise, or act as financier in the existing portfolio companies in their continued development.

INVESTMENTS IN PORTFOLIO COMPANIES UNTIL DECEMBER 31, 2010

	INVESTMENT YEAR	AMOUNT (SEK M)
Forma Publishing Group	1999	200
Kjell & Company	2006	102
Hemma	2006	90
	2007	16
	2008	45
	Total:	151
Cervera	2006	87
	2009	153
	Total:	240
inkClub	2007	431
	2010	36
	Total:	467
Hemtex	2008	423
	2009	504
	Total:	927
TOTAL INVESTMENT AMOUNT		2,087

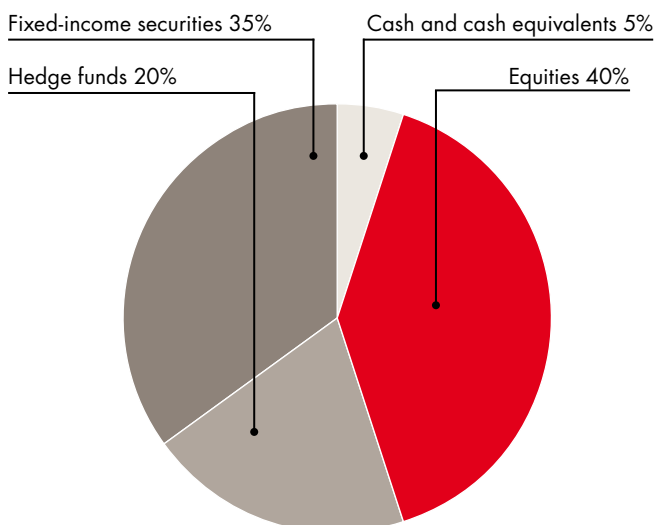


Hakon Invest's asset management is based on the company's financial and investment policy with accompanying guidelines. The target is an average return of at least the Consumer Price Index (CPI) plus four percentage points per year over rolling five-year periods.

The allocation between equities, share-based instruments and fixed-income securities varies over time in order to maintain a good balance between return and level of risk. During 2010 the risk level for asset management was at a normal level since the financial market stabilized after two years of considerable fluctuations.

The proportion of equities was reduced slightly during the year in favor of a number of hedge funds with a good spread of risk. At year-end 2010 the allocation of assets under management was as follows: 40% equities, 35% fixed-income securities, 20% hedge funds and 5% cash and cash equivalents. In 2010 the return from asset management amounted to 6.8%.

BREAKDOWN OF ASSETS UNDER MANAGEMENT (Parent Company)



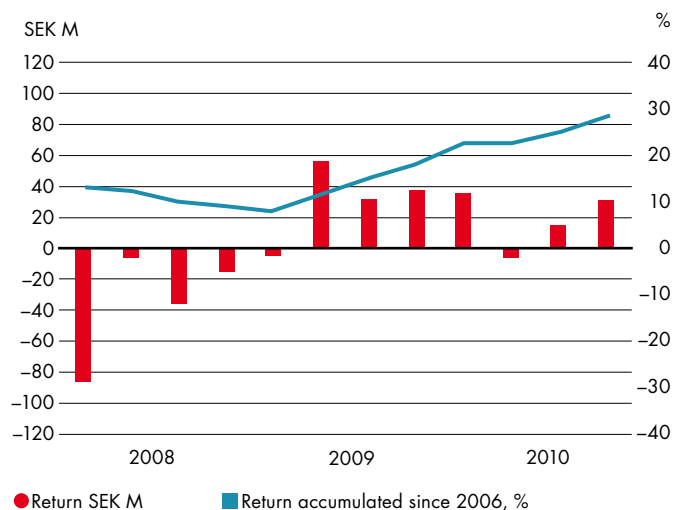
FINANCIAL STABILITY IN ICA

The 40% holding in ICA AB, is the ultimate guarantee for continued financial stability in Hakon Invest. ICA's revenues and earnings are highly significant for Hakon Invest's earnings development, cash flow and financial position. The holding has generated significant profit shares and dividends to Hakon Invest. ICA's operations are relatively cyclically insensitive and create stability in Hakon Invest's earnings and cash flows over time, which fills up the financial assets over time.

INVESTMENTS

Hakon Invest's future investments will be based on the same principles as before. We have a long-term approach and carefully analyze investment opportunities on the basis of a number of criteria. The aim is to build a portfolio of up to ten companies and at the same time retain a satisfactory buffer of financial assets. Read more about investment criteria on page 48.

RETURN WITHIN ASSET MANAGEMENT PER QUARTER AND ACCUMULATED







HAKON INVEST'S OPERATIONS

Hakon Invest's operations are exposed to a number of risks which are continuously evaluated and monitored. One key part of this work is to minimize risks through preventive measures.

RISK MANAGEMENT STRUCTURE IN HAKON INVEST

The starting point for Hakon Invest's risk management is to minimize total risk exposure by continuously identifying possible threats, and initiating action programs if any threat becomes a reality.

The most obvious risk in Hakon Invest is the financial development in ICA and the portfolio companies. In a worst case scenario the risk is that we lose our entire investment in a company.

Assessment and management of risks in ICA and the portfolio companies is a centrally important part of Hakon Invest's operations and risk management is an integrated part of the work process. Risk assessments are made from the basic principles established in the formal work plan for Hakon Invest's Board and Executive Management. The Board sets limits for Hakon Invest's risk management and within this framework Executive Management evaluates Hakon Invest's exposure to different risks, their probability and potential financial impact and the correlation between them. Executive Management is also responsible for implementing governance and control systems in the form of responsibility functions, processes and systems support that contribute to a suitable balance between business opportunities and risks.

COMPETENCE – A CRITICAL RESOURCE

Hakon Invest's operations require both retail and business expertise. The company's development is affected by the knowledge, experience and commitment of management and other key people. Development could be negatively affected if one or more of these key people leave the Group and Hakon Invest. In order to reduce the risk of negative effects of this type, we must nurture our brand as an employer and have effective recruitment routines.

For long-term success it is also important to nurture Hakon Invest's broad network of people with knowledge and expertise within retail, which is significant for Hakon Invest's strength and competitiveness.

RISKS RELATED TO HOLDINGS AND INVESTMENTS

The holdings' results have a major impact on Hakon Invest's earnings. Factors which have a negative impact on the holdings' operations, financial position and earnings can have a negative impact on Hakon Invest.

ICA

The ICA holding is "permanent" and accounts for a significant portion of Hakon Invest's assets. This means that factors that have a significant impact on ICA's development in the short and

long term are decisive for Hakon Invest's total risk exposure. Risk management is conducted through active and relevant corporate governance together with co-owner Ahold.

PORTFOLIO COMPANIES

All investments have an inherent uncertainty. Ahead of an investment, Hakon Invest conducts a thorough evaluation designed to identify, and if possible reduce, the risks that might arise. We carefully analyze the company's development with regard to business concept, brands, employees, customer relations, and administrative, legal, environmental and ethical issues. After the investment has been made board and control work are key tools for achieving effective corporate governance and risk management.

CYCLICAL SENSITIVITY – DIFFERENT FOR DIFFERENT HOLDINGS

Macroeconomic development, real wages and political decisions are fundamental drivers in the retail sector. Retail contains many different segments, however, with varying sensitivity to macroeconomic fluctuations and political decisions. Sensitivity can also vary between different countries.

The holding in ICA implies significant exposure to the Nordic and Baltic food retail sector. Development in the sector is closely related to GDP trends and real wages, but has historically been less cyclically sensitive than consumer durables. From a portfolio perspective, the ICA holding can be regarded as risk-reducing in a weaker economic climate.

In 2010, Hakon Invest's holdings operated in the following retail sectors:

- Food and non food
- Publication of magazines, books and moving media
- Home electronics
- White goods
- Glassware, porcelain and homewares
- Online retail with main focus on printer accessories
- Home textiles

CUSTOMER CONFIDENCE

Customers' confidence in a retail company's operations, products and services is a factor which has a major impact on the company's long-term development. Without strong confidence in the brand it is very difficult, often impossible, for a retail company to gain market shares and grow.

Sound sustainability work increases the ability to win and retain the confidence of customers. A key part of Hakon Invest's role as owner is therefore to contribute to strategies and daily routines that are sustainable over time. Read more about sus-

HAKON INVEST'S RISK MANAGEMENT

ICA AB

Risks

- A negative development of ICA's sales and earnings
- General and specific factors that affect ICA's development in the short and long term:
 - Macroeconomic factors
 - Conditions in the food retail markets in Sweden, Norway, Estonia, Latvia and Lithuania (competition, price pressure, political decisions, etc.)
 - Strategic and operational factors within ICA's operations that affect their respective brands
 - Inadequate responsibility for environmental and social aspects of the business

Risk management

Active and relevant corporate governance through:

- Shareholder agreement
- Board representation
- Business plan
- Sustainability policy
- Crisis management

Control and follow-up through:

- Budgets
- Reporting

PORTFOLIO COMPANIES

Risks

- Negative development for holdings' sales and earnings
- General and specific factors that affect the short- and long-term development of the holdings:
 - Macroeconomic factors
 - Conditions in the holdings' markets (competition, price pressure, political decisions, etc.)
 - Strategic and operational factors within the individual companies that affect their operations and brands
 - Inadequate responsibility for environmental and social aspects of the business

Risk management

Active and relevant corporate governance through:

- Shareholder agreement
- Board representation
- Business plan
- Sustainability policy
- Crisis management

Control and follow-up through:

- Budgets
- Reporting

INVESTMENT OPERATIONS

Risks

- Dependent on key people
- Inadequacies in internal routines and systems at Hakon Invest and/or the investment
- Financing investments
- Counterparty and other transaction risks

Risk management

- Nurturing the employer brand
- Investment policy
- Structural capital in the form of established processes and standardized documents (due diligence, shareholder agreements, etc.)
- Investment Committee

DIVESTMENTS

Risks

- Unfavorable stock market climate (prices of listed companies affect prices of unlisted companies)
- Counterparty and other transaction risks

Risk management

- Long-term investment horizon
- Cooperation and agreement with co-owners
- Several divestment alternatives

ASSET MANAGEMENT

Risks

- Results of management are affected by:
 - General development in the stock market
 - Development for individual equities
 - Development in the fixed-income and currency markets

Risk management

- Finance and investment policy
- Reporting
- Follow-up

tainability initiatives at Hakon Invest, ICA and the portfolio companies on pages 58–61.

STOCK MARKET DEVELOPMENT AND INTEREST RATES

A negative stock market development can affect the value of both Hakon Invest's listed shareholdings and unlisted holdings. The interest rate situation can also affect the value of the holdings. The interest rate level also affects Hakon Invest's borrowing costs.

LONG-TERM APPROACH CAN GIVE SHORT-TERM FLUCTUATIONS

Hakon Invest's long investment horizon means that we can implement measures and investments with major potential to create long-term added value in ICA and the portfolio companies, although in the shorter term these may have a negative impact on earnings.

RISKS IN ASSET MANAGEMENT

Financial assets and liquid assets account for a significant portion of Hakon Invest's assets. The value of assets under man-

agement at Hakon Invest at year-end 2010 amounted to SEK 1,223 M (1,049). Changes in the return level for these assets can have a significant impact on profit after net financial items.

The main financial risks are currency risk, interest rate risk, liquidity risk, credit risk and share price risk. Financial risks are described in more detail in Note 2 on pages 87–88.

The financial and investment policy is the framework for Hakon Invest's asset management and management of financial risks, both in day-to-day activities and in asset management. The policy is adopted annually by the Board and compliance is monitored by the Audit Committee. The Board decides on the direction and risk level in asset management, which is conducted both internally and outside the company.

Read more about asset management on page 50. More information about guidelines and risk management within asset management is provided in Note 2 on pages 87–88.



SUSTAINABLE STRATEGIES AND SUSTAINABLE BUSINESSES

The foundation for Hakon Invest's work as a development partner within retail is responsible and long-term ownership. We regard sound sustainability initiatives as essential in order to earn the confidence of customers and other stakeholders.

The ability to win and retain consumer confidence is the foundation of all successful retailing. Customer confidence is about everything from a clear offering to accepting responsibility for environment, people and society. A key part of our role as owner is to contribute to strategies and routines that are economically, environmentally and socially sustainable.

A good understanding of expectations for environmental and social responsibility among customers, employees, investors and other stakeholders, improves the retail companies' control of business risks. This can also provide new business opportunities.

SUSTAINABILITY FOR HAKON INVEST

Hakon Invest wishes to contribute to the sustainable development of society. Our main contribution is through work with the portfolio companies. We make every effort to be aware of new trends and business environment aspects that might affect the companies, and support them so that they can take effective action to meet the demands made by customers and other stakeholders. In 2008, Hakon Invest's Board adopted a sustainability policy that clarifies what responsible ownership means to us. The policy is based on our business concept, vision and mission as well as our core values: responsibility, expertise, commitment, entrepreneurial spirit and partnership.

Other policies and guidelines are linked to the sustainability policy in order to clarify what this means in practice. The intention is to support both Hakon Invest's internal work and the portfolio companies' operations and to clarify aims ahead of future investments. Among other things Hakon Invest has adopted guidelines for responsible action in the portfolio companies.

Both Hakon Invest and all the portfolio companies must comply with all rules, laws and international agreements where they operate. In addition, the portfolio companies are responsible, on the basis of their own businesses, for developing relevant policies, systems for control and follow-up as well as communication within sustainability.

Each portfolio company must be able to show that they are continually improving their business with regard to sustainability issues. The board members appointed by Hakon Invest should regularly make sure that the portfolio companies are making sustainability improvements.

When there are aspects or questions of a similar nature in the different companies, we support and coordinate the sustainability work as far as possible with common documents, propos-

als for effective working methods and follow-up. Descriptions of our policies are available at www.hakoninvest.se under Corporate Governance.

During 2010 we have set new objectives and targets in order to develop our sustainability work. Our aim is an additional focus on follow-up of the supply chain in the portfolio companies. Our intention is also to be able to report our sustainability work in accordance with GRI's level C guidelines by 2013 at the latest.

SUSTAINABILITY ASPECTS IN THE INVESTMENT PROCESS

Responsibility to Hakon Invest's shareholders starts in the investment process.

We only invest in companies with operations that are acceptable on the basis of our investment and sustainability policies. This means we analyze a potential portfolio company's sustainability profile at an early stage.

A general review of the company's position regarding environment, control of the supply chain, HR issues, business ethics and other non-financial aspects that can affect the value of the brand and the company is also performed prior to examination in the Board's investment committee.

Many of the companies that suit Hakon Invest's investment criteria are relatively young and have therefore often not always managed to develop structured sustainability initiatives. This does not mean, however, that we reject an investment. On the other hand, we do want to be sure that the company has the potential and the will to start robust sustainability work.

This involves, for example, drafting and introducing relevant policies and working methods that encompass the operations' most important sustainability aspects.

SUSTAINABILITY CRITERIA IN ASSET MANAGEMENT

Management of liquid assets, both internally and externally, is based on our financial and investment policy. This stipulates that management of Hakon Invest's assets must be permeated by security, sound ethics and environmental consideration. Investments may only be made in companies with acceptable compliance with the UN Global Compact's principles for human rights, labor law issues, environment and corruption, as well as the OECD guidelines for multinationals. The companies may not have a significant portion of their sales in the arms industry or pornography. Our external partners within asset management must comply with the financial and investment policy.



SUSTAINABILITY INITIATIVES IN THE HOLDINGS

ICA AB has been conducting extensive work on accepting environmental and social responsibility for many years, which Hakon Invest together with the other co-owner Royal Ahold supports. The smaller holdings have made varying progress and our contribution through active board work is therefore based on conditions in each company. We also encourage an exchange of knowledge within sustainability between the holdings, including regular seminars within relevant areas.

ENVIRONMENTAL AND SOCIAL RESPONSIBILITY AT ICA

ICA's approach to ethics and social responsibility is summarized in the seven position statements known as "ICA's Good Business" (read more on page 23). These position statements are based, among other things, on the UN Global Compact which promotes social and environmental responsibility among international companies. Based on the Global Compact and ICA's Good Business, a number of policies and guidelines have been drawn up as guidance in day-to-day work.

The most important areas in ICA's sustainability work include:

- Reducing the Group's energy and material consumption and waste volumes.
- Reducing the Group's climate impact.
- Expanding the range of eco-friendly products.
- Checking that suppliers meet ICA's requirements for social responsibility.
- Controlling product safety throughout the chain, from primary producer to consumers.
- Inspiring customers to make healthy eating choices.

ICA further developed its climate strategy during 2010, where one target is to reduce the Group's known emissions of greenhouse gases by 30% by 2020 compared with 2006. The strategy has been complemented with two sub-targets, of which the target to achieve one-third of the reduction by 2009 was achieved. The next sub-target is to achieve two-thirds by 2012.

During 2010, ICA worked with several major issues relating to both environment and climate, social responsibility and health. One major event was when the doors were opened to the pilot store ICA Kvantum Sannegården in Gothenburg since it is the stores that account for most of ICA's greenhouse gas emissions. Compared with a five-year old Kvantum store of the same size and with the same merchandise, it is estimated that Sannegården

is at least 35% more energy efficient. In future, all newly built ICA stores in Sweden will be constructed according to the same principles as Sannegården. Resource-efficient operation is also a prioritized issue in ICA's Norwegian and Baltic stores.

Climate initiatives also include the start of the One Tonne Life project where ICA is involved and provides expertise to a family so that they can reduce their carbon dioxide consumption from seven to one tonnes per person and year (www.onetonnelife.se).

Waste, or rather reducing the total volume of waste as well as waste food, is another challenge for the whole of society where ICA wants to be involved and contribute towards better solutions. For example, ICA today recycles 99% of all waste in its Swedish warehouses and supports the stores with new solutions to food waste, for example make lunches with blemished raw materials, donating to charity and reducing the price when the expiry date approaches.

In 2010, questions about chemicals in products intensified, such as bisphenol, one of the world's most common plastics, which is permitted in a variety of products, for example receipts. When several ICA retailers in Sweden questioned how receipts could possibly affect their employees ICA Sweden chose to say no to receipts containing bisphenol in their central assortment. Earlier in 2010, baby bottles and pacifiers with bisphenol were phased out in both Norway and Sweden.

Sustainable fishing remains one of the most intense assortment issues. In 2010 farmed salmon was a hot issue in the fishing nation Norway. ICA tightened its requirements on the fishing industry in 2010 by requiring suppliers to provide sufficient information about farmed salmon and its origins and to take measures to ensure sustainable production. In Sweden and Norway, ICA collaborates with World Wide Fund for nature (WWF) and uses its seafood guide with red, yellow and green listed species. ICA tries as far as possible to avoid red listed seafood in the main selection sold to stores.

Locally grown is popular and in the summer of 2010, Rimi Lithuania opened its first "Vikis" store with products from local growers and farmers. It is also the first shop-in-shop concept in the Baltic market. The idea is to offer customers greater value through a local, seasonal selection. ICA Sweden also launched a totally new series of pork, ICA Selection farm pork, with some ten items. This is a series with quality and animal welfare in focus where it is possible to trace exactly which Swedish farmer and farm ICA Selection pork comes from. The pigs eat only



Swedish feed, the sows farrow in extra thick straw and are free ranging, and the breeding pigs are raised on feed that does not contain any genetically modified soy, preferably from the same farm.

Health is a future issue which concerns many consumers. ICA does not just want to give customers recipes and health advice but tries to work with a holistic perspective – it should be easy to live healthy everyday lives. ICA is an industry leader in solutions for allergy sufferers and products for people who are over-sensitive to some foods. ICA is also good at developing private labels with a health profile. ICA recently modernized its own product series the ICA Gott Liv which has some 70 products with less sugar, salt and fat compared with other items. One challenge within health is how the wish for fewer additives can be combined with the wish for less salt and sugar in food, without affecting taste.

In order to check and monitor that suppliers are taking social responsibility in production of goods, ICA works with third-party audits, and with its own inspections using the ICA Social Audit method. The company's own audits, which have the same requirements as third-party audits, mean that ICA can help its suppliers to more quickly meet ICA's social responsibility requirements. In order to be in place closer to its suppliers in Asia, ICA has purchasing offices in Hong Kong, Shanghai and Vietnam.

ICA continued to survey and increase transparency in the supply chain with the aim that 100% of its own suppliers, i.e. suppliers of ICA's private labels, shall have undergone social audits by year-end 2011.

In autumn 2010, ICA acquired new inspiration for future ethics work through a stakeholder dialog with several voluntary organizations and other players. The reason for deciding to meet included grave conditions at the pineapple plantations in Costa Rica which were revealed in 2010.

Efforts to coordinate the Group's product safety work between countries and with other sustainability issues are proceeding.

For several years ICA has reported its social and environmental responsibility in annual sustainability reports. In recent years these reports have been based on Global Reporting Initiatives (GRI) international guidelines. More information about ICA's sustainability work is available at www.ica.se/annualreports.

ENVIRONMENTAL AND SOCIAL RESPONSIBILITY AT HEMTEX

Hemtex has a responsibility for sustainable development both in its own operations and in those conducted by companies with which Hemtex cooperates. All Hemtex's textiles and other products are purchased from 112 suppliers around the world. Examples of key sustainability aspects in supplier operations are working environment, salaries, use of water and use and handling of chemicals. Hemtex does not have direct control of its suppliers' operations and in order to make sure that manufacturing is carried out in a responsible manner contracts with supplier include requirements to comply with a code of conduct. The code of conduct takes up issues such as environment, discrimination, child labor, working hours, wages, working conditions and the right to form and be a member of a trade union.

Compliance with these requirements is monitored through factory inspections and interviews with management and employees. In the largest purchasing markets, China and Bangladesh, Hemtex has purchasing offices in order to increase its presence at the suppliers and facilitate control. In 2010 work started on putting together a QC manual (a manual for quality control in the factories). This will be completed in 2011 and taken into operation by the production offices in Dhaka/Bangladesh and Shanghai/China.

Conventional cotton growing consumes large volumes of wa-

KEY ACTIVITIES DURING THE YEAR

ICA

- As part of climate work the energy efficient pilot store ICA Kvantum Sannegården was opened in Gothenburg. ICA also participates in the One Tonne Life project and provides expert help on how a selected family can reduce its carbon dioxide consumption.
- Phasing out of baby bottles and pacifiers containing bisphenol in both Sweden and Norway.
- Launch of ICA Selection farm pork. A series where the focus is on quality and animal welfare.
- Stricter requirements on the fishing industry such as suppliers providing sufficient information on farmed salmon and its origins and taking measures towards sustainable production.
- A Vikis store opened in Lithuania with products from local growers and farmers.

Forma Publishing Group

- Adopted new environmental targets to reduce the environmental impact from paper in textbooks.
- Adopted environmental targets to reduce emissions from transports, including a larger proportion of rail transport.
- Adopted KPIs to monitor the proportion of travel with eco-vehicles.

Cervera

- Continued efficiency improvements to logistics flow, including reduced transports.
- Initiated cooperation with the Swedish Trade Council in Hong Kong in order to monitor and check supplier compliance with the requirements of Cervera and the Swedish Trade Council. This work is expected to be completed in March 2011 and if the results are satisfactory the intention is to continue with other suppliers in Asia in 2011.

ter and uses a lot of pesticides and chemicals. In order to influence cotton growing in a sustainable direction, Hemtex is a member of the Better Cotton Initiative (BCI) an international organization that works to reduce the impact on health and the environment of large-scale cultivation. In order to be able to make the right demands and control suppliers with regard to the high water consumption and water purification within the textile industry, Hemtex has joined the Swedish Textile Water Initiative (STWI) which started in 2010. The purpose of the project is to give members more knowledge of water consumption and purification in textile production and set up guidelines for how this can be improved.

In order to create secure and pleasant workplaces for its own employees, Hemtex works systematically with working environment and safety.

A combined working environment and safety training program is conducted twice a year for all store managers in order to update skills and ensure training of recently employed store managers.

More information about sustainability work at Hemtex is available at www.hemtex.com.

SUSTAINABILITY INITIATIVES IN OTHER PORTFOLIO COMPANIES

The portfolio companies apart from ICA and Hemtex are at different phases of development and have therefore made varying progress in their sustainability work.

At Forma Publishing Group, for example, sustainability issues have been an integrated part of business development for many years.

During 2008 the companies were asked to assess their biggest challenges related to sustainability in order to then draft relevant policies and implement these in 2009. Some of the companies already worked on the basis of one or more policies while others took their first steps in policy work. By the end of 2009 all

companies had drafted policies but in some of them actual implementation took place during 2010.

In 2009 each company also selected key performance indicators within working environment, environment, equal opportunities and quality, to the extent these were not already in place. These KPIs will be followed up from year to year and reported to Hakon Invest.

In order to facilitate and inspire sustainability work, since 2008 Hakon Invest has arranged seminars for the companies' management groups, boards, and employees who work with sustainability issues.

SUSTAINABILITY ASPECTS IN HAKON INVEST

Hakon Invest's operations involve 13 employees in an office environment and have a relatively limited environmental impact. The sustainability policy states how we should reduce our environmental impact and work to achieve a good physical and psychological work environment.

Employees are Hakon Invest's most important resource and this makes personnel welfare in the form of skills development and keep-fit activities prioritized areas. For example, all Hakon Invest's employees were invited to attend internal training in rhetoric as well as strategy and governance during the year. Employees are invited to participate in a wellness program and are also able to exercise during working hours.

The most important environmental aspects are the office's energy consumption and business trips. We have chosen renewable energy sources and district heating for the office and try to increase the proportion of telephone conferences. Environmental considerations are also assessed when purchasing company cars and other items.

inkClub

- A purchasing and environmental coordinator was appointed.
- Continued work on evaluation of suppliers.
- Work started to ensure that sustainability is a part of all business processes.

Hemma

- Increased number of Swan-labeled products in the assortment.
- Proactive safety work in the store, including production of information brochure "Safe home".

Hemtex

- Continued checks of new factories and follow-up of areas identified for improvement in previous inspections.
- Membership of the Swedish Textile Water Initiative (STWI), a project designed to give members knowledge of water consumption and purification in textile production and to set up guidelines for how this can be improved at suppliers.

- Follow-up of the new environmental requirements for quality of wastewater at factories using wet processes.

Kjell & Company

- In 2010 more than ten of the suppliers in Asia, which together account for approximately 40% of the company's total purchasing volume, signed a document describing the demands Kjell & Company makes on its suppliers. According to a management decision in January 2011, this document must be signed by all new suppliers before the first order is placed.
- A review was performed of all policies and a policy against bribery and corruption was drafted.

SHARE AND OWNERSHIP STRUCTURE

Hakon Invest's share price rose 5% in 2010 and was quoted at year-end at SEK 117.60 per share. For the period from the IPO in 2005 until year-end 2010 the share price has risen 44% compared with the OMX Nordic 40-index which has risen 10%.

SHARE PRICE TREND

The share price rose 5% during 2010 while the OMX Nordic 40-index increased by 33%. The highest quotation for the year was on April 14 when the closing price was SEK 142.50. The lowest price was SEK 102.60 on July 1. The closing price for the year was SEK 117.60, corresponding to a market capitalization of approximately SEK 19 billion.

During 2010 the total return on the shares, i.e. Hakon Invest's share price development including invested dividend, was 10%. This can be compared with the SIX Return Index, which reflects price development on the Stockholm stock exchange taking dividends into account, which rose 27% in the same period.

A total of 17,279,455 shares were traded in 2010. The average number of shares traded per trading day was 68,029 during the year.

DIVIDEND

Hakon Invest's Board has adopted a dividend policy, where the target is that at least 50% of the Parent Company's profit for the year should be distributed as a dividend. Since until year-end 2015 only common shares carry entitlement to a cash dividend, the total cash dividend is distributed among 49% of the shares.

For the 2010 fiscal year, the Board proposes a dividend of SEK 6.00 (6.00) per common share, or a total of SEK 472 M (472). This corresponds to 82.2% of the Parent Company's profit after tax. The shares will be traded excluding dividend with effect from Friday, April 15. The settlement date for the dividend is expected to be Tuesday, April 19 and on Tuesday, April 26 dividends are expected to be sent out via Euroclear Sweden AB's system.

SHARE STRUCTURE

Since the IPO in 2005, Hakon Invest has had a share structure with two share classes: common shares and C shares. C shares, which comprise 51% of the total number of shares, are not listed and do not carry entitlement to cash dividend until after year-end 2015. The C share structure will be terminated at the end of the 2015 fiscal year. This means that C shares will be converted into common shares which carry dividend entitlement with effect from January 1, 2016. Until after year-end 2015 it is the remaining 49% listed common shares in Hakon Invest which carry entitlement to dividends.

On December 9, 2010, ICA-handlarnas Förbund announced its intention to convert its entire holding of non-dividend paying

SHARE PRICE TREND AND TRADING JANUARY 1, 2007–DECEMBER 31, 2010



C shares into dividend-paying common shares. This conversion means that with effect from January 1, 2016, Hakon Invest will only have common shares which carry dividend entitlement.

SHAREHOLDERS

ICA-handlarnas Förbund's shareholding in Hakon Invest amounts to 67.4% of the capital and voting rights, of which 51 percentage points consist of C shares and 16.4 percentage points listed common shares. At December 31, 2010, the number of shareholders in Hakon Invest amounted to 14,535 (13,319).

SHARE CAPITAL

Hakon Invest's share capital at December 31, 2010, amounted to SEK 402,293,590 distributed among 160,652,516 shares plus 264,920 treasury shares held by Hakon Invest, each with a quota value of SEK 2.50. All shares carry equal voting rights.

BUYBACKS

Hakon Invest's holding of treasury shares amounts to 264,920, corresponding to 0.2% of capital and voting rights. The shares were repurchased over Nasdaq OMX in Stockholm to cover allocations in the 2006 and 2007 option programs as well as the 2009 incentive program. More information about the incentive program and remuneration to senior executives is provided in the Board of Directors' report, pages 75–78, and in Note 7 on pages 92–94 of the annual report.

ANALYSTS WHO MONITOR HAKON INVEST

BANK	NAME
ABG Sundal Collier	Anna-Karin Enwall
ABG Sundal Collier	Andreas Lundberg
ABG Sundal Collier	Richard Henze
Danske Bank	Anders Hansson
Handelsbanken Capital Markets	Erik Sandstedt
Nordea	Stellan Hellström
Swedbank	Sergej Kazatchenko

SHARE INFORMATION

<i>Stock exchange Nasdaq OMX Stockholm, Large Cap segment</i>	
Ticker	HAKN
ID	SSE32443
ISIN code	SE0000652216
Trading lot	1
Market cap at Dec. 31, 2010, SEK M	18,924
Price at Dec. 31, 2010, SEK	117.60
Change during the year, %	+5
Highest price during the year, SEK	142.50
Lowest price during the year, SEK	102.60

SHAREHOLDER RANGE ANALYSIS

Holding, number of shares	Number of shareholders	Proportion of shareholders, %	Capital and voting rights, %
1–500	9,565	65.8	1.1
501–1,000	1,670	11.5	0.9
1,001–5,000	1,988	13.7	3.1
5,001–10,000	534	3.7	2.5
10,001–15,000	228	1.6	1.8
15,001–20,000	132	0.9	1.5
20,001–	418	2.9	89.2
TOTAL	13,319	100.0	100.0

Source: Euroclear Sweden AB at December 31, 2010.

SHARE DATA ¹⁾	2010	2009
Earnings per common share, SEK	–1.89	4.52
Earnings per C share, SEK	–1.89	4.52
Cash flow per share, SEK	–0.48	0.33
Equity per share, SEK	55.11	62.44
Dividend per common share, SEK	6.00 ²⁾	6.00
Dividend ratio, %	82.2	98.1
Market price at year-end, SEK	117.60	111.75
Dividend yield, %	5.1	5.4
P/E ratio, multiple	n.a	24.7
Share price/Equity, multiple	2.1	1.8
Number of common shares at year-end	78,584,624	78,584,624
Number of C shares at year-end	82,067,892	82,067,892
Total number of shares at year-end	160,652,516	160,652,516
Average number of shares	160,652,516	160,670,707

1) For definitions, see page 116.

2) Proposed dividend.

TEN LARGEST SHAREHOLDERS	Number of shares	Capital and voting rights, %
ICA-handlarnas Förbund	108,385,227	67.4
Handelsbanken Funds incl. XACT	1,793,535	1.1
Swedbank Robur Funds	1,643,072	1.0
SEB Investment Management	1,506,567	0.9
Robur Försäkring	1,050,860	0.6
Leif Jönsson	956,780	0.6
AP 2	831,066	0.5
JPM CHASE NA	805,543	0.5
AP 4	803,206	0.5
Gamla Livförsäkringsaktiebolaget	780,600	0.5
Ten largest shareholders total	118,556,456	73.6
Other shareholders	42,360,980	26.4
TOTAL	160,917,436	100.0

FIVE-YEAR FINANCIAL SUMMARY, HAKON INVEST

SEK M	2010	2009	2008	2007	2006
INCOME STATEMENTS					
Revenues	2,931	2,392	1,184	1,075	660
Operating profit/loss (EBIT)	-422	423	612	768	885
Profit/loss after financial items	-378	671	163	982	1,104
Profit/loss for the year	-391	701	170	1,326	1,054
BALANCE SHEETS					
Non-current assets	8,182	9,391	8,068	7,636	6,172
Cash and cash equivalents and short-term investments	1,223	1,049	1,495	2,292	2,717
Other current assets	931	943	458	451	198
Total assets	10,336	11,383	10,021	10,379	9,087
Equity	8,944	10,218	9,515	9,796	8,650
Non-current liabilities	219	303	191	210	212
Current liabilities	1,173	862	315	373	225
Total equity and liabilities	10,336	11,383	10,021	10,379	9,087
CASH FLOW					
From operating activities	534	486	468	633	166
From investing activities	-311	47	-62	-204	-17
From financing activities	-300	-479	-517	-498	-355
Cash flow for the year	-77	54	-111	-69	-206
KEY RATIOS					
Gross margin, %	43.4	41.3	35.7	38.3	48.8
Operating margin, %	-14.4	17.7	51.7	71.4	134.0
Net margin, %	-13.3	29.3	14.4	123.3	159.6
Return on equity, %	-3.2	7.4	1.9	14.5	12.7
Return on capital employed, %	-3.4	6.8	1.8	10.6	13.2
Equity/assets ratio, %	86.5	89.8	94.9	94.4	95.2
DATA PER SHARE					
Earnings per share, SEK	-1.89	4.52	1.17	8.30	6.55
Equity per share, SEK	55.11	62.44	59.21	60.92	53.75
Cash flow per share, SEK	-0.48	0.33	-0.69	-0.43	-1.28
Dividend per common share, SEK	6.00	6.00	5.00	6.00	5.50
Dividend common shares, SEK M	472	472	393	472	433
Market price at December 31, SEK	117.60	111.75	89.25	132.50	157.00
Dividend yield, %	5.1	5.4	5.6	4.5	3.5
Total return, %	9.9	33.6	-29.3	-12.3	75.1
NUMBER OF SHARES					
Number of common shares after buybacks at year-end	78,584,624	78,584,624	78,624,244	78,721,344	78,849,544
Number of C shares at year-end	82,067,892	82,067,892	82,067,892	82,067,892	82,067,892
Total number of shares at year-end	160,652,516	160,652,516	160,692,136	160,789,236	160,917,436
Average number of shares (total) after buybacks	160,652,516	160,670,707	160,713,190	160,813,095	160,917,436
Average number of shares (total) after buybacks and after dilution	160,732,156	160,692,136	160,713,190	160,813,095	160,917,436

Definitions, see page 116.

WE WILL RESTORE THE GROUP'S PROFITABILITY IN 2011

Performance analysis is a strange art. For 2010 Hakon Invest reported a profit in the Parent Company of SEK 574 M, which is 20% better than in the previous year. Cash flow from operating activities developed very well and almost doubled over 2009.

Since Hakon Invest's dividend policy is based on the earnings development of the Parent Company, we can state that despite the weak earnings trend in the Group, shareholders in Hakon Invest can expect a dividend in 2011. The Board of Hakon Invest has proposed that the Annual General Meeting on April 14, 2011, agrees an unchanged dividend of SEK 6 per common share.

Development in Hakon Invest's holdings, however, provides a more mixed picture and is not equally positive. Our largest holding by far the ICA Group posted its best-ever result. This as a result of continued success in Sweden where operating profit improved by over 18%.

The negative earnings trend in ICA Norway continued which deviated from our anticipated scenario. Hemtex still showed no improvement in earnings despite extensive efforts including a change of management, a new profile for the store concept and capital contributions.

Among the other portfolio companies it was really only Kjell & Company and Forma that reported acceptable results. The year 2010, and consequently Hakon Invest's earnings, was also characterized by a number of reversals and write-downs. During the year reversal of the deferred tax asset in ICA Norway, a tax



dispute in ICA and impairment of goodwill in Hemtex all had a significant impact on the bottom line.

STRATEGY UNCHANGED

In previous years we have talked about our long-term investment focus and this is worth repeating. The strategy remains unchanged although the result in 2010 gives reason for a focus on profitability ahead of new acquisitions in the short term. During 2010 the Board held 13 meetings which shows that even a long-term investment philosophy requires an active board presence. We can admit that the year brought many negative surprises which demanded the attention of the Board.

The focus of the Board in 2011 is to restore the Group's profitability and lay the foundation for long-term, sustainable profitability. One key task is to ensure improved internal control of the holdings, improved cost awareness in the companies, and a stronger business structure in daily operations.

The Board must also be alert to trends in our business environment such as local economic development and development in the sectors in which Hakon Invest's companies operate. Alert to how consumer patterns are changing in our world which is increasingly denominated by escalating IT development, how relative costs are developing in the countries in which our products are manufactured, how consumer preferences are changing, and how the competition acts and reacts.

Being prepared for acquisitions, divestments and structural deals will continue to be key tasks for the Board.

The challenges, but also the opportunities, in 2011 and the years ahead are many for Hakon Invest and for us in the Board. Hakon Invest's mission to make long-term investments with a good spread of risks within retail remains unchanged. Shareholder value will also continue to be created through a combination of growth in the value of the holdings and a good dividend yield.

LARS OTTERBECK

GOVERNANCE OF HAKON INVEST

During 2010 the Board of Directors of Hakon Invest focused in particular on matters related to ICA, above all the development of ICA Norway's operations. Other matters examined included the financial situation in Hemtex and the resultant planned new issue. Further strengthened corporate governance has been a consistent prioritized issue for the Board during the year.

Hakon Invest is a public company with its registered office in Stockholm, Sweden, which has shares listed on Nasdaq OMX Stockholm. The Swedish Companies Act, Nasdaq OMX Stockholm's rules for issuers and the Swedish Code of Corporate Governance (the Code) provide the basis for governance of the company. In addition, Hakon Invest has a number of internal rules and control tools.

DEVIATIONS FROM THE CODE

In 2010, Hakon Invest has deviated from the part of the Code's rule 7.3 which stipulates that the Audit Committee shall comprise three members. Today, the Audit Committee consists of two members. In view of the fact that ICA AB constitutes the main holding in Hakon Invest and ICA AB has an Audit Committee in which Hakon Invest has one representative, the company has decided that two members is a suitable size for Hakon Invest's Audit Committee.

GOVERNANCE FOR VALUE CREATION

Corporate governance is about how companies, that are not managed by their owners, should be operated so that owners' interests are safeguarded. The overall goal is to create shareholder value and in this way meet the requirements owners have on their invested capital.

The internal framework for Hakon Invest's corporate governance comprises the Articles of Association adopted by the General Meeting, the Board's formal work plan, instructions for the Board's three working committees, the instructions to the President and guiding policies adopted by the Board. In addition, there are guidelines linked to the policies that guide Hakon Invest's employees in their work.

The Articles of Association do not regulate how changes to the Articles of Association should be made. The Articles of Association and extracts from the policies are available on Hakon Invest's website (www.hakoninvest.se).

Hakon Invest's President, Claes-Göran Sylvén, is responsible for ensuring that day-to-day administration of the company is carried out in accordance with the Board's guidelines and instructions. The President also compiles, in dialog with the Chairman and Deputy Chairman of the Board, an agenda for Board meetings and is responsible for providing information and basis for decision for the meetings. The President also ensures that Board members receive information about Hakon Invest's development so that they can reach well-founded decisions.

SHAREHOLDERS

Hakon Invest has a share structure with two classes of shares, common shares and C shares. C shares, which comprise 51% of the total number of shares, are unlisted and do not carry entitlement to cash dividends. The remaining 49% are listed common shares with dividend entitlement.

All C shares and 16.4% of the common shares, i.e. a total of 67.4%, are owned by ICA-handlarnas Förbund, which is currently Hakon Invest's largest shareholder.

The other common shares are owned by approximately 14,500 shareholders. None of these shareholders own, directly or indirectly, more than 10% of the shares in the company.

In voting at general meetings each share carries entitlement to one vote and each person entitled to vote may vote for the full number of shares represented by him.

On December 9, 2010, ICA-handlarnas Förbund announced that they have decided to convert their holding of non-dividend paying C shares in Hakon Invest to dividend-paying common shares. On January 1, 2011, ICA-handlarnas Förbund therefore lodged a request with the Board of Hakon Invest for conversion of all C shares to common shares. The share structure in Hakon Invest will therefore with effect from 2016, only comprise common shares that carry dividend entitlement. The number of shares after conversion will be unchanged at 160,917,436.

More information about Hakon Invest's shares and ownership structure is provided on pages 62–63 of the annual report.

ANNUAL GENERAL MEETING

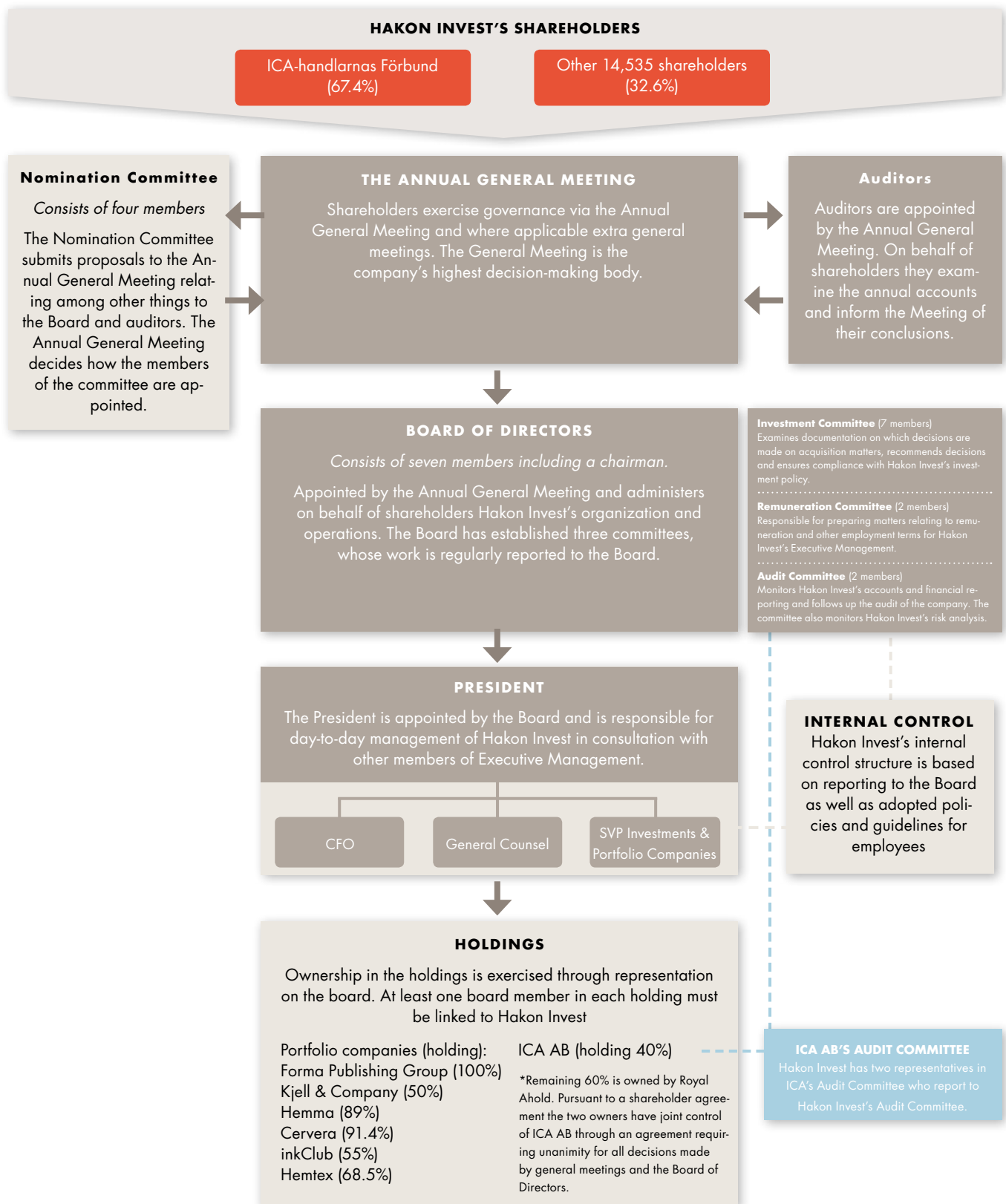
The 2010 Annual General Meeting was held at Grand Hôtel in Stockholm on April 14, 2010. In addition to shareholders, the meeting was attended by Hakon Invest's Board, Hakon Invest's Executive Management, employees, media representatives and a number of invited guests. The Meeting resolved, among other things:

- to re-elect Lars Otterbeck as Chairman of the Board, and Cecilia Daun Wennborg, Anders Fredriksson, Magnus Moberg, Thomas Strindeborn and Jan Olofsson as members of the Board.
- to elect Andrea Gisle Joosen as a new member of the Board.
- a dividend for 2009 of SEK 6 per common share should be paid.

The 2011 Annual General Meeting will be held on Thursday, April 14 at Näringslivets Hus, Stockholm. Shareholders who are



HAKON INVEST'S GOVERNANCE STRUCTURE



registered in the share register as at April 8, 2011, and who have notified their attendance are entitled to attend the Annual General Meeting in person or through a proxy. In order to have a matter considered by the Annual General Meeting, shareholders in accordance with instructions on Hakon Invest's website must submit a request no later than February 25, 2011.

SHARES AND TREASURY SHARES

Hakon Invest owns 264,920 treasury common shares corresponding to 0.2% of capital and votes. The number of outstanding shares has thus been reduced to 160,652,516 of which the number of C shares amounts to 82,067,892 and the number of common shares 78,584,624. The total number of votes thus amounts to 160,652,516. There are no outstanding mandates from the general meeting to the Board to issue new shares or acquire additional shares.

NOMINATION COMMITTEE

The rules for Hakon Invest's Nomination Committee were adopted at the 2010 Annual General Meeting. The Nomination Committee is to consist of four members who represent the company's shareholders. Two of the members are appointed by the majority shareholder which at present is ICA-handlarnas Förbund and two members are appointed by the next largest owners, which at September 10, 2010, were SEB Fonder and Handelsbanken Fonder. The composition of the Nomination Committee was announced on October 7, 2010. ICA-handlarnas Förbund is represented by Claes Ottosson and Håkan Olofsson. SEB Fonder is represented by Hans Ek and Handelsbanken Fonder is represented by Frank Larsson.

THE WORK OF THE NOMINATION COMMITTEE

The Nomination Committee held two physical meetings ahead of the 2011 Annual General Meeting. All members were present at these meetings. Hakon Invest's General Counsel, Fredrik Hägglund, has been co-opted to the Nomination Committee's

meetings as secretary. No fees were paid to the members of the Nomination Committee for their work.

At its initial meeting the Nomination Committee met the Chairman of the Board, Lars Otterbeck, and the President, Claes-Göran Sylvén, each separately in order to be informed about Hakon Invest's operations, Board work and future focus areas. The Chairman of the Board also presented the 2010 evaluation of the Board. In addition, Cecilia Daun Wennborg, chairman of the Audit Committee, and CFO Göran Blomberg, gave an account of audit work and Hakon Invest's finance function.

The Nomination Committee's evaluation of the work of the Board has confirmed that cooperation in the Board functions very well. With this in mind, the Nomination Committee is agreed on the need for continuity among members. Apart from Thomas Strindeborn, who has declined re-election, the Nomination Committee considers that sitting Board members shall be proposed for re-election. Since the retiring Board member Thomas Strindeborn is an ICA retailer as well as chairman of the principal owner ICA-handlarnas Förbund, the Nomination Committee is of the opinion that it is positive for Hakon Invest over time and corporate governance in particular of ICA AB that the proposed chairman of ICA-handlarnas Förbund, Peter Berlin, is also a member of Hakon Invest's Board. Peter Berlin will contribute with his broad retail expertise and in-depth knowledge of ICA's operations.

The Nomination Committee has agreed on proposals to the Annual General Meeting and written a report on their work. The Nomination Committee's report, which describes this work in more detail, is available on Hakon Invest's website. The Nomination Committee's proposals ahead of the 2011 Annual General Meeting are specified in the notice of the meeting and on the website.

BOARD OF DIRECTORS

The Board is responsible for administration of Hakon Invest's affairs in the interests of the company and all shareholders. The duties of the Board include establishing operating goals and

BOARD MEMBERS ELECTED AT THE 2010 ANNUAL GENERAL MEETING

Name	Elected	Function in Board	Attendance Board meetings	Committee work	Attendance committee meetings	Remuneration for Board work/committee work (SEK 000s)
Lars Otterbeck	2005	Chairman	11 of 13	Investment Committee (Chairman) Remuneration Committee (Chairman)	7 to 9 2 to 2	550/25/25
Anders Fredriksson	1997	Deputy Chairman	13 of 13	Investment Committee Remuneration Committee	9 to 9 2 to 2	330/25/25
Cecilia Daun Wennborg	2005	Member	13 of 13	Audit Committee (Chairman) Investment Committee	6 to 6 9 to 9	220/75/25
Jan Olofsson	2005	Member	13 of 13	Investment Committee	9 to 9	220/25
Magnus Moberg	2008	Member	13 of 13	Audit Committee Investment Committee	6 to 6 9 to 9	220/25/25
Thomas Strindeborn	2006	Member	12 of 13	Investment Committee	8 to 9	220/25
Andrea Gisle Joosen ²⁾	2010	Member	8 of 9	Investment Committee	8 to 9	220/25

1) Remuneration decided at AGM April 14, 2010.

2) Elected at AGM April 14, 2010.



strategies, appointing, evaluating and where necessary dismissing the president, ensuring that systems for follow-up and control of operations are effective, ensuring that there is satisfactory control of compliance with applicable laws and regulations, ensuring that ethical rules for employee conduct are adopted and approving significant assignments held by the president outside the company. The Board shall also ensure that the provision of information is correct, relevant, reliable and transparent. According to the Articles of Association, Hakon Invest's Board shall consist of between five and nine members. Otherwise there is no regulation in the Articles of Association regarding appointment or dismissal of Board members. The present Board consists of seven members. At the 2010 Annual General Meeting, Lars Otterbeck was elected as the Chairman of the Board and at the statutory Board meeting, Anders Fredriksson was elected as Deputy Chairman. The President makes presentations at Board meetings and the General Counsel is the secretary to the Board.

Further information about Hakon Invest's Board is provided on page 72 of the annual report.

BOARD'S INDEPENDENCE CRITERIA

Four members of the Board: Lars Otterbeck, Cecilia Daun Wenborg, Jan Olofsson and Andrea Gisle Joosen, are independent in relation to both Hakon Invest and its management and the company's major shareholders. Together they have many years of experience from management and board work in various listed companies. The other three Board members: Anders Fredriksson, Thomas Strindeborn and Magnus Moberg, are ICA retailers. Anders Fredriksson is a member of the board of ICA AB. Thomas Strindeborn and Magnus Moberg are also members of the Board of ICA-handlarnas Förbund.

ICA-handlarnas Förbund is a non-profit association for Sweden's ICA retailers. According to Nasdaq OMX Stockholm's rules for issuers and the Code's rules on independence criteria for board members, these three members are independent in relation to Hakon Invest and the company's management but not in relation to the principal owner ICA-handlarnas Förbund.

THE WORK OF THE BOARD

The work of the Board is led by a chairman and regulated by the formal work plan adopted by the Board as well as applicable laws and regulations. The Board has also prepared working instructions for the President and for its three committees, as well as other policy documents as guidelines for Hakon Invest's employees.

Each year the Board reviews the adopted formal work plans. The present formal work plans and instructions were examined and formally adopted at the Board meeting on September 9–10, 2010.

In addition to a statutory Board meeting in conjunction with the Annual General Meeting, the Board, in accordance with the Articles of Association, shall hold at least five meetings a year that are announced in advance. During 2010 a total of 13 Board meetings were held, of which five were telephone meetings.

Nine of the Board meetings were held by the present Board elected on April 14, 2010. Auditor in charge, Erik Åström, attended one Board meeting to present Ernst & Young's audit proc-

ess in Hakon Invest and to give Board members an opportunity to ask questions without management being present.

Significant issues handled during the year included:

- The financial situation in Hemtex and the resultant planned new issue
- ICA AB's operations with a special focus on the development of ICA Norway's operations
- A review and in-depth examination of processes for corporate governance.

BOARD COMMITTEES

Hakon Invest's Board has set up three working committees: the Audit Committee, the Remuneration Committee and the Investment Committee. Since the investment process has been a vital process for the company during the year, the Board decided that all members of the Board should be members of the Investment Committee in order to be able to prepare and quality assure the investment process and its decisions to an even greater extent. The work of the committees is reported to the Board on a regular basis.

The Audit Committee's key task is to supervise the accounts and financial reporting and obtain information about the auditing of Hakon Invest. The Audit Committee also monitors compliance with the company's financial and investment policy. The Audit Committee also identifies and manages risks in operations and follows up internal control. The Audit Committee shall hold at least five meetings per year.

The Remuneration Committee is responsible for the preparation of issues regarding remuneration and other terms of employment for Hakon Invest's Executive Management. The Remuneration Committee must hold at least two meetings per year, one of which must be held in December.

The Investment Committee's main tasks are to examine the decision-making basis with regard to acquisition matters, recommend decisions and ensure compliance with Hakon Invest's investment policy. The number of meetings shall be at least one a year at which, among other things, the investment policy is examined. Additional meetings are called by the committee chairman when required.

The Audit Committee held six meetings during 2010. Four of the meetings were held after the 2010 Annual General Meeting. The company's external auditors were present at all meetings. The Remuneration Committee held two meetings during the year.

EVALUATION OF THE BOARD

An evaluation of the Board is carried out every year in order to develop the work of the Board and provide a basis for the Nomination Committee's evaluation of the composition of the Board. Evaluation of the Board took the form of each member having a private conversation with the Board Chairman who then summarized all points in a discussion at the Board meeting. This was a new evaluation method which in the opinion of the Board functioned well.

The evaluation of the Board showed that the work of the Board functioned well and that the Board is a group with a good composition and great commitment.

Each one of the members has broad expertise and many years of experience from different sectors, particularly from operations within the ICA Group, which is the largest holding in Hakon



Invest's portfolio, from investment operations and operating management work.

PRESIDENT AND EXECUTIVE MANAGEMENT

Hakon Invest's President, Claes-Göran Sylvén, is responsible for the day-to-day administration of the company. The Board has approved President Claes-Göran Sylvén's significant assignments and financial involvement outside the company, for example in ICA-handlarnas Förbund. An assessment of him has also been carried out without management being present. The Board's formal work plan and work instructions for the President govern in particular the handling of and decisions on matters related to agreements and other dealings between Hakon Invest and ICA-handlarnas Förbund.

In addition to the President, Claes-Göran Sylvén, Hakon Invest's Executive Management comprises Stein Petter Ski, SVP Investments and Portfolio Companies, CFO Göran Blomberg and General Counsel Fredrik Hägglund. Executive Management meets regularly to discuss the development of Hakon Invest and make decisions about matters of importance to the business.

Organizationally the company is divided into Investment, Finance, which is also responsible for Communication, and Legal Affairs.

The investment organization comprises one investment manager and three controllers headed by Stein Petter Ski who is also responsible for the portfolio companies. The investment function works actively with both existing holdings and potential future investments. Taken overall the investment organization possesses broad retail-oriented and financial expertise.

The Finance and Treasury function, which also includes IR/communication, comprises four people headed by the CFO Göran Blomberg, and is responsible for the Group's financial statements as well as handling management of Hakon Invest's financial assets. The CFO is also responsible for the Group's external and internal communication. The Investor Relations Manager is responsible for investor relations and related issues.

Legal Affairs is headed by the General Counsel. The General Counsel is responsible for legal issues, both internal and external, for example in conjunction with company acquisitions. The unit assists closely related companies when required with legal services on market terms.

Further information about Hakon Invest's President and Executive Management is provided on page 73 of the annual report.

WORK ON AUDITING AND ACCOUNTING

The Board has drawn up formal working routines to ensure that work with auditing and accounting issues functions smoothly. The Board has also adopted formal work procedures and instructions for the President and Audit Committee in order to maintain good internal control of Hakon Invest and the holdings as well as appropriate relations with the company's auditors.

AUDITORS

According to the Articles of Association, the Annual General Meeting shall appoint a minimum of one and a maximum of two auditors or one or two registered public accounting firms. At the

2010 Annual General Meeting Ernst & Young AB was appointed as auditor for a mandate period of four years until the 2014 Annual General Meeting. Authorized public accountant Erik Åström was appointed as auditor in charge.

BOARD'S DESCRIPTION OF INTERNAL CONTROL

The Board is responsible for ensuring that Hakon Invest has good internal control and routines which guarantee compliance with adopted principles for financial reporting and internal control. The Board is also responsible for ensuring that financial reporting conforms with the Swedish Companies Act, applicable accounting standards and other requirements on a listed company.

Internal control and risk management are part of the Board's and management's governance and follow-up of operations and are designed to ensure that the operations are conducted appropriately and effectively.

CONTROL ENVIRONMENT

A good control environment provides the basis for the effectiveness of a company's internal control system. It is based on an organization with clear decision-making paths and where authority and responsibility have been allocated through guidelines and a corporate culture with shared values. The control environment is also affected by the individual employee's awareness of his or her role in the maintenance of good internal control. The Board has adopted a number of basic guidelines of significance for financial reporting in order to ensure an effective control environment.

The Board's formal work plan and instructions for the President ensure a clear division of roles and responsibilities designed for effective management of operational risks. The Board has also adopted a number of basic guidelines and policies of significance for internal control, such as the financial and investment policy, sustainability policy and communications policy.

RISK ASSESSMENT AND CONTROL ACTIVITIES

Hakon Invest works continuously with risk analyses and control activities in order to identify potential sources of error in the financial reporting. The Audit Committee within the Board is responsible for ensuring identification and management of significant financial risks and risks of error in financial reporting.

The Board is of the opinion that there is good understanding among employees of the need for good control of financial reporting.

Hakon Invest's internal control structure is based on reporting to the Board, adopted policies and guidelines and that employees comply with policies and guidelines so that a good control of financial reporting can be maintained.

Risk assessment can result in control activities. Hakon Invest places particular emphasis on checks designed to prevent, identify and correct inadequacies in the income statement and balance sheet items that might be associated with increased risk. Normal control activities include account reconciliation and support checks.

INFORMATION AND COMMUNICATION

Efficient and correct dissemination of information, both internally and externally, is important in order to safeguard financial con-



trol within Hakon Invest. Policies, routines, handbooks and other items of significance for financial reporting are updated and communicated to the employees involved on an ongoing basis.

Hakon Invest's employees provide relevant information to Executive Management and the Board through both formal and informal information channels. The communications policy and associated guidelines ensure that external communication is correct and meets the requirements placed on companies that are listed on Nasdaq OMX Stockholm.

Financial information is provided regularly through annual reports, interim reports, press releases and notices on the website.

Hakon Invest's press conferences can be accessed via webcasts.

FOLLOW-UP

The Board continually assesses the information submitted by Executive Management and the Audit Committee. The Audit Committee's work in monitoring the efficiency of Executive Management's internal control is of particular importance.

This follow-up includes ensuring that action is taken to deal with any shortcomings and that proposed measures arising from internal and external audits are taken into account.

INTERNAL AUDIT

Hakon Invest has no internal audit function, in view of the limited size of its own operations. ICA AB, which is Hakon Invest's largest holding, has on the other hand an extensive internal audit which continually reports its findings to the Audit Committee within ICA AB's Board. Hakon Invest is represented with two people on ICA AB's Board, one of whom is a member of ICA AB's Audit Committee. Hakon Invest's representative on ICA AB's Audit Committee reports in turn to Hakon Invest's Audit Committee. The Board has decided that these follow-up routines are sufficient.

INTERNAL CONTROL IN THE HOLDINGS

Hakon Invest works actively with internal control in its holding companies.

Ownership is exercised in the holdings through representation on the boards and under the motto "Active ownership every day". This includes close contacts with the holdings and continuous work with strategic and operational matters. At least one board member in each holding must be connected with Hakon Invest and the company normally seeks to be entrusted with the chairmanship. Representation on the boards ensures that reporting and internal control are managed in a satisfactory manner and in compliance with applicable laws and regulations.

It is important that board members and managements in the holdings have adequate competence for their assignment. During the year all the presidents of the holdings met Hakon Invest's Board to present their company's operations.

Hakon Invest's finance function has an ongoing dialog with those responsible for finance in all the holding companies and issues instructions and advice for the preparation of each monthly, quarterly, and full-year accounts. This provides Hakon Invest with a basis for its financial reports according to current principles and accounting standards.

An assessment is made of internal control in each individual holding. The assessment is made both ahead of an acquisition and during the ownership period.

Ahead of an acquisition due diligence of the company is carried out where the accounting, legal and operational consequences are analyzed.

In addition, a general survey of the company's position regarding environment, supply chain control, HR issues, business ethics and other non-financial aspects is carried out. Hakon Invest's information and communication channels are designed to promote complete and accurate financial reporting. The extent of control within the holding is then decided separately for each company according to need.

During the year an extended internal project was initiated in the portfolio companies. The purpose of this project is to evaluate and improve the companies' internal control and risk management. The areas evaluated are control environment, risk management, control activities, and information and communication. This evaluation has resulted in identification of a number of improvement measures and work to implement these has started.

Where risks relating to internal control are identified these are managed by Hakon Invest's finance function and in each holding's board in consultation with the auditors. In addition, the CFO and Hakon Invest's board member in each holding keep Hakon Invest's Executive Management continuously informed. Hakon Invest's CFO reports in turn to the Audit Committee and the Board.

This Corporate Governance report has been examined by the company's auditors.

Stockholm, March 7, 2011

Lars Otterbeck
Anders Fredriksson
Magnus Moberg
Andrea Gisle Joosen

Cecilia Daun Wennborg
Thomas Strindeborn
Jan Olofsson
Claes-Göran Sylvén

AUDITOR'S REPORT ON THE CORPORATE GOVERNANCE REPORT

To the annual meeting of the shareholders in Hakon Invest AB, corporate identity number 556048-2837.

It is the Board of Directors who is responsible for the corporate governance report for the year 2010 and that it has been prepared in accordance with the Annual Accounts Act.

As a basis for our opinion that the corporate governance report has been prepared and is consistent with the annual accounts and the consolidated accounts, we have read the corporate governance report and assessed its statutory content based on our knowledge of the company.

In our opinion, the corporate governance report has been prepared and its statutory content is consistent with the annual accounts and the consolidated accounts.

Stockholm, March 7, 2011
Ernst & Young AB

Erik Åström
Authorized Public Accountant





●
Lars Otterbeck Born 1942, Chairman

Lars Otterbeck has been Chairman of the Board since the Annual General Meeting in 2005. He is Assistant Professor at the Stockholm School of Economics. Lars Otterbeck was President and CEO of Alecta Pension Insurance during the period 2000–2004 and was previously President and CEO at D&D Daglig-varor AB (now Axfood). Lars Otterbeck is a member of the Boards of Old Mutual Plc and its subsidiaries Skandia, Skandia Liv and Skandiabanken, and Deputy Chairman of the Swedish Corporate Governance Board.

SHAREHOLDING: 3,000 shares.



●
Anders Fredriksson Born 1954, Deputy Chairman

Anders Fredriksson was elected to the Board at the Annual General Meeting in 1997. Anders Fredriksson is a Board member of ICA AB and was a Board member of ICA-handlarnas Förbund during the period 1997–2006. He was also Chairman of the Board of ICA-handlarnas Förbund in 2001–2006. Anders Fredriksson is an ICA retailer in ICA Kvantum Hjärtbergs in Lidköping. Anders Fredriksson studied economics and law at university and has attended a number of courses at the ICA Academy.

SHAREHOLDING: 362,800 shares together with related parties.



●
Cecilia Daun Wennborg Born 1963

Cecilia Daun Wennborg was elected to the Board at the 2005 Annual General Meeting. She is Vice President of Ambea AB, with responsibility for strategy and corporate governance, and President of Carema Vård och Omsorg AB. She has also been acting CEO of Skandiabanken and was previously in charge of Skandia's Swedish operations, President of SkandiaLink Livförsäkrings AB and Financial and Administrative Director of SkandiaLink Livförsäkrings AB. Cecilia Daun Wennborg is a member of the Boards of Göttinge AB, Proffice AB, Carnegie Fonder AB and Ikanobanken SE. She holds a degree in economics, with supplementary studies in journalism and languages.

SHAREHOLDING: 2,500 shares.



●
Magnus Moberg Born 1966

Magnus Moberg was elected to the Board at the Annual General Meeting in 2008. Magnus Moberg is an ICA retailer in ICA Supermarket Köpet in Sandared. He has also been a Board member of ICA-handlarnas Förbund since 2006. He was also a Board member of ICA-handlarnas Förbund during the period 2002–2005. Magnus Moberg has attended a number of courses at the ICA Academy.

SHAREHOLDING: 35,000 shares.



●
Jan Olofsson Born 1948

Jan Olofsson was elected to the Board at the Annual General Meeting 2005. Jan Olofsson was during the period 1992–2009 operating within Handelsbanken Markets including Head of Mergers and Acquisitions and Deputy Head of Corporate Finance. Prior to that he held several senior executive positions at Esselte AB, most recently as Vice President / Deputy CEO in 1985–1991. Jan Olofsson is Chairman of Init AB, Printley AB and a Board member of Koneo AB and a number of family companies. He holds an MBA from Stockholm School of Economics.

SHAREHOLDING: 2,400 shares.



●
Thomas Strindeborn Born 1961

Thomas Strindeborn was elected as a member of the Hakon Invest Board of Directors at the 2006 Annual General Meeting. He has been Chairman of the Board of ICA-handlarnas Förbund since 2006. Thomas Strindeborn is an ICA retailer in Maxi ICA Stormarknad in Partille, Gothenburg, and has been an ICA retailer since 1986. He has attended a number of courses at the ICA Academy.

SHAREHOLDING: 102,500 shares.



●
Andrea Gisle Joosen Born 1964

Andrea Gisle Joosen was elected as a member of the Hakon Invest Board of Directors at the 2010 Annual General Meeting. She is President of Panasonic Nordic AB. Andrea Gisle Joosen was President of Chantelle during the period 2003–2006 and President of Twentieth Century Fox AB in 2000–2002. She was previously head of marketing at Johnson & Johnson AB and held various positions within Procter & Gamble AB and Mars Inc. She has an M.Sc. from the Copenhagen School of Economics.

SHAREHOLDING: 660 shares.

**Claes-Göran Sylvé**

Born 1959, President

Claes-Göran Sylvé has been employed at Hakon Invest since 2003. Claes-Göran Sylvé is President of ICA-handlarnas Förbund, Chairman of the Board of ICA AB and Svensk Handels Försäkringar AB, and a Member of the Board of Svensk Handel and UGAL. Claes-Göran Sylvé was originally an ICA retailer, and together with his family he owns ICA Kvantum Flygfyrn in Norrtälje.

Shareholding:
Shares: 446,096
Call options I (2011): 34,000
Call options II (2011): 5,000

Göran Blomberg

Born 1962, CFO

Göran Blomberg has been employed at Hakon Invest since 2009. Göran Blomberg was previously CFO of RNB Retail and Brands AB, Portwear AB and Pronyx AB. He is a member of the Boards of ICA AB, Retail Finance Europe AB and Rindi Energi AB. Göran Blomberg has an M.Sc. in Economics.

Shareholding:
Shares: 7,500
Call options II (2011): 10,000

Fredrik Hägglund

Born 1967, General Counsel

Fredrik Hägglund has been employed at Hakon Invest since 2002. He has a Bachelor of Law degree and worked as a lawyer at Clifford Chance, Brussels in 1999–2002 and as assistant lawyer at Linklaters in 1996–1999. Fredrik Hägglund also worked in Anita Gradin's cabinet for the European Commission. He is a Member of the Board of Directors of Eurocommerce and UGAL, two European industry organizations.

Shareholding:
Shares: 6,200
Call options I (2011): 15,000
Call options II (2011): 5,000

Stein Petter Ski

Born 1967, SVP Investments & Portfolio Companies

Stein Petter Ski has been employed at Hakon Invest since 2005. In 2003–2005 he was a partner at ABG Sundal Collier specialized in Corporate Finance. In 2001–2002 he worked within the Swedish Ministry of Enterprise, Energy and Communications and prior to that he held various positions within Enskilda Securities 1989–2001. Stein Petter Ski is a member of the Board of Kjell & Co Elektronik AB, Cervera AB, Hemtex AB and Hemmabutikerna Sverige AB. Stein Petter Ski has an M.Sc. in Economics.

Shareholding:
Shares: 18,000
Call options I (2011): 15,000
Call options II (2011): 5,000



FINANCIAL REPORT



BOARD OF DIRECTORS' REPORT

OPERATIONS

Hakon Invest makes long-term investments in retail-oriented companies with a geographic focus on the Nordic and Baltic regions. The vision, with ownership of ICA AB as a foundation, is to be the leading Nordic development partner for companies in the retail sector. The 40% holding in ICA AB forms the base of the ownership philosophy and operations. Through active and responsible ownership Hakon Invest will contribute to create value growth in ICA and develop the portfolio companies, all of which are independent companies with their own earnings and profitability responsibility. Added value will be created for Hakon Invest's shareholders through value growth in the investments combined with a good dividend yield.

SIGNIFICANT EVENTS DURING THE YEAR

In March 2010, Hemtex decided to close all its stores in Norway and Denmark in order to be able to phase out the loss-carrying operations and increase its focus on the Swedish market.

In March 2010, the portfolio company inkClub acquired the on-line retailer Beauty Planet, which is one of Sweden's leading players within sales of makeup, fragrances, skincare and haircare products over the internet.

ICA opened 30 wholly owned pharmacies in 2010, Cura pharmacies. The plan is to open an additional 30 pharmacies in 2011.

In June 2010, ICA Norway was ordered by Oslo District Court to pay NOK 96 M in damages to a number of former franchisees. The claim has not affected earnings but is recognized as a contingent liability in ICA's annual report. ICA Norway has appealed against this decision.

In June 2010, the Administrative Court of Appeal approved the County Administrative Court's ruling in the tax case relating to interest deductions for the period 2001-2003. ICA was disallowed an interest deduction of SEK 1,795 M, whereby the Swedish Tax Agency's claim amounts to SEK 747 M. Hakon Invest's earnings were negatively affected by SEK 299 M by the ruling by the Administrative Court of Appeal. ICA has applied for leave to appeal in the Swedish Supreme Administrative Court.

As of July 1, 2010, the portfolio company inkClub acquired the on-line retailer 112Ink, which sells ink products over the internet.

In July 2010, Hakon Invest acquired an additional 5% of the shares in the portfolio company inkClub. The total holding after the acquisition amounted to 55%. Hakon Invest and other principal owners continue to have joint control of the company.

In 2010, ICA Real Estate and Alecta formed a real estate joint venture, Ancore Fastigheter AB. This transaction gives ICA influence in strategic marketplaces at the same time as releasing SEK 1.8 billion in increased liquidity. The transaction did not result in any capital gain for ICA, since ICA's influence in the properties is unchanged.

In November 2010, the board of Hemtex has decided to propose to the general meeting that a new issue be carried out with preferential rights for existing shareholders. This is because in October Hemtex did not meet its loan terms towards the banks. Hakon Invest guarantees its share, 68.5%, in Hemtex's forthcoming rights issue which amounts to a total of approximately SEK 325 M.

In December 2010, ICA received a ruling from the Administrative Court relating to the tax dispute already announced in annual reports and interim reports relating to interest deductions from the period

2004-2008. The Administrative Court decided to uphold the Swedish Tax Agency's decision to disallow ICA interest deductions of SEK 3.5 billion. The tax claim amounts to approximately SEK 1.2 billion and this amount was paid to the Swedish Tax Agency in January 2011. ICA has lodged an appeal against this decision with the Administrative Court of Appeal. ICA has not recognized this amount as an expense but it is recognized as a contingent liability.

REVENUES AND EARNINGS

Consolidated net sales for 2010 amounted to SEK 2,931 M (2,392), an increase of 23%. The increase in sales is mainly due to the acquisition of Hemtex, which has been reported as a subsidiary since June 30, 2009.

Operating loss in the Hakon Invest Group amounted to SEK 422 M (+423), of which share of profits of ICA AB, after amortization of surplus values, amounted to SEK 204 M (596). The share of profits of ICA was negatively affected by SEK 299 M relating to a tax case and by SEK 253 M relating to reversed deferred tax in ICA Norway. Hakon Invest's share of profits of the portfolio companies amounted to SEK 8 M (16), while operating loss in the Parent Company and subsidiaries combined amounted to SEK 350 M (189). Operating result was also affected by a SEK 284 M impairment of goodwill in Hemtex.

Net financial items amounted to SEK 44 M (248), of which return in the Parent Company's investment management amounted to SEK 69 M (123). Investment management generated a return of 6.8% in 2010. In the previous year, change in value of the shareholding in Hemtex was included in net financial items with SEK +145 M for the period January - June when Hemtex was reported as an associate.

A tax expense of SEK 13 M (+30) is reported for the full year. Loss for the period amounted to SEK 391 M (+701). Earnings per share amounted to SEK -1.89 (4.52).

FINANCIAL POSITION

At December 31, 2010, the Group's cash and cash equivalents and the current value of short-term investments amounted to SEK 1,223 M compared with SEK 1,049 M at December 31, 2009.

The Hakon Invest Group's interest-bearing liabilities amounted to SEK 596 M at December 31, 2010, compared with SEK 421 M at December 31, 2009. The increased debt is mainly attributable to Cervera and Hemtex.

The equity/assets ratio at the end of the period was 86.5%, compared with 89.8% at December 31, 2009.

CASH FLOW

Cash flow from operating activities amounted to SEK 534 M (486). Dividend received from ICA AB amounted to SEK 626 M (347) and dividend received from inkClub amounted to SEK 70 M (0). Cash flow from investing activities amounted to SEK -311 M (47). Changes in short-term investments are included with SEK -210 M (638), while acquisitions of non-current assets are included with SEK -89 M (-590). The previous year's acquisitions mainly relate to shares in Hemtex, Cervera and Duka. Cash and cash equivalents amounted to SEK 147 M at December 31, 2010, compared with SEK 226 M at December 31, 2009.

HOLDINGS

ICA

ICA AB is a joint venture of which Hakon Invest owns 40% and the Dutch company Royal Ahold owns 60%. Through the shareholder agreement between Hakon Invest and Royal Ahold, the owners have joint control of ICA AB, through a contractual requirement for unanimity for all decisions made by General Meetings and the Board of Directors. The ICA Group is one of the Nordic region's largest retail companies with a focus on food, and has approximately 2,200 own and retailer-owned stores in Sweden, Norway, and the Baltic countries.

ICA AB is the Parent Company of the ICA Group. The Group includes ICA Sweden, ICA Norway and Rimi Baltic, as well as ICA Bank which offers financial services in Sweden, and ICA Real Estate which manages the Group's property portfolio and leases.

The ICA Group's net sales for 2010 decreased by 0.8% and amounted to SEK 93,860 M (94,651). At constant exchange rates, sales increased by 0.9%.

The ICA Group's operating profit increased to SEK 2,924 M (2,713) during the fiscal year. Operating profit includes capital gains from property sales of SEK 27 M (121) and impairment losses on non-current assets of SEK 39 M (reversal 9).

In 2007 the Swedish Tax Agency decided to disallow an interest deduction within ICA Finans AB amounting to SEK 1,795 M relating to the period 2001–2003. ICA appeared against this decision to the Administrative Court, which in December 2008 upheld the Swedish Tax Agency's decision. ICA appealed against the Administrative Court's decision to the Administrative Court of Appeal which in June 2010 ruled in favor of the Swedish Tax Agency. ICA recognized a tax expense in 2010 of SEK 747 M in accordance with the decision by the Administrative Court of Appeal. ICA has appealed and lodged an application for leave to appeal with the Supreme Administrative Court.

The Swedish Tax Agency has decided to disallow interest deductions made in 2004–2008 to a Dutch group company.

In December 2010 the Administrative Court upheld the Swedish Tax Agency's decision to disallow ICA interest deductions of SEK 3,358 M. The tax claim amounts to SEK 1,187 M (including interest and a tax surcharge). ICA is of the opinion that the deductions made were in compliance with tax legislation. External parties, who have assessed the legal position and analyzed the Swedish Tax Agency's submissions and the Administrative Courts grounds for decision, share ICA's assessment. ICA has lodged an appeal against the Administrative Court's decision with the Administrative Court of Appeal. The Swedish Tax Agency did not allow ICA deferral of payment, so SEK 1,187 M was paid in 2011. This amount is booked as a receivable from the Swedish Tax Agency in conjunction with the payment in 2011. The amount has not been recognized as an expense but is recognized as a contingent liability in ICA's annual report.

ICA SWEDEN

ICA Sweden conducts food retail operations throughout the country together with independent retailers who own their stores and are responsible for operations. There were a total of 1,349 stores (1,359) at the end of 2010.

ICA Sweden's net sales increased by 2.7% to SEK 60,596 M (59,003) in 2010. Operating profit rose to SEK 2,750 M (2,320). The improved earnings come from increased sales and from improved gross margins mainly linked to private labels.

ICA NORWAY

ICA Norway conducts food retail operations, where half of the stores are operated by the company and the remainder are franchises. The number of stores at the end of 2010 totaled 578 (612). In addition there are a number of associated stores.

ICA Norway's net sales decreased by 2.0% to SEK 21,225 M (21,666) in 2010. In local currency net sales were unchanged. Operating loss amounted to SEK 588 M (506). The decline in earnings is due to lower like-for-like sales, lower gross margins due to price pressure in the market and higher costs from rebranding of Rimi stores.

IRIMI BALTIC

Rimi Baltic conducts food retail operations in wholly owned stores in Estonia, Latvia and Lithuania. The number of stores totaled 235 (246) at year-end 2010.

Rimi Baltic's net sales decreased by 16.0% to SEK 10,352 M (12,329) in 2010. In local currency the decrease was 6.4%. Operating loss amounted to SEK 13 M (109). Operating loss includes impairment losses of SEK 40 M (24). Earnings were charged with discontinuation costs for closed stores in Lithuania. These costs comprise impairment of SEK 37 M, and discontinuation costs for employees and premises of SEK 33 M. The improved earnings during the year were due to lower gross margins and lower operating costs in the stores.

ICA BANK

ICA Bank operates in Sweden and has agency agreements with almost all ICA stores in the country. Since 2007, ICA Bank has had a complete offering that includes current accounts, various types of bank cards, unsecured loans, mortgages in cooperation with SBAB, and insurance in cooperation with Aon.

ICA Bank's revenues decreased by 3.5% to SEK 612 M (634) in 2010. The decline in revenues is mainly due to lower net interest income due to lower interest income from investments. The business volume has increased by 8.8% (7.7) since the start of the year. Operating profit amounted to SEK 91 M (132). The decline was mainly due to lower net interest and higher marketing costs relating to bank card campaigns.

ICA REAL ESTATE

ICA Real Estate's revenues increased by 1.9% to SEK 2,135 M (2,095) in 2010. Operating profit amounted to SEK 917 M (1,025). Operating profit includes capital gains from property sales of SEK 30 M (111) and reversed impairment losses of SEK 9 M (33).

ICA GROUP FUNCTIONS

ICA Group Functions reports an operating loss of SEK 233 M (149). Operating result for 2009 included capital gains from property sales of SEK 10 M. The change is mainly due to a revaluation of the pension liability in 2009 which resulted in lower pension costs.

FORMA PUBLISHING GROUP

Forma Publishing Group is a wholly owned subsidiary of Hakon Invest. Forma is the parent company in a group of wholly and partly owned subsidiaries in Sweden, Finland and Estonia. The group also includes associates in Sweden and Norway. The group's media operations include magazines, contract activities and books. Forma's net sales for the 2010 fiscal year amounted to SEK 875 M (870). Operating profit amounted to SEK 15 M (–20).



KJELL & COMPANY

Kjell & Company, which is 50% owned by Hakon Invest, is one of Sweden's largest retailers of home electronics accessories. During the 2010 fiscal year Kjell & Company's revenues amounted to SEK 644 M (550). This corresponds to a sales increase of 17%. Like-for-like sales increased by 4%. Seven new stores were opened during the year and at year-end 2010 Kjell & Company had 53 stores in Sweden. Operating profit amounted to SEK 23 M (23).

HEMMA

Hemma, which is 89% owned by Hakon Invest, is a retailer of white goods and household appliances. For the fiscal year 2010 Hemma reported net sales of SEK 268 M (249). Operating loss amounted to SEK 35 M (4).

CERVERA

Cervera is a retailer with a focus on high-quality products for the kitchen and dining area, which is 91.4% owned by Hakon Invest. Cervera's net sales amounted to SEK 707 M (544) in the 2010 fiscal year and the increase was mainly due to the acquisition of the Duka stores in the second half of 2009. Like-for-like sales increased by 9%. Operating loss amounted to SEK 33 M (25).

INKCLUB

Online retailer inkClub, which is 55% owned by Hakon Invest, conducts online sales of consumables. The core business is ink cartridges and other printer accessories, but inkClub also conducts online sales of light bulbs, vacuum cleaner bags and beauty products. In 2010, inkClub acquired Beauty Planet, which is one of Sweden's leading players within sales of makeup, perfumes and skin and haircare products over the internet. inkClub also acquired 112Ink in 2010, which sells ink cartridges on the net. inkClub's net sales for the 2010 fiscal year amounted to SEK 497 M (452) and operating profit was SEK 38 M (63).

HEMTEX

Hemtex is a home textiles company with operations in Sweden and Finland, which is 68.5% owned by Hakon Invest. Hemtex is reported as a subsidiary in the Hakon Invest Group since 30 June 2009. Hemtex's net sales in 2010 amounted to SEK 1,081 M (1,295) and the operating loss was SEK 233 M (221).

PARENT COMPANY

The Parent Company's revenues in 2010 amounted to SEK 0 M (0). Operating loss amounted to SEK 63 M (56). Net financial items amounted to SEK 637 M (547), of which dividend from ICA AB accounted for SEK 626 M (347) and impairment of participations in group companies is included with SEK -146 M. Change in value of shares and reversed impairment losses of the value of shares in Hemtex had a positive impact on net financial items of SEK 145 M, while impairment of shares in subsidiaries had a negative impact on net financial items of SEK 70 M in the previous year. Return on investment management amounted to SEK 69 M (123). A tax expense of SEK 0 M (10) is recognized for the period. Profit for the year amounted to SEK 547 M (481).

The Parent Company's cash and cash equivalents and the current value of short-term investments at December 31, 2010, amounted to SEK 1,136 M, compared with SEK 857 M at December 31, 2009. At the end of December 2010 financial investments were as follows: 40% equities, 35% fixed-income securities, 20% hedge funds and 5% cash and cash equivalents.

FUTURE OUTLOOK

The Nordic countries have emerged stronger from the earlier economic crisis and only the so-called growth markets, including China, India and Brazil, saw faster growth. A similar pattern can be seen in the development of retailing in Europe. The retail sector in the Nordic countries has higher growth than in other EU countries. Also in the Baltic countries which were hard hit by the economic decline in 2009, growth has turned upwards, although it remains at a modest level. During 2010 retailing in current prices increased by 3.7% which corresponds to a volume increase of 3.3%. This means that 2010 was the third consecutive year with growth over 3% in the Swedish market. Broken down by sector, consumer durables had a growth in volume in 2010 of 5.6% while the volume growth for food retail was lower at 0.3%.

The key reason for the continued attractive retailing climate in Sweden was the major tax and interest rate reductions. The low interest rates have allowed consumers to increase their consumption. Greater confidence in both their own and the country's economy is reflected in the economic tendency surveys published by the National Institute of Economic Research.

Prospects for 2011 still look fairly bright despite the fact that rising commodity prices, shortages of raw materials and higher demand in the major emerging markets can have a negative impact on retailing in the form of rising purchase prices. Possible interest hikes may have a negative impact on consumption.

SHARE INFORMATION

Ownership structure

At December 31, 2010, Hakon Invest is owned to 67.4% by ICA-handlarnas Förbund, which is thus the Parent Company of Hakon Invest. The remaining 32.6% is owned by approximately 14,500 shareholders. The company's common shares are listed on Nasdaq OMX Stockholm in the Large Cap segment.

Share capital in Hakon Invest amounts to SEK 402,293,590 distributed among 160,917,436 shares, each with a quota value of SEK 2.50. At year-end, the number of C shares amounted to 82,067,892 and the number of common shares after repurchases was 78,584,624. In addition, Hakon Invest owns 264,920 treasury shares. Common shares and C shares carry the same voting rights, but different dividend entitlement. While common shares have an unlimited dividend entitlement, C shares do not carry entitlement to cash profit distribution. Such entitlement may include C shares in 2016 at the earliest. C shares carry entitlement to profit distribution through distribution in kind. All C shares are held by ICA-handlarnas Förbund, which is the majority owner of Hakon Invest with 67.4% of the shares and voting rights.

Hakon Invest's principal owner, ICA-handlarnas Förbund, has decided on conversion of its holding of non-dividend paying C shares in Hakon Invest into common shares which carry dividend entitlement. This decision means that ICA-handlarnas Förbund has lodged a request with the Board of Hakon Invest on January 1, 2011, for conversion of all C shares into common shares, and that the share structure in Hakon Invest with effect from January 1, 2016 will only comprise common shares which carry dividend entitlement.

Guidelines for remuneration to senior executives

The President and other senior executives in the company are subject to the guidelines approved by the 2010 Annual General Meeting. The Board proposes that the same guidelines apply for the next fiscal year.



The company's remuneration for senior executives shall be on market terms, be long-term and quantifiable, and promote Group unity. Improvements, primarily in earnings per share, will be rewarded and there must be a ceiling for variable remuneration. Total remuneration shall comprise the following components: basic salary, pension benefits, terms for termination and severance pay, bonus, share-based incentive program and other benefits. The basic salary shall be market adjusted and based on expertise, responsibility and performance.

A bonus becomes payable if the company's earnings per share increase by at least 15% and a maximum payout requires the company's earnings per share to increase by at least 22%. The bonus may amount to a maximum of six monthly salaries for the President and four monthly salaries for other senior executives. Since the company's earnings per share for 2010 are negative, the Board proposes that the starting point for bonus calculation for 2011, be average earnings per share in 2008, 2009 and 2010.

The share-based incentive program for 2010 includes the President and other senior executives. The program requires own investment with a three-year vesting period. The program means that participants actively purchase new shares (Saving shares) at a market price and lock their Saving shares during a three-year period. Provided the participant is still employed and is still in possession of his or her Saving shares, a number of rights can be exercised to redeem Matching shares. If some clearly defined performance requirements are met, additional rights can be exercised to redeem Performance shares. The total number of Matching and Performance shares may amount to a maximum of 32,500 with regard to the President and other senior executives.

For other senior executives a defined contribution pension plan shall be applied which means that a maximum of 35% of pensionable salary can relate to pension premiums which will be paid during the employment period. Senior executives with contracts entered into prior to the 2006 Annual General Meeting, are entitled to retire at the age of 62 with a defined benefit pension during the period until normal retirement age at 65. The President has a gross salary limit, where he may decide the size of the pension provision.

A mutual notice period of six months shall be applied for senior executives. Severance pay shall be paid to senior executives with up to 18 months fixed cash salary if employment is terminated by the company. The severance pay shall be deductible. Senior executives with contracts dated prior to 2005 are in some cases entitled to a non-deductible severance pay. The President is subject to a mutual notice period of six months. The President is not entitled to severance pay.

ENVIRONMENTAL AND HR ISSUES

Hakon Invest's organization is small and the business is mainly conducted in an office environment which means that negative environmental impact is limited. Internal sustainability work is therefore focused on the employees' work environment. Guidelines for environmental work are stipulated in the working environment policy, as well as an equal opportunities and diversity policy. During 2008 Hakon Invest implemented a new strategy for sustainability issues, which is also used as a starting point in corporate governance in the holdings. Employee welfare is a prioritized area for Hakon Invest. All employees are invited to participate in a keep-fit program and are able to exercise during working hours.

RISK MANAGEMENT

Hakon Invest works with a number of basic principles for managing risks in different parts of its operations. This is regulated and managed

via a formal work plan for the President and the Board. All investments are inherently uncertain and ahead of each investment Hakon Invest carries out a careful evaluation designed to identify and if possible reduce the risks that may be associated with the investment. The most comprehensive risk within Hakon Invest is the financial development of the individual portfolio companies, where a worst case scenario is the loss of Hakon Invest's entire investment in a company.

The holding in ICA AB constitutes a significant part of the company's assets and is therefore of particular importance for an assessment of Hakon Invest. Via ICA, Hakon Invest also has significant exposure to the Nordic and Baltic food retail sector. A less favorable business climate or political decisions, such as raised taxes, are factors that could have a negative impact on ICA's sales and earnings. Hakon Invest's financial policy stipulates how financial risks are to be managed and limited. The policy also provides a framework for management of financial assets. More information about Hakon Invest's risk management is provided in Note 2 on pages 87–88 of this annual report.

THE BOARD OF DIRECTORS' STATEMENT REGARDING DIVIDENDS ACCORDING TO CHAPTER 18, SECTION 4 OF THE SWEDISH COMPANIES ACT (2005:551)

The Board of Directors of Hakon Invest proposes an ordinary dividend of SEK 6.00 (6.00) per common share. The dividend amounts to a total of SEK 472 M (472), which can be placed in relation to the Parent Company's profit after tax which amounted to SEK 574 M. The proposed dividend will reduce the Parent Company's equity/assets ratio from 99.1% to 99.0% and the Group's equity/assets ratio from 86.5% to 85.9%. The equity/assets ratio is therefore obviously adequate in both the short and the long term.

Hakon Invest's dividend policy states that at least 50% of the Parent Company's profit after tax should be distributed. The Parent Company's revenues mainly comprise the dividend from ICA AB as well as the result from investment management, including changes in value of the shares in Hemtex. It is the Board's opinion that the proposed dividend is defensible taking into account the requirements that the operations' nature, scope and risks make on consolidated equity and financial position.

PROPOSED DISPOSITION OF PROFITS

The following profits are at the disposal of the Annual General Meeting	(SEK 000s)
Retained earnings	2,303,540
Profit for the year	573,547
Total	2,877,077

The Board of Directors proposes that the profits be distributed as follows:

to holders of common shares a dividend of SEK 6.00 per share	451,508
to be carried forward	2,405,569
Total	2,877,077



Consolidated statement of comprehensive income

SEK M	Note	2010	2009
Revenues	4	2,931	2,392
Cost of goods sold	5	-1,659	-1,404
Gross profit		1,272	988
Other operating income		70	56
Cost of sales	5,7	-1,344	-929
Administrative expenses	5,6,7	-332	-299
Other operating expenses		-16	-5
Share of profit of companies recognized according to the equity method	8	212	612
Goodwill impairment	14	-284	-
Operating profit	4	-422	423
Financial income	9	32	47
Financial expenses	10	-37	-31
Change in fair value of financial instruments	11	49	232
Net financial items		44	248
Profit before tax	4	-378	671
Tax	12	-13	30
Profit for the year	4	-391	701
Other comprehensive income for the year			
Change in fair value reserve, net after tax 1)		-8	-9
Change in translation reserve, net after tax 1)		-395	208
Change in hedging reserve, net after tax 1)		-8	-12
Reversed earlier changes in value 2)		-	29
Step acquisition 2)		-	-21
Total other comprehensive income		-411	195
Comprehensive income for the year		-802	896
Profit for the year attributable to owners of the parent		-303	726
Profit for the year attributable to non-controlling interests		-88	-25
Comprehensive income for the year attributable to owners of the parent		-714	921
Comprehensive income for the year attributable to non-controlling interests		-88	-25
Earnings per share, before and after dilution, SEK	13		
Common share		-1.89	4.52
C share		-1.89	4.52

1) Change attributable to holding recognized according to equity method.

2) No tax effect.



Consolidated statement of financial position

ASSETS

SEK M	Note	Dec. 31, 2010	Dec. 31, 2009
Non-current assets			
Goodwill	14	431	712
Trademarks	14	694	694
Other intangible assets	14	85	88
Equipment	15	103	152
Interests in companies recognized according to the equity method	8	6,818	7,678
Other non-current receivables		6	9
Deferred tax assets	12	45	58
Total non-current assets		8,182	9,391
Current assets	17		
Inventories	16	550	563
Trade and other receivables	17, 18	190	197
Receivables from companies recognized according to the equity method	19	10	7
Current tax assets		–	9
Other current receivables		40	36
Prepaid expenses	20	141	131
Short-term investments	21	1, 076	823
Cash and cash equivalents	22	147	226
Total current assets		2,154	1,992
TOTAL ASSETS	4	10,336	11,383



EQUITY AND LIABILITIES

SEK M	Note	Dec. 31, 2010	Dec. 31, 2009
Equity	23		
Share capital		402	402
Other paid-in capital		2,778	2,778
Reserves		302	713
Retained earnings including profit for the year		5,372	6,147
Equity attributable to owners of the parent		8,854	10,040
Non-controlling interests		90	178
Total equity		8,944	10,218
Non-current liabilities	17		
Provisions for pensions and similar commitment	24	155	147
Interest-bearing loan	26	49	142
Other non-current liabilities		15	14
Total non-current liabilities		219	303
Current liabilities	17		
Advance payments from customers		122	111
Trade and other payables	25	562	522
Interest-bearing loan	26	387	124
Current tax liabilities		2	–
Other current liabilities		87	96
Deferred income		6	2
Current provisions	24	7	7
Total current liabilities		1,173	862
TOTAL EQUITY AND LIABILITIES		10,336	11,383
Pledged assets	27	444	443
Contingent liabilities	27	16	13



Consolidated statement of changes in equity

SEK M	Equity attributable to owners of the parent						Total equity
	Share capital	Other paid-in capital	Reserves companies recognized according to equity method	Other reserves	Retained earnings incl. profit for the year	Non-controlling interests	
Opening equity, January 1, 2009	402	2,778	497	0	5,838	0	9,515
Profit for the year	–	–	–	–	726	–25	701
Other comprehensive income	–	–	216	–	–21	–	195
Comprehensive income for the year	402	2,778	216	–	705	–25	896
Purchase of treasury shares	–	–	–	–	–3	–	–3
Acquisitions	–	–	–	–	–	203	203
Dividend	–	–	–	–	–393	–	–393
Closing equity, December 31, 2009	402	2,778	713	0	6,147	178	10,218
Profit for the year	–	–	–	–	–303	–88	–391
Other comprehensive income	–	–	–411	–	–	–	–411
Comprehensive income for the year	–	–	–411	0	–303	–88	–802
Dividend	–	–	–	–	–472	–	–472
Closing equity, December 31, 2010	402	2,778	302	0	5,372	90	8,944



Consolidated statement of cash flows

SEK M	Note	2010	2009
Operating activities			
Profit before tax		-378	671
Adjustment for non-cash items	28	146	-761
		-232	-90
Dividends from companies recognized according to the equity method	8	696	347
Income tax paid		9	17
Cash flow from operating activities before change in working capital		473	274
Change in working capital			
Inventories		13	31
Current receivables		0	49
Current liabilities		48	132
Cash flow from operating activities		534	486
Investing activities			
Investments in non-current assets		-65	-77
Acquisition of subsidiaries	3	-	-515
Acquisition of interests in joint ventures	8	-36	-
Disposal of non-current assets		0	2
Change in short-term investments		-210	637
Cash flow from investing activities		-311	47
Financing activities			
Purchase of treasury shares		-	-3
Borrowing		172	24
Amortization of loans		-	-107
Dividends paid		-472	-393
Cash flow from financing activities		-300	-479
Cash flow for the year		-77	54
Cash and cash equivalents at beginning of the year		226	172
Exchange differences in cash and cash equivalents		-2	-
Cash and cash equivalents at the end of the year	22	147	226

Disclosures about interest paid

Interest paid during the year amounted to SEK 15 M (13)

Interest received during the year amounted to SEK 15 M (27)





Notes to the consolidated financial statements

Note 1 Accounting principles

COMPANY'S REGISTERED OFFICE, ETC.

The company Hakon Invest AB has its registered office in the municipality of Stockholm.

Hakon Invest is a public company and is owned to 67.4% by ICA-hand-larnas Förbund (reg. no. 802001-5577).

The address of the company's head office is Hakon Invest AB, Box 1508, SE-171 29 Solna, Sweden. The company's website is www.hakoninvest.se and its telephone number is +46 8 55 33 99 00. The corporate registration number is 556048-2837.

The consolidated financial statements will be presented to the Annual General Meeting for approval on April 14, 2011, and were approved for publication according to a Board decision on March 7, 2011.

The company's operations are described in the Board of Directors' report.

ACCOUNTING PRINCIPLES

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) approved by the EU and interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC) that have been adopted by the EU. The accounting principles described apply to the Hakon Invest Group including associates and joint ventures, but several of the principles are only significant for accounting for the holding in ICA AB.

The Swedish Financial Reporting Board's recommendation RFR 1 Complementary Accounting Standards for Groups is also applied. All principles applied are unchanged compared with the previous year, except as specified in the following section.

CHANGED ACCOUNTING PRINCIPLES AND DISCLOSURE REQUIREMENTS 2010

IASB has issued a number of new or changed standards as well as interpretations issued by IFRIC to be applied with effect from 2010. An account of the new standards that can be applicable for Hakon Invest and the effect on the accounts is provided below.

IFRS 3R, Business Combinations. This standard is applied prospectively from January 1, 2010, and introduces a number of changes in accounting for business combinations which will affect the size of recognized goodwill, profit or loss in the period the acquisition is made and future recognized profit or loss. The new standard has not affected accounting for 2010 since Hakon Invest did not carry out any business combinations during the year.

IAS 27R, Consolidated and Separate Financial Statements. This standard is applied prospectively from January 1, 2010, and requires that changes in owner interests in a subsidiary, where the majority owner does not lose control, are recognized as equity transactions. In addition, IAS 27R changes reporting of losses that arise in subsidiaries and reporting when control in a subsidiary no longer exists. This new standard did not affect the financial statements in 2010.

KEY ESTIMATES, ASSUMPTIONS AND ASSESSMENTS

In applying the accounting principles, the Board of Directors and the President make a number of estimates, assumptions and assessments. Actual results may differ from these estimates, assumptions and assessments which might affect the value of the recognized assets and liabilities. For Hakon Invest, this primarily involves the carrying amounts for goodwill, other intangible assets with an indefinite useful life (see Note 14), interests in companies recognized according to the equity method (see Note 8), and assessment of the value of deferred tax assets (see Note 13).

For preparation of ICA's own financial statements, the most significant estimates and assessments concern taxes, sale and leaseback, impairment of non-current assets, reporting of pensions as well as claims and provisions.

Investments in joint ventures are recognized according to the equity method. A joint venture is a business enterprise undertaken by two or more partners whose cooperation is contractually regulated and where the contract gives the parties joint control of the enterprise. At classification of a shareholding as a joint venture an assessment is made of the contractual relationship and other circumstances in order to determine whether or not joint control exists.

BASIS OF THE FINANCIAL STATEMENTS

The consolidated financial statements are based on historical costs, except for derivative financial instruments and certain financial assets, which are measured at fair value. The Parent Company's functional currency is Swedish kronor, which also comprises the presentation currency for the Parent Company and the Group. All amounts in the financial statements are stated in SEK millions (SEK M) until otherwise indicated.

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements include the Parent Company, Hakon Invest AB, and its subsidiaries. A subsidiary is included in the consolidated financial statements from the date the Parent Company has control over the company and is no longer included from the date the Parent Company's control over the company ceases. Subsidiaries are reported in the consolidated financial statements according to the acquisition method.

Reporting of step acquisitions before IFRS 3R started to be applied and where the previous recognition of the holding was effected at an amount that takes into account that impairment will not arise due to the reversal.

The financial statements of the Parent Company and subsidiaries included in the consolidated financial statements refer to the same period and are prepared according to the accounting principles that apply for the Group. Uniform accounting principles are applied to all units included in the consolidated financial statements.

All intra-Group receivables and liabilities, income and expenses, gains or losses arising from transactions between companies included in the consolidated financial statements are eliminated in their entirety.

Acquisition of non-controlling interests

In the event of acquisition of additional interests, after control is acquired, the entire difference between the consideration transferred and the carrying amount of the non-controlling interest acquired is recognized directly in equity.

Investments in associates

An associate is an entity in which the Group has significant influence but not control. Holdings in associates are accounted for using the equity method or at fair value.

In accordance with IAS 28 paragraph 1, the holding in Hemtex AB was recognized at fair value in the consolidated financial statements until Hemtex became a subsidiary at June 30, 2009. Change in value is recognized in the income statement as a financial item.

Use of the equity method means that investments in associates are recognized in the statement of financial position at cost, with the addition of changes in the Group's share of the associate's net assets and minus any impairment and dividend. Profit for the year in the statement of comprehensive income reflects the Group's share of associates' profit after tax. The financial statements for associates which are used at application of the equity method relate to the same period.

The Group's investments in associates include goodwill items treated in accordance with the accounting principles for goodwill stated below with the exception that any impairment requirement is tested for carrying amounts of interests in associates including goodwill if there are indications of impairment.



Investments in joint ventures

A joint venture is a business enterprise undertaken by two or more partners whose cooperation is contractually regulated and where the contract gives the parties joint control of the enterprise. Hakon Invest reports joint ventures using the equity method and testing for impairment is carried out in the same manner as described above for associates.

Group companies

Group companies, with regard to the statement of financial position, refer to the Parent Company and sister companies of Hakon Invest AB.

TRANSLATION OF FOREIGN CURRENCY

The functional currency of the Parent Company is Swedish kronor (SEK), which is also the presentation currency for the Parent Company and Group.

Transactions in foreign currency are reported in the accounts at their spot rate on the transaction date. Monetary assets and liabilities denominated in foreign currency are reported in the statement of financial position at the closing rate. Any exchange rate differences are reported in profit or loss for the period.

Income, expenses, assets and liabilities of operations with a functional currency other than SEK – i.e. normally, foreign subsidiaries – are translated into SEK. These assets and liabilities are reported in the statement of financial position translated into SEK according to the closing rate. Income and expenses are reported in the consolidated statement of comprehensive income translated at the average exchange rate for the year. The exchange differences that arise in translation are recognized directly in equity. When such an operation is sold the accumulated exchange differences are recognized in profit or loss for the period as part of the gain or loss on the disposal.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recognized at cost after deduction for accumulated depreciation and any impairment losses. The cost of property, plant and equipment is depreciated on a straight-line basis over the estimated useful life to an estimated residual value. The residual value and useful life are tested in conjunction with every period-end report and adjusted in the event of new assessments.

Carrying amounts of property, plant and equipment are tested when events or changed circumstances indicate that the carrying amount may not be recoverable. The test entails a comparison of the carrying amount with the higher of the asset's net selling price and its value in use. Value in use consists of the present value of the future net cash flow generated by the asset. If an individual asset does not generate a cash flow that is independent of other assets, the cash flow is calculated for a group of assets, a cash-generating unit. Present value is calculated according to a discount factor before tax that reflects the risks inherent with the asset.

If the carrying amount exceeds the higher of the asset's net selling price and value in use, an impairment loss is recognized for the asset to the higher of these values. Impairments are reported in profit or loss for the year.

GOODWILL AND OTHER INTANGIBLE ASSETS WITH AN INDEFINITE USEFUL LIFE

Goodwill represents the portion of the acquisition cost that exceeds the fair value of acquired net assets on the acquisition date. Net assets refer here to the difference between identifiable assets and liabilities in an acquired subsidiary, associate or joint venture. It is assumed that the useful life of goodwill is indefinite. Goodwill and other intangible assets with an indefinite useful life are not amortized.

The carrying amount of intangible assets that are not amortized is tested annually for impairment as well as any indication of impairment. Impairment losses are included in profit or loss for the year.

The goodwill amount calculated at a business combination is attributed in conjunction with the acquisition to assets that generate a cash flow independent of other assets (cash-generating units). If the carrying amount of the cash-generating unit's assets exceeds the present value of the future cash flow or the selling price with deduction for selling costs, the carrying amount is impaired to the higher of the present value of these amounts. Present value is calculated according to a discount factor before tax that reflects the inherent risks in the asset.

INTANGIBLE ASSETS WITH DETERMINABLE USEFUL LIFE

Intangible assets with a determinable useful life are recognized in the statement of financial position at cost with deduction for accumulated amortization. The cost of identifiable intangible assets acquired as part of a company acquisition consist of the assessed fair value at the acquisition date. Intangible assets with a determinable useful life are amortized on a straight-line basis over the assessed useful life to an assessed residual value. The carrying amounts of the intangible assets are tested for impairment when events or changed circumstances indicate that the value may not be recoverable or if other impairment indications exist.

Development costs

Development costs are recognized as an expense as incurred, although expenditure for development attributable to a single project, such as an IT system, is recognized as an asset when it can be shown that it will generate financial rewards. The asset is amortized during the period in which it is used. In other cases development costs are recognized as an expense when incurred.

The carrying amount of development costs recognized as an asset is tested annually for possible impairment, provided the asset has not yet gone into operation. Subsequently, the value is tested if events or changed circumstances indicate that the carrying amount may not be recoverable.

FINANCIAL INSTRUMENTS

Financial instruments are recognized in the statement of financial position when the Group becomes a party to the contractual conditions of the instrument. Financial assets are derecognized from the statement of financial position when the contractual rights to cash flows from the asset cease to exist. Financial liabilities are derecognized from the statement of financial position when the commitment is fulfilled, annulled or ceases to exist.

Classification of financial instruments is provided in Note 17. This note also specifies the measurement level in the fair value hierarchy to which Hakon Invest's financial instruments belong if measurement is at fair value in the statement of financial position. Level 1 relates to financial assets for which quoted prices for identical instruments are observable in an active market. Level 2 relates to financial assets for which measurement is performed using a model based on observable market inputs.

Short-term investments and long-term securities holdings

Hakon Invest's short-term investments and other equities are recognized at fair value through profit or loss for the period, and management follows up the investments in this way.

All normal acquisitions and disposals of financial assets are recognized on the settlement date, i.e. the date on which delivery takes place. Normal acquisitions or disposals refer to acquisition or sales of financial assets that require that the assets are delivered within the timeframe customarily imposed by law or market convention.

In order to determine a fair value for financial assets and liabilities of-ficial market listings are used for the assets and liabilities that are traded in an active market. For investments that are actively traded in the market, the fair value is determined when the market closes on the balance sheet date.





For investments that do not have a market listing, the fair value is determined as the actual market price for another instrument that is essentially similar or at an amount calculated on the basis of anticipated cash flows.

DERIVATIVES PERTAINING TO FINANCIAL INSTRUMENTS

Derivatives of financial instruments such as currency forward contracts and interest swaps are used to a limited extent to reduce the risks involved in interest and exchange rate fluctuations. These derivatives are recognized at fair value. Official quotations on the balance sheet date are used when determining fair value of derivatives.

TRADE AND OTHER RECEIVABLES

Receivables are reported in the amounts in which they are expected to be received. Trade receivables, for which payment is normally due after 10–90 days, are initially reported at the invoiced amount. An assessment of doubtful debts is made when it is no longer probable that the full amount will be received.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash and bank balances, as well as short-term investments with an original maturity of not more than three months.

INTEREST-BEARING LOANS

All loans are initially reported at cost, which corresponds to the fair value of the amount received, less expenses related to the borrowing. The loan debt is subsequently reported at amortized cost, implying that the value is adjusted for any discounts or premiums in connection with the loan and that costs in connection with the procurement of the loan are distributed over the term of the loan. The distribution over time is calculated on the basis of the effective interest of the loan. Gains and losses that arise when a loan is redeemed are recognized in profit or loss for the year.

FINANCIAL INSTRUMENTS IN ICA'S FINANCIAL STATEMENTS

In ICA's financial statements which provide the basis for Hakon Invest's accounts, financial assets are primarily classified as loans and receivables as well as available-for-sale financial assets. Loans and receivables are recognized at amortized cost while available-for-sale assets are recognized at fair value with changes in value recognized in other comprehensive income until the asset is derecognized from the statement of financial position whereby previously recognized change in value is recognized through profit or loss. Financial liabilities are mainly classified as other financial liabilities which are recognized at amortized cost.

In addition derivatives are used to hedge currency flows from import of goods and to hedge interest rate payments. Derivatives for these cash flow hedges are recognized at fair value whereby changes in value are recognized in other comprehensive income pending the hedged items recognition in profit or loss or as an initial cost in the statement of financial position. The ineffective portion of changes in value is recognized through profit or loss.

ICA Bank's lending in the form of unsecured and card credits to consumers belongs to the category loans and receivables. They are recognized at amortized costs taking into account confirmed and probable loan losses. ICA Bank's borrowing belongs to the category other financial liabilities. Investments of ICA Bank's surplus liquidity is included in the category available-for-sale financial assets.

INVENTORIES

Inventories are valued at the lower of cost and net selling price. The net selling price corresponds to the estimated selling price under normal circumstances, less estimated manufacturing and selling costs.

PROVISIONS

Provisions are reported in the statement of financial position when the Group has a contractual or constructive obligation as the result of events that have occurred and it is probable that payments will be required to ful-

fill the obligation and the amount can be calculated in a reliable manner. If it is almost certain that reimbursement will be received corresponding to the provision made, for example through an insurance contract, the reimbursement is recognized as an asset in the statement of financial position.

The value of the provision is determined by a present value calculation of anticipated future cash flow and the gradual increase in the allocated amount as a result of the present value calculation is recognized as an interest expense in the statement of comprehensive income.

SHARE-BASED PAYMENTS

Hakon Invest has two combined share matching and performance based incentive programs directed to all employees in the Parent Company. The programs require own investment with a vesting period and a redemption period in the 2009 program. The programs mean that participants actively purchase new shares (so-called Saving shares) at a market price and lock the Saving shares over a period. Provided the participant is still employed and still in possession of the Savings shares, a number of rights can be exercised to redeem so-called Matching shares. If some clearly defined Performance requirements are met, additional rights can be exercised to redeem so-called Performance shares. Share-based payments which are settled with equity instruments where a charge is accrued and recognized during the vesting period. The cost is based on an initially identified value per share as well as an assessment made on every closing date of how many shares will finally be issued taking into account the earnings and performance terms. During the vesting period a provision is made for the social security costs that are paid. Purchase of treasury shares in order to meet commitments according to the program are recognized directly in equity.

In the portfolio companies there are in some cases option programs for board chairmen and senior executives. The option programs consist of synthetic options and in some cases call options. These programs are cash-settled and changes in the value of the options are included in profit or loss for the year.

PENSIONS AND OTHER POST-RETIREMENT BENEFITS

Pension commitments are classified as defined contribution or defined benefit plans. The present value of defined benefit obligations for current or former employees is calculated on the basis of actuarial assumptions at least once a year. Actuarial assumptions comprise the company's best assessment of the different variables that determine the cost of providing the benefits. Since actuarial assumptions are used, actuarial gains and losses arise. These may be caused by a high or low employee turnover, salary changes and changes in the discount rate. Hakon Invest recognizes actuarial gains and losses directly in profit or loss as they arise. The company's responsibility for the defined contribution plans is limited to paying premiums to an insurance company, which means premiums paid are recognized as an expense.

LEASING

Leases are classified in the Group as either operating or finance leases. Finance leases are leases where essentially all economic risks and rewards incidental to ownership are transferred from the lessor to the lessee. All other leases are operating leases.

Sale and leaseback

When a property is sold that is then leased back an overall assessment is made of who bears the essential risks and rewards in the property and whether the Group still has a significant interest in the sold property. If the assessment is that the essential risks and rewards taken as a whole remain in the Group, no income is recognized from the sale on the transaction date, and not until these risks and rewards are transferred to the purchaser at a later date.

A significant interest exists, for example, if the leased back property is rented out to an independent ICA retailer. If the risks and rewards remain in ICA, alternatively ICA has a continued interest in the property, the ICA Group continues to recognize the property in the balance sheet as if no



sale had taken place and depreciation continues on the basis of assessed useful life. The purchase price received from the sale is regarded as a loan and recognized as a liability. Any lease payments made are allocated between interest expense and amortization of the debt.

CONTINGENT LIABILITIES

A contingent liability exists when there is a possible obligation attributable to past events and whose existence is confirmed only by one or more uncertain future events, or when there is an obligation that is not recognized as a liability or provision since it is not probable that an outflow of resources will be required or the amount of the obligation cannot be estimated in a sufficiently reliable manner. Disclosure is made provided the probability of an outflow of resources is not extremely small.

REVENUE

Revenue is recognized to the extent to which the financial rewards are likely to accrue to the Group and revenue can be estimated in a reliable manner.

Sale of goods

Revenue is recognized when the significant risks and rewards associated with ownership of the goods are transferred to the purchaser and when the revenue can be estimated in a reliable manner.

Other operating income

Other operating income primarily consists of income from contract magazine operations, subscription income for publications and income from various forms of consulting services. Other operating income in ICA includes royalties, franchise fees, income from various forms of consulting services to ICA retailers and bonuses from suppliers. Other operating income is recognized when it is earned.

Interest

Interest income is reported as it is earned. Interest income is calculated on the basis of the return on the underlying asset, according to the effective interest rate.

Dividends

Dividend income is reported in the income statement when the right to receive the payment is established.

Rental income

Rental income from investment properties is reported straight-line over the term of the lease.

TAX

Tax in the Group consists of current and deferred tax.

Hakon Invest's current tax consists of those taxes to be paid or received for the current year. Deferred tax is reported in accordance with the balance-sheet method. This implies that deferred taxes are calculated as per the balance sheet date – that is, the difference between the tax base of the assets or the liabilities on the one hand and the values reported in the statement of financial position the other.

Deferred tax liabilities are recognized in the statement of financial position for all temporary differences except when they are related to goodwill or an asset or liability in a transaction that is not a business combination and which, at the date of the transaction, affected neither the reported nor taxable profit or loss during the period. In addition, temporary differences that are attributable to investments in subsidiaries, associates and interests in joint ventures are only taken into account to the extent it is probable that the temporary differences can be reversed in the foreseeable future.

Deferred tax assets are recognized for deductible temporary differences and unutilized loss carry forwards to the extent it is probable that future taxable profits will be available and against which the temporary differences or unutilized loss carry forwards can be utilized. The carrying amounts of deferred tax assets are tested on each balance sheet date and reduced to the extent it is not longer probable that a sufficiently large taxable profit will be available to utilize all or parts of the deferred tax assets.

Deferred tax assets and tax liabilities are calculated on the basis of tax rates (and tax legislation) that prevail or prevail in practice on the balance sheet date. The current tax rate in Sweden is 26.3%, in Finland 26%, in Norway 28%, in Denmark 25%, in Estonia 0% and in Latvia 15%.

FUTURE ACCOUNTING STANDARDS

New IFRS amendments or interpretations that have been published but not yet come into effect are not applied. The new accounting rules that are assessed as possibly affecting Hakon Invest's accounts in 2011 and subsequently are described below.

IFRS 9, Financial Instruments. This standard is part of a complete revision of the present standard IAS 39. The standard will lead to a reduction in the number of measurement categories for financial assets, an unchanged number of categories for financial liabilities and rules for how changes in own credit spread should be disclosed when own liabilities are measured at fair value. The standard will be complemented with rules on impairment, hedge accounting and derecognition from the statement of financial position. IFRS 9 must be applied for fiscal years that start on January 1, 2013, or later. The EU has not approved the standard and at present there is no timetable for approval. Pending completion of all parts of the standard, Hakon Invest has not evaluated the effects of the new standard.

Note 2 Risks

Hakon Invest's operations are exposed to a number of risks which are measured and followed up continuously. One key part of this work is to minimize risks through preventive measures. The most important risks and how Hakon Invest works to manage and prevent them are described below.

RISKS IN ASSET MANAGEMENT

Hakon Invest's assets under management at year-end 2010 amounted to SEK 1,136 M (857). Carlson Investment Management handles most of asset management. The other assets under management comprise Ahold shares, hedge/investment funds and cash and cash equivalents.

The financial and investment management policy provides a framework for how financial risks are managed, both in the day-to-day operations and in asset management. The policy is adopted annually by the Board and compliance is monitored by the Audit Committee. Work based on the policy is ongoing with a quarterly more in-depth follow-up and measurement of risks.

Currency risk

Currency risk comprises the risks that arise in conjunction with transactions made in foreign currency and when assets and liabilities are held in foreign currency.

Hakon Invest's financial and investment management policy stipulates that speculative position-taking designed to create revenue from exchange rate fluctuations may not take place. Foreign currency flows are not normally hedged but Hakon Invest can decide to make an exception. In cases where Hakon Invest holds net assets or liabilities in foreign currency these should be hedged if they comprise more than 2% of consolidated equity.

According to the financial and investment management policy, no hedging needs to be effected within management of assets in foreign currency. Hakon Invest has chosen to accept the earnings impact that might arise from these currency fluctuations. At year-end 2010, Hakon Invest's exposure to foreign currency amounted to EUR 7.9 M (7.4) through shareholdings (Ahold), which corresponded to 7% of the assets in the portfolio. An





exchange rate fluctuation of 10% against EUR would affect Hakon Invest's earnings and equity by approximately SEK 7 M (7) before tax.

Interest rate risk

Borrowing which is interest-bearing contains an inherent interest rate risk since changes in interest rates affect the company's interest expenses.

According to Hakon Invest's policy the average fixed-interest term may not exceed 12 months in the loan portfolio and individual fixed-interest terms may not exceed five years. Interest rate risk, the cost of a 1 percentage point change in interest rates, may amount to a maximum of 20% of consolidated profit for the year before tax, based on results in the immediately preceding 12 months.

At year-end 2010, the Parent Company had no interest-bearing financial liabilities and the Group had SEK 596 M (421) in interest-bearing liabilities. A 1% change in interest rate would have no effect on the Parent Company's earnings and a very marginal impact on consolidated earnings.

In investment management the portfolio's fixed-income securities, both directly owned and owned via fixed-income funds, have an average duration of a maximum of 5 years. At year-end 2010 the duration was 2.4 years (2.3) and it also averaged 2.4 years during the year. If interest rates were to change by one percentage point, the Parent Company's and the Group's earnings and equity would be affected by SEK 9.0 M (5.7) before tax.

Liquidity risk

Liquidity risk is the risk of being unable to meet payment commitments on the due date without the cost of obtaining means of payment increasing significantly. For a financial instrument the liquidity risk means that the asset cannot immediately be converted into cash without losing value. Hakon Invest's policy stipulates that cash and unutilized credit facilities must be available to guarantee a good payment capacity. At year-end 2010, payment capacity was good and most of the short-term investments could be released within three days. The Board has decided that the company's limit for the debt/equity ratio should be 70%. At year-end 2010, the debt/equity ratio was 5.8% (4.1) for the Group.

Issuer category	Issuer/ security*	Max. share of portfolio per issuer category, %	Max. share of the portfolio per issuer %
1.	Swedish government or securities guaranteed by the Swedish government: securities with AAA / Aaa ratings	100	100
2.	Swedish housing finance institutions	70	30
3.	Swedish municipalities and county councils: securities with AA / Aa rating	50	20
4.	Securities with A / A rating	40	10
5.	Securities with BBB / Baa rating	30	10

* Rating from rating institutes Standard & Poor's and Moody's respectively. Where appropriate, Issuer/security should be credit-rated by at least one of these institutes. In the event of a split rating, the lower rating shall apply.

Credit risk

Credit risk means that counterparties fail to meet their obligations and the risk that pledged collateral does not cover the debt. Hakon Invest's financial and investment management policy stipulates that a counterparty in financial transactions must have a credit rating of at least BBB/Baa from Standard & Poor's and Moody's respectively.

In asset management limits apply to the portfolio as shown below, where percentages relate to proportion of the total market value of the portfolio.

Approved counterparties for transactions with the portfolio's assets, according to the financial and investment policy, are Swedish banks, securities institutions or other institutions that have the Swedish Financial Supervisory Authority's permission to conduct trading in financial instruments or currencies.

Risks relating to bad debt losses in retail are low since most sales are against cash or credit cards.

Share price risk

Share price risk is the risk that the value of a financial instrument will fluctuate due to changes in share prices.

The target for Hakon Invest's investment management is to achieve a return that corresponds to the change in the consumer price index (CPI) plus 4 percentage points. In order to achieve this target over time, the assessment is that Hakon Invest needs to have, based on the historical return in the financial markets, an equities portion of approximately 50% in the portfolio provided the Riksbank keeps inflation around its target of 2%. During 2009 the equities portion in the investment management portfolio was initially considerably lower. At the end of 2010, the equities portion amounted to 40%. If share prices were to change by 10 percentage points, the Group's earnings and equity would be affected by approximately SEK 38 M (40) before tax.

The market value of directly-owned equities, bonds and other financial instruments attributable to an individual issuer may comprise a maximum of 10% of the portfolio's total market value. An exception applies to the Swedish government or securities guaranteed by the Swedish government, a Swedish housing finance institution and Swedish municipalities and county councils.

Of the portfolio's investments in Swedish and foreign equities, depository receipts and share-related instruments, at least 90% must be listed. At year-end 2010 all own investments in securities were in listed companies or registered funds.

RISKS RELATED TO HOLDINGS AND INVESTMENTS

Stock market trends and interest rates

A negative stock market trend could impact the assessment of the value of both Hakon Invest's listed shareholdings as well as Hakon Invest's unlisted holdings. Interest rates are another factor that could impact the assessed value of the holdings. The interest-rate situation also impacts the cost of loan financing.

Decline in value of the asset management portfolio and shareholdings

For the asset management portfolio and shareholding in Ahold that, combined, amounted to SEK 1,136 M (857) at December 31, 2010, adjustments of the book values are made on the basis of changes in share prices and exchange rates, which could have a negative impact on Hakon Invest.

Factors related to the holdings

Hakon Invest's earnings are affected significantly by its interest in the earnings of the holdings. Accordingly, factors that could have a negative impact on the holding's operations, financial position and earnings could have a less than insignificant impact on Hakon Invest.

The future development of the unlisted holdings in associates and joint ventures and/or changes in external factors could affect the assessment of the value of these holdings and, accordingly, in the case an assessment results in an estimation of a reduced value, require an impairment of book values.

Note 3 Business combinations**BUSINESS COMBINATIONS 2010**

In July 2010, Hakon Invest acquired an additional 5% in the portfolio company inkClub Development AB. As a result the holding rose from 50% to 55%. Hakon Invest and the other principal owners retain shared control in the company.

BUSINESS COMBINATIONS 2009**Subsidiaries**

In January 2009, Hakon Invest acquired an additional 33% of the shares in the portfolio company Cervera AB. As a result the holding rose from 48% to 81% of the capital and votes in Cervera AB. Hakon Invest made a cash payment of SEK 33 M for the additional shares. In October 2009, Hakon Invest provided Cervera AB with SEK 120 M via a new issue. Following the new issue, Hakon Invest owns 91.4% of the shares and votes in Cervera AB.

On April 28, 2009, Hakon Invest announced a cash offering to shareholders in Hemtex AB in accordance with the rules on mandatory offers. The acceptance period expired on July 6, 2009. Hakon Invest subsequently purchased a small number of shares over the stock exchange.

In May 2009, Hemtex effected a SEK 164 M new issue. Hakon Invest subscribed for 24.6% of the shares and votes in conjunction with the new issue. At December 31, 2009, Hakon Invest's holding in Hemtex AB amounted to 68.5% of the shares and votes. Hemtex is reported as a subsidiary with effect from June 30, 2009. Prior to that date the shareholding was recognized at fair value through profit or loss. In accordance with the rules for step acquisitions according to IFRS, earlier changes in value were reversed via other comprehensive income on the date Hemtex became a subsidiary. The reversal was made at an amount that takes into account that impairment of goodwill will not arise as a result of the reversal. The reversed amount is SEK 28 M.

In addition to the above acquisitions, in June 2009 Cervera completed the acquisition of the net assets in Duka as well as NK Glas, Porslin & K  k (Northern Classic AB). The acquisition included 27 store locations, store fixtures and fittings, existing external inventories and the Duka store brand in the Swedish market.

The assets and liabilities included in the acquisitions of Cervera AB and Hemtex AB are as follows:

SEK M	Cervera AB		Hemtex AB	
	Carrying amount in acquired company ¹⁾	Value according to PPA	Carrying amount in acquired company ¹⁾	Value according to PPA
Brands	–	77	–	500
Goodwill	–	–	284	–
Other intangible assets	8	5	50	50
Property, plant and equipment	21	21	121	121
Financial assets	5	5	7	7
Inventories	131	131	291	291
Current receivables	36	36	39	39
Prepaid expenses and accrued income	22	22	9	9
Cash and bank balances	10	10	31	31
Deferred tax liabilities	–	–20	–25	–157
Non-current liabilities	–38	–38	–90	–90
Current liabilities	–127	–127	–233	–233
Acquired identifiable net assets	68	122	484	568
Less minority		–24		–179
Goodwill		12		385
Acquired net assets incl. goodwill		110		774
Change in interest in associates during the holding period		10		–
Step acquisition		–		21
Unreversed change in value		–		132
		120		927
Purchase price for shares in subsidiary		118		918
Acquisition costs		2		9
Total acquisition cost		120		927
Acquisition cost for acquisitions in 2009		33		504
Cash and cash equivalents in acquired subsidiary		–10		–31
Change in the Group's cash and cash equivalents at acquisitions in 2009 ²⁾		23		473

¹⁾ Recognized in the company applying Hakon Invest's principles.

²⁾ Change in cash and cash equivalents other acquisitions amounts to SEK 19 M.

Note 3 cont.

How the acquisition of Hemtex during the year would have affected Hakon Invest's sales and earnings if the company has been acquired at January 1, 2009.

	Hakon Invest Group	Hemtex before acquisition	Hakon Invest Group pro forma
Net sales	729	566	1 295
Profit/loss for the year	-56	-94	-150

Cervera, which is reported as subsidiary with effect from January 1, 2009, affected sales in the Group by SEK 544 M and consolidated profit for the period by SEK -20 M for the 2009 fiscal year.

Note 4 Segment information

Hakon Invest has four segments: Forma, Hemma, Cervera and Hemtex. In 2009, Cervera and Hemtex were reported as one segment. Holdings recognized according to the equity method are included in the item Other including eliminations.

Internal accounting and follow-up is based on subsidiaries which are the primary format for segment accounting. The largest part of operations are conducted in Sweden. Some operations are conducted in the Nordic and Baltic regions.

In addition there are asset management operations in Hakon Invest AB and the holding in ICA AB and other associates and joint ventures, which are recognized under Other including eliminations. The risks and opportunities facing the joint venture ICA AB have been identified in the following operating segments: ICA Sweden, ICA Norway, Rimi Baltic, ICA Real Estate and ICA Bank. The first three refer to retail operations in each geographic area. ICA Real Estate conducts property management and ICA Bank conducts banking operations.

	External revenues		Operating profit/loss		Profit/loss after financial items		Profit/loss for the year	
	2010	2009	2010	2009	2010	2009	2010	2009
Forma	875	870	15	-20	3	-32	1	-30
Hemma	268	249	-35	-4	-38	-6	-38	-6
Cervera	707	544	-33	-25	-37	-30	-31	-20
Hemtex	1,081	729	-233	-120	-240	-123	-256	-93
Other including eliminations	-	-	-136	592	-66	862	-67	850
Total	2,931	2,392	-422	423	-378	671	-391	701

	Assets		Liabilities		Investments		Depreciation and impairment	
	2010	2009	2010	2009	2010	2009	2010	2009
Forma	586	595	488	496	12	10	13	13
Hemma	353	302	205	164	5	0	2	2
Cervera	397	425	259	255	17	75	16	14
Hemtex	623	788	485	397	19	7	45	72
Other including eliminations	8,377	9,273	-45	-147	36	499	284	-37
Total	10,336	11,383	1,392	1,165	89	591	360	64

Of 2010 net sales, SEK 2,582 M came from Sweden, SEK 269 M from Finland and SEK 80 M from other countries.

Note 5 Depreciation

	Dec. 31, 2010	Dec. 31, 2009
Cost of goods sold	12	13
Selling costs	62	48
Administrative expenses	2	3
Total	76	64

Depreciation refers mainly to equipment but also includes rebuilding, buildings and vehicles.

The following depreciation schedules are applied within the Group:

Buildings and service facilities	20 years
Land improvements	3 years
Computer equipment	3 years
Equipment, other	3–10 years
Other intangible assets	5–10 years

Note 6 Fees to auditors

	2010	2009
Ernst & Young, audit assignment	5	4
Ernst & Young, audit-related assignments in addition to audit assignment	1	0
Ernst & Young, tax advice	0	0
Ernst & Young, other services	3	1
Total	9	5

Note 7 Average number of employees, salaries, other remuneration and social security contributions

NUMBER OF EMPLOYEES is calculated on the basis of normal working hours in the Group of 1,800 hours.

Average number of employees in the Group	2010	2009
Sweden		
Women	1,004	929
Men	324	307
	1,328	1,236
Denmark		
Women	28	38
Men	5	11
	33	49
Norway		
Women	16	35
Men	1	4
	17	39
Finland		
Women	176	183
Men	8	14
	184	197
Estonia		
Women	26	29
Men	2	1
	28	30
Total number of women	1,250	1,214
Total number of men	340	337
Average number of employees in the Group, total	1,590	1,551

SALARIES AND REMUNERATION amounted to (SEK M):

	2010	2009
Board of Directors and Presidents		
Sweden	27	26
Finland	1	3
	28	29
Other employees		
Sweden	509	380
Denmark	11	7
Norway	10	10
Finland	56	47
Estonia	4	3
	590	447
Total salaries and remuneration in the Group	618	476
Social security contributions, statutory and contractual	173	139
Pension costs	64	56
Total social security contributions and pension costs	237	195
Total salaries, remuneration, social security contributions and pension costs	855	671

REMUNERATION TO THE BOARD OF DIRECTORS

The Chairman of the Board and Board members are paid fees determined by a decision of the Annual General Meeting. Fees to Board members are reported in thousands of kronor (SEK 000s).

Note 7 cont.
FEES TO PARENT COMPANY'S BOARD MEMBERS 2010

SEK 000s 1)	Board fee	Committee work	Total fee 2010	Total fee 2009
Lars Otterbeck	550	50	600	625
Anders Fredriksson	330	50	380	380
Cecilia Daun Wennborg	220	75	295	270
Jan Olofsson	220	25	245	245
Andrea Gisle Joosen	110	–	110	–
Magnus Moberg	220	25	245	245
Thomas Strindeborn	220	–	220	220
Jan-Olle Folkesson	110	25	135	245
	1,980	250	2,230	2,230

1) Remuneration excluding social security contributions.

REMUNERATION TO THE PRESIDENT AND OTHER SENIOR EXECUTIVES

Remuneration to the President and other senior executives consists of a basic salary, pension benefits, severance pay, bonus, share-based incentive program and other benefits.

Other senior executives refers to the individuals who, with the President, form Executive Management. The Company's Remuneration Committee determines compensation and other terms of employment for Executive Management.

Remuneration to senior executives is specified in thousands of kronor (SEK 000s).

A bonus is payable if the company's earnings per share increase by at least 15% and for a maximum payment, the company's earnings per share must increase by 22%. Bonus can amount to a maximum of six monthly salaries for the President and four monthly salaries for other senior executives. For 2010, a bonus was paid of SEK 1.5 M for the President and SEK 1.8 M for other senior executives relating to the 2009 fiscal year. No bonus is payable for the 2010 fiscal year.

2010, SEK 000s¹⁾	Basic annual salary	Benefits	Pension cost	Bonus/ incentive	Total
President ²⁾	1,200	121	4,446	0	5,767
Other senior executives ³⁾	6,233	533	2,056	0	8,822
	7,433	654	6,502	0	14,589

1) Remuneration excluding social security contributions.

2) Total remuneration package of SEK 7.4 M includes salary, vacation pay, social security contributions, pension costs and other costs in the form of company car, etc.

3) Other senior executives in 2010 comprised 3 people, all of whom are men.

2009, SEK 000s¹⁾	Basic annual salary	Benefits	Pension cost	Bonus/ incentive	Total
President ²⁾	1,181	130	3,253	1,560	6,124
Other senior executives ³⁾	5,491	420	1,683	1,800	9,394
	6,672	550	4,936	3,360	15,518

1) Remuneration excluding social security contributions.

2) Total remuneration package of SEK 5.7 M includes salary, vacation pay, social security contributions, pension costs and other costs in the form of company car, etc.

3) Other senior executives in 2009 comprised 3 people, all of whom are men.

TERMS AND CONDITIONS FOR THE PRESIDENT

A total remuneration package of SEK 7.4 M (5.7) has been agreed with the President. The package includes salary, vacation pay, social security contributions, pension costs and other costs in the form of company car, etc. The President can make free use of the package in a manner that is cost neutral for the company. The notice period is six months, during which time the total remuneration package is available at 1/12 per month. The President is not entitled to any severance pay.

The company and the President are both entitled to require the President to retire at the age of 65. Within the total remuneration package described above, the President decides the size of the pension provisions to be made.

NOTICE PERIODS AND SEVERANCE PAY FOR OTHER SENIOR EXECUTIVES

Between the Company and other senior executives of the Hakon Invest Group, termination of employment is subject to a mutual notice period of six months. Moreover, if the termination of employment is triggered by the Company, the other senior executives are entitled to severance pay of up to 18 monthly basic salaries. Severance pay is deductible.

Senior executives whose contracts were signed prior to 2005 have in some cases the right to a non-deductible severance pay.

When giving their notice, other senior executives are, under certain circumstances, entitled to compensation for a non-competition clause that applies for six months following termination of employment. Compensation is limited to a maximum of 60% of the basic cash salary and applies only during the period the non-competition clause applies.



PENSION BENEFITS FOR OTHER SENIOR EXECUTIVES

Other senior executives have a defined contribution pension plan. This means that a maximum of 35% of pensionable salary can be used for pension premiums, which are paid during the service period.

Senior executives with contracts signed prior to the 2006 Annual General Meeting (2 people) are entitled to retire at 62 with a defined benefit pension for the period until normal retirement age at 65.

INCENTIVE PROGRAMS

Share-based incentive program 2010

The President and other senior executives are included in a combined share matching and performance based incentive program, which requires own investment with a three-year vesting period.

The program means that participants actively purchase new shares (so-called Saving shares) at a market price and lock the Saving shares over a three-year period. For each Savings share acquired by the participant, the participant is allocated a right which carries entitlement, free of charge on a date decided by the Board, approximately three years after the allocation, to receive one common share in Hakon Invest (so-called Matching shares) as well as additional rights that entitle the participant, free of charge and on a date decided by the Board, approximately three years after allocation, provided special performance requirements are met, to receive additional common shares in Hakon Invest (so-called Performance shares).

The total number of Matching and Performance shares may amount to a maximum of 32,500 for the President and other senior executives. The total cost of the program for the President and other senior executives is estimated at SEK 2.6 M excluding social security contributions.

The share-based incentive program also includes other employees on the same terms as for senior executives. The total number of Matching and Performance Shares can amount to 7,520 for other employees.

The number of purchased savings shares amounts to 2,000 for the President and 8,260 for other employees. During 2010, SEK 0.7 M was placed in a reserve for the built up costs for the 2010 incentive program.

The participants' maximum gain is limited to SEK 343.00 per Matching or Performance share (three times the average closing price for Hakon Invest shares in January 2010). If the value of the allocation of Matching and Performance Shares exceeds SEK 343.00, the number of shares the employee is entitled to will be reduced by a corresponding amount.

Share-based incentive program 2009

The President and other senior executives are included in a combined share matching and performance based incentive program, which requires own investment with a two-year vesting period and a one-year redemption period. The program means that participants actively purchase new shares (so-called Saving shares) at a market price and lock the Saving shares over a two-year period. Provided the participant is still employed and still in possession of the Saving shares, a number of rights can be exercised to redeem so-called Matching shares at an exercise price of SEK 10 per share. If some clearly defined performance requirements are met, additional rights can be exercised to redeem so-called Performance shares at an exercise price of SEK 10 per share.

The total number of Matching and Performance shares may amount to a maximum of 32,500 for the President and other senior executives. The total cost of the program for the President and other senior executives is estimated at SEK 1.4 M including social security contributions.

The share-based incentive program also includes other employees on the same terms as for senior executives. The total number of Matching and Performance Shares can amount to 7,120 for other employees.

The number of purchased savings shares amounts to 2,000 for the President and 8,060 for other employees. So far SEK 2.0 M, of which SEK 1.5 M in 2010, has been placed in a reserve for the built up costs for the 2009 incentive program.

The participants' maximum gain is limited to SEK 256.50 per Right (three times the average closing price for Hakon Invest shares in January 2009). If the value of the allocation of Matching and Performance Shares exceeds SEK 256.50, the number of shares the employee is entitled to will be reduced by a corresponding amount.

STOCK OPTIONS 2007

The President, other members of Executive Management and some employees are covered by performance-related incentive program for 2007 consisting of bonus and options. The amount of the bonus is maximized to correspond to nine monthly salaries for the President, six monthly salaries for members of Executive Management, and three monthly salaries for other eligible people.

At least 50% of the bonus must be reinvested in call options within the framework of the company's option program. In addition, some employees in special circumstances may be covered by entitlement to a performance-based bonus limited to a certain proportion of basic annual salary, corresponding to a maximum of two monthly salaries.

Stock options 2007

The number of purchased stock options based on the 2007 bonus is 97,100.

Personnel costs booked in income statement 2007 relating to reinvestment in stock options amount to SEK 1,697,254

In calculating the price of the call options, the Black & Scholes model was used and was based on the following assumptions:

Share price ¹⁾	SEK 117.70
Exercise price	SEK 129.00
Option price	SEK 13.20
Options term	3 years
Risk-free interest	3.79%

1) Value of shares, based on volume-weighted average price paid during the period February 25-27, 2008.

Assumed dividend for fiscal year:

2007	SEK 6.30
2008	SEK 6.75
2009	SEK 7.50
Volatility	28%

The 2007 option program expires on March 31, 2011.

This assessment is based on theoretical calculations of the value of the call options.

In assessment of the future volatility of Hakon Invest's shares, historic volatility in comparable companies was taken into account.

In 2008 there was no payment in the bonus program and no options were subscribed for.



**Note 7 cont.***All employees*

ICA-handlarnas Förbund implemented an incentive program aimed at all employees in the Parent Company Hakon Invest AB in December 2005, following the listing.

When the program expired on December 31, 2008, it was renewed on the same terms. The exercise period is from September 1, 2010, through March 31, 2011.

The incentive program included an offer to acquire call options with the right to purchase common shares in Hakon Invest. Each call option carried entitlement to purchase one common share during the period July 1, 2008–December 31, 2008 at an exercise price corresponding to 110% of the average market price for shares in Hakon Invest during a period of five trading days, beginning six trading days after the listing through the tenth trading day following the listing ("measurement period"). The financial consequences of the call options was limited by a ceiling, requiring that if the share price at exercise exceeds 200% of the share price during the measurement period ("ceiling"), then the option holder would only receive half of the value increase above that ceiling. ICA-handlarnas Förbund subsidized the offer in its entirety and ultimately bore the costs of the program. The fair value of services received from employees in exchange for the allocated options recognized as personnel costs in 2008 was measured on the basis of the fair value of the allocated options as shown below.

In calculating the price of the call options, the Black & Scholes model was used and was based on the following assumptions:

Share price	SEK 82.80
Exercise price	SEK 97.50
Option price	SEK 5.90
Options term	2.25 years
Risk-free interest	1.89%

1) Value of shares, based on volume-weighted average price paid during the period December 9-15, 2008

Assumed dividend for fiscal year:

2008	SEK 5.00
2009	SEK 5.00
2010	SEK 5.00
Volatility	28%

This assessment is based on theoretical calculations of the value of the call options. In assessment of the future volatility of Hakon Invest's shares, historic volatility in comparable companies was taken into account.

Allocated stock options 2008:

Number of outstanding options	75 000
Personnel costs recognized in the 2008 income statement	SEK 859,441

Note 8 Interests in companies recognized according to the equity method

	Dec. 31, 2010	Dec. 31, 2009		Corporate reg. no.	Reg. office
Opening balance	7,678	7,306	ICA AB	556582-1559	Stockholm
Changes for the year			Bra Förlag AB	556424-7921	Stockholm
– Acquisitions	36	–	Trade Press AS	966 705 086	Oslo
– Dividends	–696	–347	Kjell & Co Elektronik AB	556400-5378	Malmö
– Reclassification 1)	–	–80	inkClub Development AB	556712-3772	Uppsala
– Profit from interests recognized according to equity method	212	612			
– Items recognized in other comprehensive income	–412	187			
Total	6,818	7,678			

1) Relates to Cervera, which was reported as a subsidiary in 2009.

Group	Number	Share, % 1)	Book value Dec. 31, 2010 SEK M	Book value Dec. 31, 2009 SEK M	Share of profit 2010 SEK M	Share of profit 2009 SEK M
ICA AB	2,000,000	40.0	6,275	7,110	204	596
Bra Förlag AB	500	50.0	9	7	2	0
Trade Press AS	50	40.0	10	10	0	1
Kjell & Co Elektronik AB	5,600	50.0	123	114	8	6
inkClub Development AB	50,000	55.0	401	437	–2	9
Total			6,818	7,678	212	612

1) The ownership interest above indicates the share of voting rights, which matches share of equity in every case.

JOINT VENTURES

ICA AB is a joint venture of which Hakon Invest owns 40% and 60% is owned by the Dutch company Royal Ahold N.V. Through the shareholder agreement between Hakon Invest and Ahold, the owners have joint control of ICA AB through a contractual requirement for unanimity in all decisions at General Meetings of shareholders and in the Board of Directors. The agreement runs until year-end 2040. The shareholder agreement stipulates that right of first refusal exists between the parties at market price in the event of share transfers. Transfers may only be made to a party who becomes a party to the shareholder agreement.

Kjell & Co Elektronik AB is a joint venture that is 50% owned by the Hakon Invest Group and 50% by the brothers Fredrik, Markus and Mikael

Dahnelius together with their father Kjell Dahnelius. Kjell & Co Elektronik AB has been 50% owned by the Hakon Invest Group since July 2006.

inkClub Development AB is a joint venture which, following an add-on acquisition of 5% on July 1, 2010, is 55% owned by the Hakon Invest Group and the remainder is owned by Lennart Nyberg and family and Hans Nilsson. inkClub Development AB has been owned by the Hakon Invest Group since July 2007. Since Hakon Invest and co-owners have joint control over the company through an agreement, inkClub Development AB is not consolidated.

The following tables show summary income statements and balance sheets for The ICA Group, Kjell & Co Elektronik AB and inkClub Development AB.

BALANCE SHEET

	ICA Group		Kjell & Co Elektronik AB		inkClub Development AB	
	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009
Intangible non-current assets	3,590	3,940	21	22	62	5
Property, plant and equipment	15,364	15,755	7	8	4	–
Financial assets	5,368	3,701	1	–	–	–
Deferred tax	7	515	–	–	–	–
Inventories	4,495	4,446	130	105	51	37
Current receivables	7,751	8,367	21	19	39	35
Cash and cash equivalents	3,102	3,422	48	29	28	176
Non-current assets held for sale	26	14	–	–	–	–
Total assets	39,703	40,160	228	183	184	253
Equity	11,913	13,962	79	63	97	210
Non-current liabilities	5,884	4,807	12	12	38	–
Current liabilities	21,906	21,391	137	108	49	43
Total equity and liabilities	39,703	40,160	228	183	184	253

INCOME STATEMENT

	ICA Group		Kjell & Co Elektronik AB		inkClub Development AB	
	2010	2009	2010	2009	2010	2009
Revenues	93,860	94,651	644	550	497	452
Cost of goods sold	–80,387	–81,494	–346	–296	–262	–228
Selling and administrative expenses	–10,772	–10,696	–278	–233	–202	–172
Other operating income	223	252	1	1	5	11
Operating profit/loss	2,924	2,713	21	22	38	63
Net financial items	–327	–404	–	–	–	1
Income tax	–2,050	–722	–4	–6	–11	–17
Profit/loss for the year	547	1,587	17	16	27	47

Note 8 cont.
Associates

The Hakon Invest Group had two associates at year-end 2010: Bra Förlag AB and Trade Press AS which are recognized according to the equity method.

The table below shows a summary of Hakon Invest's share of the assets and liabilities, revenues and profits of the associates.

	Associates	
	2010	2009
Hakon Invest's share of net assets:		
Non-current assets	2	1
Current assets	15	14
Non-current liabilities and provisions	-1	-1
Current liabilities	-3	-3
	13	11
Goodwill	6	6
Share in associates	19	17
Hakon Invest's share of revenues and profits of associates:		
Revenues	35	36
Profit for the year	2	2

Note 9 Financial income

	2010	2009
Dividends	12	11
Interest income	15	19
Exchange differences	5	10
Other financial income	-	7
Total	32	47

Note 10 Financial expenses

	2010	2009
Interest expenses	-23	-17
Exchange differences	-14	-14
Total	-37	-31

Note 11 Change in fair value of financial instruments

	2010	2009
Reversal of impairment Hemtex	-	145
Short-term investments	49	87
Total	49	232

The above items include both unrealized and realized changes in value.

Note 12 Tax

	2010	2009
<i>Items included in tax expenses are shown below:</i>		
Current income tax		
Consolidated income statement		
Tax attributable to previous years	-	-5
Deferred income tax		
Deferred tax attributable to loss carry forwards	-18	35
Deferred tax pertaining to change in temporary differences	5	
Tax expense recognized in the income statement	-13	30
<i>Reconciliation of effective tax expense:</i>		
Profit before tax	-378	671
Tax based on applicable tax rate in Sweden 26.3%	99	-176
Tax effect of:		
Shares of profit according to the equity method	56	161
Reversal change in value Hemtex	-	38
Goodwill impairment	-74	-
Non-capitalized loss carry forwards	-94	-
Loss carry forwards recognized from previous years	-	5
Temporary differences	8	-
Other non-taxable revenues	7	4
Non-deductible expenses	-15	-2
Company's effective tax expense 3.44% (4.47%)	-13	30
<i>Deferred tax at December 31 pertains to the following:</i>		
Deferred tax liabilities		
Non-current assets	-184	-190
Untaxed reserves	-	-10
Deferred tax liabilities, gross	-184	-200
Deferred tax assets		
Pension provisions	11	10
Share in partnership	-	3
Loss carry forwards	218	245
Deferred tax assets, gross	229	258
Net deferred tax assets	45	58

The net of the deferred tax liabilities and tax assets is recognized in the balance sheet.

The Group's loss carry forwards in Sweden at December 31, 2010, amounted to SEK 1,373 M (1,157). A deferred tax asset of SEK 229 M (245) is recognized in the balance sheet relating to a loss carry forward of SEK 871 M (930). Loss carry forwards in Sweden are perpetual.

Note 13 Earnings per share before and after dilution

All shares, both common and C shares, carry the same voting rights. While common shares have unrestricted entitlement to dividends, as decided by the General Meeting, C shares do not carry the right to cash dividends. Such rights can accrue to C shares no earlier than 2016. However, C shares are entitled to dividends through distribution in kind, in the form of shares or other participation rights in ICA AB or in current or future subsidiaries or associates in the ICA Group or in companies that could take over operations that are operated or which could be operated within the ICA Group. The C shares, which comprise 51% of the total number of shares, are held by ICA-handlarnas Förbund.

C shares can be converted into common shares from January 1, 2016. C shares and common shares have an equal share in earnings per share.

ICA-handlarnas Förbund, has decided on conversion of its holding of non-dividend paying C shares in Hakon Invest into common shares which carry dividend entitlement. This decision means that ICA-handlarnas Förbund has lodged a request with the Board of Hakon Invest on January 1, 2011, for conversion of all C shares into common shares, and that the share structure in Hakon Invest with effect from January 1, 2016 will only comprise common shares which carry dividend entitlement.

Earnings per share before dilution for common shares and C shares are calculated by dividing the profit for the year that accrues to the holders with the weighted average number of shares outstanding during the year.

The tables below show the earnings and number of shares used in the calculation of earnings per share for common shares:

	2010	2009
Net profit that accrues to holders of common shares and C shares, SEK M	-303	726
Weighted average of number of shares before dilution, thousands	160,653	160,671
Weighted average of number of shares after dilution, thousands	160,732	160,671

No other transactions with common shares or potential common shares took place during the period from the balance sheet date to the date of preparation of these financial reports.

Note 14 Intangible assets

	Goodwill		Trademarks		Tenancy rights		Other intangible assets	
	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009
Opening cost	712	304	694	112	83	-	68	26
Changes for the year								
- Investments	3	12	-	-	2	1	18	10
- Sales and disposals	-	-	-	-	-4	-1	-9	-4
- Translation differences	-	-1	-	-	-	-	-	-
- Reclassification	-	-	-	-	-	-	-	7
- Business combinations	-	397	-	582	-	83	-	29
Closing accumulated cost	715	712	694	694	81	83	77	68
Opening amortization	-	-	-	-	-37	-	-26	-9
Changes for the year								
- Amortization	-	-	-	-	-9	-5	-12	-8
- Sales and disposals	-	-	-	-	2	1	9	1
- Business combinations	-	-	-	-	-	-33	-	-10
Closing accumulated amortization	-	-	-	-	-44	-37	-29	-26
Opening impairment	-	-	-	-	-	-	-	-
Changes for the year								
- Impairment	-284	-	-	-	-	-	-	-
Closing accumulated impairment	-284	-	-	-	-	-	-	-
Closing book value	431	712	694	694	37	46	48	42

Acquired goodwill and trademarks with an indefinite useful life were allocated to four different cash-generating units. Every year, and in the event of any indication of a decline in value, an impairment test is performed for goodwill and trademarks with indefinite useful lives.

Carrying amount of goodwill and trademarks allocated to cash-generating units

	Goodwill		Trademarks	
	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009
Publishing operations, Forma	214	214	70	70
White goods operations, Hemma	89	90	42	42
Home furnishings operations, Hemtex	102	385	500	500
Home furnishings operations, Cervera	26	23	82	82
	431	712	694	694

Note 14 cont.

Publishing operations

Hakon Invest owns 100% of the shares and votes in the subsidiary Forma Publishing Group AB. The publishing operations for newspapers, magazines and other publications are fully integrated and are the cash-generating unit in Forma to which the intangible values relate.

White goods operations

Hakon Invest's wholly owned subsidiary Hemmabutikerna Intressenter AB owns 89% of the shares and votes in Hemmabutikerna i Sverige Utveckling AB, which conducts white goods retailing.

Home furnishings operations (Hemtex AB)

Hakon Invest owns 68.5% of the shares and votes in Hemtex AB. Hemtex is a home textiles chain in Sweden and Finland.

Home furnishings operations (Cervera AB)

Hakon Invest's wholly owned subsidiary Cervera Intressenter AB owns 91.4% of the shares and votes in Cervera AB. Cervera is a store chain with products for kitchen and dining areas.

Impairment test

The recoverable amount for intangible assets is assessed on the basis of value in use. Present value is calculated on the future cash flow from each cash-generating unit. The future cash flow is calculated on the basis of Executive Management's forecasts for a five-year period and also reflect historical experience.

The most important assumptions in five-year plans and the methods used to estimate values are as follows.

Key variables	Method for estimating values
Growth	Growth is assessed on the basis of business plans and market trends during the forecast period. After the forecast period a long-term growth of 2–3% is assessed (2009 2–3%).
Gross profit	Assessment of gross profit takes into account pricing, purchasing processes and assortment mix.
Other expenses	An assessment is made of the level for fixed and variable costs as well as costs associated with expansion.
Investments	Investments include an assessment of maintenance investments.
Working capital	The change in working capital is affected by the demands set for other variables.
Discount rate	10.7–15.5% before tax (2009: 10.0–13.4% before tax). The discount rate is determined separately for each company, whereby each portfolio company had its own benchmark group of listed companies from which the market required rate of return could be determined. An average was used as a starting point for the return requirement on equity for the company. At discounting WACC is used where among other things the assumption on the company's long-term debt is included. Adjustments were made in cases where companies were judged to have a different risk from the benchmark group.

Hemtex

Hemtex's earnings development, business plans and cash flow forecasts have been evaluated in conjunction with impairment testing. The test procedures have resulted in an impairment of goodwill of SEK 284 M to estimated value in use SEK 102 M.

Sensitivity analysis

Carrying amounts for intangible assets for Hemtex are on a level with estimated value in use and Hemtex's intangible assets are recognized at estimated value in use.

In the impairment test, long-term growth is estimated at 2% (3) for Hemma and 3% (3) for Hemtex. The discount rate is 11.6% before tax. A lower growth rate, an increased discount rate or other negative changes of key variables in the impairment test would result in impairment of carrying amounts.

Management is of the opinion that possible changes in key variables in the calculations for other cash-generating units would not have such a major effect that the recoverable amount would be reduced to a value that is lower than the carrying amount.

Note 15 Equipment

	Dec. 31, 2010	Dec. 31, 2009
Opening balance	440	104
– Purchases	26	53
– Business combinations	–	352
– Sales and disposals	–63	–59
– Reclassification	–	–7
– Exchange rate differences	–11	–3
Closing accumulated cost	392	440
Opening accumulated depreciation	–288	–72
– Business combinations	–	–206
– Sales and disposals	48	41
– Exchange rate differences	6	1
– Depreciation	–55	–52
Closing accumulated depreciation	–289	–288
Closing book value	103	152

Note 16 Inventories

	Dec. 31, 2010	Dec. 31, 2009
Finished goods	550	563
Total	550	563

Inventories consist of white goods SEK 54 M (53), books SEK 125 M (117) and home furnishings SEK 371 M (393).

Note 17 Financial assets and liabilities by category

	Financial assets at fair value through profit or loss	Loans and receivables	Financial liabilities	Total carrying amount
2010				
Trade and other receivables	–	200		200
Other current receivables	–	40		40
Short-term investments ¹⁾	1,076	–		1,076
Cash and cash equivalents	–	147		147
Total financial assets	1,076	387		1,463
Non-current interest-bearing loans			49	49
Trade and other payables			562	562
Current interest-bearing loans			387	387
Other current liabilities			87	87
Total financial liabilities			1,085	1,085

1) SEK 198 M of short-term investments are classified according to level 2. Measurement level 2 relates to financial assets for which measurement is carried out using a model based on observable market inputs. The remaining SEK 878 M is classified according to level 1. Measurement level 1 relates to financial assets for which quoted prices for identical instruments are observable in an active market.

	Financial assets at fair value through profit or loss	Loans and receivables	Financial liabilities	Total carrying amount
2009				
Trade and other receivables	–	204		204
Other current receivables	–	36		36
Short-term investments ¹⁾	823	–		823
Cash and cash equivalents	–	226		226
Total financial assets	823	466		1,289
Non-current interest-bearing loans			142	142
Trade and other payables			283	283
Current interest-bearing loans			124	124
Other current liabilities			96	96
Total financial liabilities			645	645

1) SEK 310 M of short-term investments are classified according to level 2. Measurement level 2 relates to financial assets for which measurement is carried out using a model based on observable market inputs. The remaining SEK 513 M is classified according to level 1. Measurement level 1 relates to financial assets for which quoted prices for identical instruments are observable in an active market.

For trade receivables, trade payables, other current receivables and liabilities measured at cost the maturity is short and therefore fair value corresponds to carrying amount. Since the loans carry floating interest, the carrying amount of the loans corresponds to fair value.

Note 18 Trade receivables

	Dec. 31, 2010	Dec. 31, 2009
Trade receivables not past due	117	144
Trade receivables past due 0–90 days	10	8
Trade receivables past due 90–180 days	3	1
Trade receivables past due >180 days	8	7
Reserve for bad debts	–6	–7
Total trade receivables	132	153

Note 20 Prepaid expenses

	Dec. 31, 2010	Dec. 31, 2009
Production and distribution costs	47	42
Rental costs	64	64
Other prepaid expenses	30	25
Total	141	131

Note 19 Related party transactions

Forma Publishing Group during 2010 sold goods to ICA AB for SEK 100 M (69). Forma's receivable from ICA AB at December 31, 2010, amounted to SEK 10 M (7). In 2010, Hakon Invest purchased services from ICA AB for SEK 1 M (1).

Note 21 Short-term investments

	Dec. 31, 2010	Dec. 31, 2009
Breakdown of short-term investments:		
Equities	377	355
Hedge funds	234	144
Fixed-income securities	394	247
Ahold shares	71	77
Book value	1,076	823
Cash and cash equivalents	147	226
Total short-term investments and cash and cash equivalents	1,223	1,049

Financial investments under external management amounted to SEK 771 M (721) at December 31, 2010, and investments under own management totaled SEK 305 M (102). At year-end 2010 the Group's and the Parent Company's investments were allocated as follows: 40% equities (50), 35% fixed-income securities (29), 20% hedge funds (17) and 5% cash and cash equivalents (4). The hedge fund holding refers to the hedge funds Adrigo, Alcur, Brummer Multi-Strategy, Brummer Nektar and SEB Fonder. These items are measured at fair value in the income statement. In order to establish fair value, official market listings were used.

Note 22 Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances totaling SEK 147 M (226). Unutilized bank overdraft facilities as of December 31, 2010, amounted to SEK 82 M (192).

Note 23 Equity

	Dec. 31, 2010	Dec. 31, 2009
Share capital, number of shares, 000s		
Common shares of SEK 2.50 per share	78,849	78,849
C shares of SEK 2.50 per share	82,068	82,068
Total	160,917	160,917

Shares have the same quota value (SEK 2.50) and equal voting rights. Share capital totals SEK 402,294 thousand. The total holding of treasury shares amounts to 264,920 common shares (264,920) after buybacks. For information on incentive programs, see Note 7.

	Dec. 31, 2010	Dec. 31, 2009
Reserves companies recognized according to equity method		
Fair value reserve	6	14
Hedging reserve	211	219
Translation reserve	85	480
Total	302	713

Hedging reserve

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

Fair value reserve

The fair value reserve includes changes in value attributable to tangible and intangible non-current assets. In step acquisitions revaluation is recognized for previously owned share of assets in the fair value reserve.

Translation reserve

The translation reserve includes all exchange rate differences that arise in translation of financial reports from foreign operations that prepare their financial reports in a currency other than the currency in which the Group's financial reports are presented.

Other capital provided

Other capital provided essentially consists of the contribution in addition to share capital provided by the owners.

DIVIDEND

Common shares carry unrestricted entitlement to receive dividends decided by a General Meeting, while C shares (which comprise 51% of the total number of shares and are held by ICA-handlarnas Förbund) do not carry entitlement to cash dividends. Such rights can accrue to C shares in 2016 at the earliest. However, C shares are entitled to dividends through distribution in kind, in the form of shares or other interests in ICA AB or in current or future subsidiaries or associates in the ICA Group or in companies that could take over operations that are operated or which could be operated within the ICA Group.

ICA-handlarnas Förbund, has decided on conversion of its holding of non-dividend paying C shares in Hakon Invest into common shares which carry dividend entitlement. This decision means that ICA-handlarnas Förbund has lodged a request with the Board of Hakon Invest on January 1, 2011, for conversion of all C shares into common shares, and that the share structure in Hakon Invest with effect from January 1, 2016 will only comprise common shares which carry dividend entitlement.

Hakon Invest's target is that the dividend rate will normally be at least 50% of the Parent Company's profit after tax. 100% of dividends are distributed among 49% of the shares since the C shares are not entitled to cash dividends. This policy assumes that the Company's position and liquidity allows it to issue a dividend to the extent referred to above.

MANAGEMENT OF GROUP'S CAPITAL

The Group's managed capital comprises equity. The Group's target for management of capital is to enable good growth of operations and to be prepared to take advantage of business opportunities.

Paid and proposed dividends	
Decided and paid during the year	SEK M
Dividend on common shares:	
Dividend for 2009: SEK 6.00/share	472

Dividend proposal to the 2011 Annual General Meeting:	
Dividend on common shares:	
Dividend for 2010, SEK 6.00/share	472

ICA-handlarnas Förbund, which owns 82,067,892 C shares, is not entitled to a cash dividend. The Board of Hakon Invest AB has decided to propose to the Annual General Meeting on April 14, 2011, an ordinary dividend of SEK 6.00. See also Note 13, Earnings per share regarding dividend rules in the Articles of Association.

**Note 24 Provisions for pensions and similar commitments**

Hakon Invest makes a provision in its balance sheet in accordance with the PRI system. These obligations are insured through FPG. For the ITP Plan, the company applies the so-called ten-fold earner solution for high earners with detached premiums. Obligations in addition to PRI and ITP are insured, among other things, with endowment insurance.

Recognized pension cost	Dec. 31, 2010	Dec. 31, 2009
<i>ITP Plan</i>		
Defined benefit plans:		
Current service cost	4	3
Actuarial gains/losses	3	3
Interest expense	8	7
Total cost for defined benefit plans	15	13
Cost of defined contribution plans	52	33
Total pension costs	67	46

Change in pension obligations

Present value of obligations, opening balance	160	151
Benefits earned during the period	4	3
Early retirement pensions	1	1
Pension payments	-7	-5
Interest	8	7
Actuarial gains(-)/losses(+)	3	3

Present value of pension obligations, closing balance	169	160
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Change in plan assets

Opening plan assets	6	6
Contributions paid by employer	1	2
Transferred plan assets	-	-1
Actuarial gains(+)/losses(-)	-	-1

Closing balance, plan assets	7	6
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Actual return on plan assets	0	0
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Assumptions for actuarial calculations:

Discount rate	4.5%	5.0%
Future annual salary increases	3.0%	3.0%
Future annual pension increases	2.0%	2.0%
Expected return on plan assets	0.0%	0.0%

For 2010 the obligation was discounted in Sweden on the basis of the interest on corporate bonds.

Provisions recognized in the balance sheet	2010	2009
Present value of defined benefit pensions	169	160
Plan assets	-7	-6
Provisions at year-end	162	154

Of which:

Long-term component	155	147
Short-term component	7	7

Experience-based adjustments for obligations	0	3
Experience-based adjustments for plan assets	0	0

OTHER PENSION COMMITMENTS

Other pension commitments are paid in amounts that correspond to the value of funds in pledged endowment insurance policies. The capital value of the commitment amounted to SEK 29 M (27) at December 31, 2010, thus corresponding to the value of the endowment insurance.

Note 25 Trade and other payables

	Dec. 31, 2010	Dec. 31, 2009
Trade payables	304	283
Accrued salaries and vacation pay	90	96
Accrued social security contributions	30	33
Accrued members bonus ¹⁾	30	20
Accrued rental costs	9	2
Other accrued expenses	99	88
Total	562	522

1) Bonus from suppliers, to be paid to member stores in the Hemma chain.



Note 26 Interest-bearing loans

	Dec. 31, 2010	Dec. 31, 2009
Non-current liabilities		
Bank loans	49	142
Total	49	142
Current liabilities		
Current portion of bank loans	170	66
Bank overdraft facility	217	58
Total	387	124

The Group has five loans from credit institutions the loans carry floating interest and have the following terms:

Loan amount Dec. 31, 2010	Interest rate	Final maturity date
SEK 50 M	3.52	2015-06-30
SEK 7 M	5.00	2013-12-31
SEK 67 M	4.07	2011-04-30
SEK 25 M	4.14	2011-04-30
SEK 70 M	4.57	2011-04-30

In 2010, Hemtex contravened the banks' loan terms and conditions with regard to net sales and operating profit, whereby the bank was entitled to cancel the loans totaling SEK 270 M including bank overdraft facility. The Board therefore decided to propose an extraordinary general meeting be held in order to approve a new issue during the first quarter of 2011. Hemtex's bank debts were reported at December 31, 2010, as short-term.

In autumn 2010, Hemma contravened the bank's loan terms and conditions with regard to equity and equity/assets ratio. At December 31, 2010, Hakon Invest had provided SEK 48 M in a shareholder loan, whereby the bank's conditions were met.

Note 27 Contingent liabilities and pledged assets

	Dec. 31, 2010	Dec. 31, 2009
Contingent liabilities		
Guarantee for Försäkringsbolagets		
Pensionsgaranti	3	3
Other guarantees	13	10
Total	16	13

OPERATING LEASES

The Group has signed leases relating to stores and offices with the following commitments.

	2010	2009
Cost for the year	333	215

Future minimum lease payment according to operating leases amount to:

Payments due	2010	2009
2010	–	301
2011	278	230
2012	219	146
2013	148	81
2014	78	84
2015 or later	74	–
Total	797	842

The operating leases specified above are rent for premises, renting of office machines and car rentals. Hakon Invest's interest in joint venture company ICA's total investment commitments amounts to SEK 156 M (92). Hakon Invest and the other holdings have no significant investment commitments at the closing date. ICA's contingent liabilities amount to SEK 1,520 M (2,333) and mainly relate to tax disputes.

	Dec. 31, 2010	Dec. 31, 2009
Pledged assets		
Corporate mortgages	415	416
Endowment insurance pledged as collateral for pension obligation	29	27
Total	444	443

Note 28 Adjustment for non-cash items

	Dec. 31, 2010	Dec. 31, 2009
Depreciation and impairment of non-current assets	373	64
Measurement at fair value	–43	–223
Capital gain from sale of non-current assets	13	–
Unpaid interest income	–	–5
Change in provisions	6	–3
Unrealized exchange differences	–	5
Interests recognized according to the equity method	–212	–612
Other	9	13
Total	146	–761



Parent company income statement

SEK M	Note	2010	2009
Revenues		–	–
Operating expenses			
Administrative expenses	3,4,5	–63	–56
Operating profit/loss		–63	–56
Result from financial investments			
Result from interests in joint ventures	6	713	347
Result from interests in associates		–	145
Result from interests in subsidiaries		–146	–70
Financial income	7	35	52
Financial expenses	8	–14	–14
Change in fair value of financial instruments	9	49	87
Total result from financial investments		637	547
Profit after financial items		574	491
Tax	10	–	–10
Profit for the year ¹⁾		574	481

1) Since comprehensive income for the Parent Company corresponds to profit for the year according to the income statement, no separate statement of comprehensive income is presented.



Parent company balance sheet

ASSETS	Note	Dec. 31, 2010	Dec. 31, 2009
SEK M			
Non-current assets			
Financial assets			
Interests in group companies	11	973	1,093
Interests in joint ventures	12	2,960	2,960
Deferred tax asset	10	192	192
Equipment		2	–
Other non-current receivables	13	29	27
Non-current receivables group companies	14	792	824
Total financial assets		4,948	5,096
Total non-current assets		4,948	5,096
Current assets	21		
Current receivables			
Receivables from group companies		14	40
Other current receivables		–	1
Prepaid expenses and accrued income		11	9
Total current receivables		25	50
Short-term investments	21		
Securities under separate management	15	1,005	746
Other shares	16	71	77
Total short-term investments		1,076	823
Cash and bank balances		60	34
Total current assets		1,161	907
TOTAL ASSETS		6,109	6,003



EQUITY AND LIABILITIES	Note	Dec. 31, 2010	Dec. 31, 2009
SEK M			
Equity			
Restricted equity			
Share capital		402	402
Statutory reserve		2,772	2,772
Total restricted equity		3,174	3,174
Unrestricted equity			
Retained earnings		2,304	2,295
Profit for the year		574	481
Total unrestricted equity		2,878	2,776
Total equity		6,052	5,950
Provisions			
Provisions for pensions and similar commitments	17	33	30
Total provisions		33	30
Current liabilities	21		
Trade payables		4	2
Current tax liabilities		4	–
Other current liabilities		9	11
Accrued expenses and deferred income	18	7	10
Total current liabilities		24	23
TOTAL EQUITY AND LIABILITIES		6,109	6,003
Pledged assets	19	29	27
Contingent liabilities	20	234	226





Parent company statement of changes in equity

SEK M	Share capital	Statutory reserve	Retained earnings	Profit for the year	Total equity
Balance at January 1, 2009	402	2,772	2,755	-57	5,872
Profit for the year	-	-	-	481	481
Other comprehensive income	-	-	-	-	-
Comprehensive income for the year	-	-	-	481	481
Disposition of earnings for previous year	-	-	-57	57	0
Dividend	-	-	-393	-	-393
Purchase of treasury shares	-	-	-3	-	-3
Group contribution	-	-	-10	-	-10
Tax effect of group contribution	-	-	3	-	3
Equity December 31, 2009	402	2,772	2,295	481	5,950
Profit for the year	-	-	-	574	574
Other comprehensive income	-	-	-	-	-
Comprehensive income for the year	-	-	-	574	574
Disposition of earnings for previous year	-	-	481	-481	0
Dividend	-	-	-472	-	-472
Group contribution	-	-	-	-	0
Tax effect of group contribution	-	-	-	-	0
Equity at December 31, 2010	402	2,772	2,304	574	6,052

Share capital comprises 78,849,544 common shares and 82,067,892 C shares each with a quota value of SEK 2.50. All shares carry the same voting rights. Total holding of treasury shares amounts to 264,920 common shares (264,920) after repurchases carried out.



Parent company cash flow statement

SEK M	Note	Dec. 31, 2010	Dec. 31, 2009
Operating activities			
Profit before tax		574	491
Adjustment for non-cash items	22	106	-165
		680	326
Income tax paid		-	-7
Cash flow from operating activities before change in working capital		680	319
Change in working capital			
Current receivables		25	51
Current liabilities		1	-
Cash flow from operating activities		706	370
Investing activities			
Shareholder contribution provided		-48	-190
Sale of financial assets		22	-
Acquisition of property, plant and equipment		-2	-1
Change in non-current receivables		30	-
Change in short-term investments		-210	109
Cash flow from investing activities		-208	-82
Financing activities			
Repurchase of treasury shares		-	-3
Dividends paid		-472	-393
Cash flow from financing activities		-472	-396
Cash flow for the year		26	-108
Cash and cash equivalents at beginning of the year		34	142
Cash and cash equivalents at end of the year		60	34



Parent company's notes

Note 1 Accounting principles

The Parent Company's annual accounts are prepared in accordance with Swedish law and applying RFR 2.3 (Reporting of Legal Entities) from the Swedish Financial Reporting Board. This means that the Parent Company shall comply with IFRS as much as possible. The Group's accounting principles are set out in Note 1 in the section Notes to the consolidated financial statements. Any deviations that arise between the accounting principles of the Parent Company and the Group are due to restrictions in the possibility to apply IFRS in the Parent Company due to the Annual Accounts Act and the Pension Obligations Vesting Act, and in some instances for tax reasons.

All amounts in the annual accounts are in SEK millions (SEK M) unless stated otherwise.

INCOME STATEMENT AND NAMES OF FINANCIAL STATEMENTS

In accordance with the requirements in the Swedish Annual Accounts Act, the Parent Company presents an income statement complemented with a separate statement of comprehensive income as well as the statement that shows the Parent Company's financial position called the balance sheet.

PENSIONS AND OTHER POST-RETIREMENT BENEFITS

In Sweden all employees are covered by pension benefits according to collective agreements which means that salaried employees receive defined benefit pensions according to the ITP Plan. Pension obligations are secured through provisions in the balance sheet and pension premiums. Pension obligations are calculated annually on the balance sheet date according to the actuarial bases established in the FPG/PRI system and by the Swedish Financial Supervisory Authority.

GROUP CONTRIBUTION AND SHAREHOLDER CONTRIBUTIONS

The company reports Group contributions and shareholder contributions in accordance with the statement from the Swedish Financial Reporting Board. Group contributions are reported according to financial implication. This means that Group contributions provided in order to minimize the Group's total tax are recognized directly in equity. A shareholder contribution is taken directly to equity by the recipient and capitalized as shares and participations by the issuer, to the extent no impairment loss is identified.

ASSOCIATES AND JOINT VENTURES

Interests in associates and joint ventures are reported in the Parent Company's income statement and balance sheet according to the cost method, alternatively at the amount on the closing date after impairment of cost. In the consolidated financial statements, interests in associates and joint ventures are reported according to the equity method alternatively at fair value in accordance with IAS 28 paragraph 1.

Note 2 Financial risks

In Hakon Invest's operations, exposures arise primarily in currency risk, interest rate risk, liquidity risk, credit risk and share price risk. For more information about financial risks, see Note 2, in the consolidated financial statements.

Note 3 Average number of employees, salaries, other remuneration and social security contributions

	2010	2009
Average number of employees, broken down by gender amounted to:		
Women	7	6
Men	7	7
Total	14	13
SEK M	2010	2009
Salaries and remuneration paid to Board and President	4	5
Other senior executives	7	7
Other employees	9	8
Total salaries and remuneration	20	20
Social security contributions, statutory and contractual	9	9
Pension costs	8	7
Total social security contributions and pension costs	17	16
Total salaries, remuneration, social security contributions and pension costs	37	36

During the year, a fee of SEK 600 thousand (625) was paid to the Chairman of the Board. Of the pension amount, SEK 4,446 thousand (3,523) pertains to the group Board of Directors and President. Salary paid to the company's President during the year amounted to SEK 1,321 thousand (1,312). A total remuneration package of SEK 7.4 M (5.7) has been agreed with the President. The package includes salary, vacation, social security contributions, pension costs and other costs in the form of a car, etc. Retirement age is 65. The notice period is six months during which period the total remuneration package is available at 1/12 per month. A bonus is paid if the company's earnings per share increase by at least 15% and for a maximum payment the company's earnings per share must increase by 22%. The bonus may amount to a maximum of six monthly salaries for the President. During 2010, SEK 1,560 thousand was paid in bonus relating to 2009 for the President. No bonus is payable for 2010. For more information, see Group's Note 7.

Board members and senior executives

	Number on Dec. 31, 2010	Of whom men, %	Number on Dec. 31, 2009	Of whom men, %
Board members	7	71	7	86
President and other senior executives	4	100	4	100

SICKNESS ABSENCE

Total sickness absence is 0.58% (0.73%). Details per group are not provided due to an exemption clause in the legislation which states that information should not be provided if the number of employees in the group is a maximum of ten or if the information can be attributed to an individual person.

Note 4 Depreciation

Depreciation of property, plant and equipment amounts to SEK 252 thousand (215).

Note 5 Fees to auditors

	2010	2009
Ernst & Young, audit assignments	1	1
Ernst & Young, tax assignment	–	–
Ernst & Young, other assignments	3	–
Total	4	1

Note 6 Result from interests in joint ventures

	2010	2009
Dividend	713	347
Total	713	347

Note 7 Financial income

	2010	2009
Dividends	11	11
Interest income	15	18
Interest income from group companies	4	6
Exchange differences	5	10
Other financial income	–	7
Total	35	52

Note 8 Financial expenses

	2010	2009
Exchange differences	–14	–14
Total	–14	–14

Note 9 Change in fair value of financial instruments

	2010	2009
Short-term investments	49	87
Total	49	87

Note 11 Participations in Group companies

	Corp. reg. no.	Reg. office	Number of shares	Equity and voting rights, %	Book value Dec. 31, 2010	Book value Dec. 31, 2009
Forma Publishing Group AB	556045-0297	Västerås	30,000	89	178	200
Kjell & Co Intressenter AB	556703-2924	Solna	1,000	100	1	1
Hemmabutikerna Intressenter AB	556720-3210	Solna	1,000	100	0	0
Cervera Intressenter AB	556720-9563	Solna	1,000	100	120	120
inkClub Intressenter AB	556720-3467	Solna	1,000	100	5	5
Hemtex AB	556132-7056	Borås	28,141,798	68.5	669	767
					973	1,093

Note 10 Tax

	2010	2009
Items included in the tax expense are specified below:		

Income statement

<i>Current income tax</i>		
Tax attributable to previous years	–	–5
<i>Deferred income tax</i>		
Deferred tax attributable to provisions	–	–3
Tax effect Group contribution	0	–2

Tax expense/income (-/+) recognized in the income statement	0	–10
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Reconciliation of effective tax expense:

Profit before tax	574	491
Tax according to current tax rate in Sweden, 26.3%	–151	–129
<i>Tax effect of:</i>		
Change in taxation 2007	–	5
Dividend	188	91
Reversed impairment of interests in associates	–	38
Impairment of shares in subsidiary	–39	–18
Other items	2	3

Company's effective tax cost 0.0% (–2.0)	0	–10
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Deferred tax at December 31 pertains to the following:

<i>Deferred tax assets</i>		
Loss carry forwards	185	185
Pension provisions	7	7

Deferred tax assets	192	192
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The Parent Company's loss carry forwards at December 31, 2010, amounted to SEK 820 M (798). A deferred tax asset of SEK 185 M (185) is recognized in the balance sheet relating to a loss carry forward of SEK 704 M (704).

Note 11, cont.

	Corp. reg. no.	Reg. office	Equity and voting rights, %
Subsidiaries of Forma Publishing Group AB			
Forma Books AB	556045-0297	Västerås	100
Forma Magazines AB	556279-4940	Västerås	100
Tidningsförlaget 11097 AB	556759-0731	Stockholm	100
Forma Publishing Group OY	0503546-4	Helsinki	100
Forma Media AS, Tallinn	10555124	Tallinn	100
Forma Contract AB	556654-6387	Stockholm	100
Off The Wall Media Production & Consulting AB	556531-5131	Stockholm	100
Off The Wall Communication AB	556567-9841	Stockholm	100
Off The Wall Entertainment Television AB	556574-4843	Stockholm	100
Off The Wall Sport Television AB	556596-0969	Stockholm	100
Off The Wall Sportproduction AB	556598-1759	Stockholm	100
Off The Wall Interactive AB	556742-3693	Stockholm	100
ICA Bokförlag AB	556071-2241	Västerås	100
ICA Facktidningar AB	556372-6529	Västerås	100
ICA Kuriren AB	556609-2234	Västerås	100
Idé-förlaget i Västerås AB	556306-7783	Västerås	100
Tidskriften Hus & Hem AB	556609-2010	Västerås	100
Subsidiaries of Hemmabutikerna Intressenter AB			
Hemmabutikerna Sverige AB	556695-8673	Solna	89
Hemmabutikerna Utbildning AB	556515-8705	Solna	100
Hemmabutikerna i Växjö AB	556824-3595	Stockholm	91
Subsidiaries of Cervera Intressenter AB			
Cervera AB	556701-1209	Stockholm	91.4
Subsidiaries of Hemtex AB			
Hemtex Oy, Finland	1650-251-5	Helsinki	100
Hemtex A/S, Denmark	21 48 12 46	Kongens Lyngby	100
Hemtex AS, Norway	989384015	Oslo	100
Hemtex Shanghai Ltd	66938216	Shanghai	100
Subsidiaries of Cervera AB			
Cervera Butiks AB	556565-8977	Strängnäs	100
Northern Classic AB	556590-7465	Stockholm	100
Deco Trade Sweden AB	556556-2435	Strängnäs	100
Cervera Jönköping AB	556492-3588	Jönköping	100
Cervera Burlöv AB	556659-3918	Burlöv	100
Cervera Backaplan AB	556674-8256	Strängnäs	100
Cervera Malmö Downtown AB	556498-4903	Malmö	100
Cervera Inköps o Försäljning AB	556331-3732	Strängnäs	100
Cervera Retail AB	556457-7071	Täby	100
Glas & Porslin i Valbo AB	556659-4536	Gävle	91
Cervera Gumsbacken AB	556727-8097	Nyköping	91
Cervera Marieberg AB	556696-7005	Örebro	91
Cervera Örebro AB	556553-1281	Örebro	91
Cervera Östersund AB	556730-6245	Strängnäs	91
Cervera Falkenberg AB	556583-5781	Strängnäs	91
Cervera i Gävle AB	556614-1494	Gävle	51

Note 11 cont.

SEK M	Dec. 31, 2010	Dec. 31, 2009
Opening cost	1,093	206
– Acquisitions for the year	–	509
– Reclassification from associate	–	258
– Sales	–22	–
– Impairment of shares in subsidiary	–146	–70
– Shareholder contribution	48	190
Closing cost	973	1,093

Note 12 Interests in joint ventures

	Dec. 31, 2010	Dec. 31, 2009
Opening cost	2,960	2,960
Closing cost	2,960	2,960

	Number	Par value	Share, %	Book value Dec. 31, 2010	Book value Dec. 31, 2009
ICA AB	2,000,000	200	40.0	2,960	2,960

The participating interest shown above refers to a share of voting rights that corresponds to share of capital, however there is a shareholder agreement between the parties (Hakon Invest and Ahold) under which they have joint control. The agreement runs until year-end 2040. The shareholder agreement stipulates that right of first refusal exists between the parties at market price in the event of share transfers. Transfers may only be made to a party who becomes a party to the shareholder agreement.

	Corporate reg. no.	Reg. office
ICA AB	556582-1559	Stockholm

Note 13 Other non-current receivables

	Dec. 31, 2010	Dec. 31, 2009
Opening accumulated cost	27	40
– Investment	2	–13
Closing accumulated cost	29	27
Closing book value	29	27

Of which pledged endowment insurance of SEK 29 M (27).

Note 14 Non-current receivables from Group companies

	Dec. 31, 2010	Dec. 31, 2009
Kjell & Co Intressenter AB	102	102
Hemmabutikernas Intressenter AB	82	82
Cervera Intressenter AB	120	120
Forma Publishing Group AB	–	90
inkClub Intressenter AB	488	430
Total	792	824

Note 15 Securities under separate management

	Dec. 31, 2010	Dec. 31, 2009
Equities	377	355
Hedge funds	234	144
Fixed-income securities	394	247
Book value	1,005	746
Market value	1,005	746

For more information about securities under separate management, see section Consolidated financial statements Notes 2 and 22.

Note 16 Other shares

Other shares refers to 800,000 shares in Royal Ahold at a price of EUR 9.91 (9.26). The amount is translated into SEK at exchange rate 9.00 (10.35).

Note 17 Provisions for pensions and similar commitments

	Dec. 31, 2010	Dec. 31, 2009
Provision PRI pensions	4	3
Provision other pensions	29	27
Total	33	30

Note 18 Accrued expenses and deferred income

	Dec. 31, 2010	Dec. 31, 2009
Accrued vacation pay	2	1
Other accrued costs	5	9
Total	7	10

Note 19 Pledged assets

	Dec. 31, 2010	Dec. 31, 2009
Endowment insurance pledged as collateral for pension obligations	29	27
Total	29	27

Note 20 Contingent liabilities

	Dec. 31, 2010	Dec. 31, 2009
Guarantee to subsidiaries	234	226
Total	234	226

Note 21 Financial assets and liabilities by category

	Financial assets at fair value through profit or loss	Loans and receivables	Financial liabilities	Total carrying amount
2010				
Non-current receivables from group companies	–	792		792
Receivables from group companies	–	14		14
Short-term investments ¹⁾	1,076	–		1,076
Cash and cash equivalents	–	60		60
Total financial assets	1,076	866		1,942
Trade and other payables			4	4
Other current liabilities			9	9
Total financial liabilities			13	13

1) SEK 198 M of short-term investments is classified according to level 2. Valuation level 2 relates to financial assets which are valued using a model based on observable market inputs. The remaining SEK 878 M is classified according to level 1. Valuation level 1 relates to financial assets for which quoted prices for identical assets are observable in an active market.

	Financial assets at fair value through profit or loss	Loans and receivables	Financial liabilities	Total carrying amount
2009				
Non-current receivables from group companies	–	824		824
Receivables from group companies	–	40		40
Other current receivables	–	1		1
Short-term investments ¹⁾	823	–		823
Cash and cash equivalents	–	34		34
Total financial assets	823	899		1,722
Trade and other payables			2	2
Other current liabilities			11	11
Total financial liabilities			13	13

1) SEK 310 M of short-term investments is classified according to level 2. Valuation level 2 relates to financial assets which are valued using a model based on observable market inputs. The remaining SEK 513 M is classified according to level 1. Valuation level 1 relates to financial assets for which quoted prices for identical assets are observable in an active market.

Trade receivables, trade payables, other current receivables and liabilities measured at cost have short maturities and therefore fair value matches carrying amount. Since loans carry floating interest, carrying amount of the loan also corresponds to fair value.

Note 22 Other non-cash items

	Dec. 31, 2010	Dec. 31, 2009
Change in provisions	3	-12
Measurement at fair value	-43	-223
Impairment of shares in subsidiary	146	70
Total	106	-165



The undersigned hereby affirm that to the best of their knowledge the consolidated and Parent Company financial statements have been prepared in accordance with the international financial reporting standards IFRS, that have been adopted by the EU, and generally accepted accounting principles and give a true and fair view of

the Group's and the Parent Company's financial position and results of operations, and that the Board of Directors' Report provides a fair review of the Group's and the Parent Company's operations, financial position and results of operations and describes material risks and uncertainties facing the companies included in the Group.

Stockholm, March 7, 2011

Lars Otterbeck
Chairman

Cecilia Daun Wennborg
Board member

Andrea Gisle Joosen
Board member

Anders Fredriksson
Board member

Thomas Strindeborn
Board member

Magnus Moberg
Board member

Jan Olofsson
Board member

Claes-Göran Sylvén
President

Our audit report was submitted on March 7, 2011
Ernst & Young AB

Erik Åström
Authorized Public Accountant



Audit Report

TO THE ANNUAL MEETING OF THE SHAREHOLDERS OF HAKON INVEST AB CORPORATE IDENTITY NUMBER 556048-2837

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the President of Hakon Invest AB for the year 2010. The annual accounts and the consolidated accounts of the company are included in the printed version of this document on pages 75-113. The Board of Directors and the President are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

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

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

We recommend to the annual meeting of shareholders that the income statements and balance sheets of the Parent Company and the income statement or the statement of comprehensive income and the statement of financial position for the group be adopted, that the profit of the Parent Company be dealt with in accordance with the proposal in the Board of Directors' Report and that the members of the Board of Directors and the President be discharged from liability for the financial year.

Stockholm, 7 March 2011
Ernst & Young AB

Erik Åström
Authorized Public Accountant



Annual General Meeting and financial calendar

ANNUAL GENERAL MEETING, 2011

The Annual General Meeting of shareholders in Hakon Invest AB will be held on Thursday, April 14, 2011, at 16.00 CET at Näringslivets Hus, Storgatan 19, Stockholm. Notice of the Meeting will be issued via a notice in the daily newspapers. The notice and other information regarding the Annual General Meeting are also available at www.hakoninvest.se.

Attendance

Shareholders who are listed in the shareholder register maintained by Euroclear Sweden AB no later than Friday, April 8, 2011, are entitled to attend the Annual General Meeting. In addition, notification shall be made in good time prior to Friday, April 8, 2011 via the company's website www.hakoninvest.se, or in writing to Hakon Invest AB, Annual General Meeting 2010, Box 1508, SE-171 29 Solna, or by telephoning during office hours to +46 8 402 90 40.

Nominee-registered shares

In order to be entitled to attend the Annual General Meeting, shareholders whose shares are registered with a nominee must temporarily register the shares in their own name with Euroclear Sweden AB. Shareholders who wish to effect such registration must inform the nominee in good time, although no later than Friday, April 8, 2011.

Dividend

For the 2010 fiscal year, the Board proposes to the Annual General Meeting a dividend of SEK 6.00 per common share, or a total of SEK 472 M.

FINANCIAL CALENDAR, 2011

April 14, 2011	Annual General Meeting
May 4, 2011	Interim report, January–March 2011
August 17, 2011	Interim report, January–June 2011
November 9, 2011	Interim report, January–September 2011

The reports and other information from the company are published continuously on the company's website www.hakoninvest.se. It is also possible to subscribe to receive financial reports and other news in electronic form. Financial reports and press releases intended for the capital market are published in Swedish and English.

CONTACTS

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Definitions

CAPITAL EMPLOYED

Balance sheet total less non-interest bearing liabilities and provisions.

CASH FLOW PER SHARE

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

DIVIDEND RATIO

Dividend as a percentage of the profit for the period in the Parent Company.

EARNINGS PER C SHARE

Same definition as Earnings per common share, since common shares and C shares provide entitlement to equal participation in earnings and equity. C shares do not carry entitlement to a cash dividend, which is the case for common shares.

EARNINGS PER COMMON SHARE

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

EQUITY/ASSETS RATIO

Equity including non-controlling interests as a percentage of balance sheet total.

EQUITY PER SHARE

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

GROSS MARGIN

Gross profit as a percentage of revenues.

NET MARGIN

Profit for the period as a percentage of revenues.

OPERATING MARGIN

Operating profit as a percentage of revenues.

RETURN ON CAPITAL EMPLOYED

Profit after financial items plus financial expenses, calculated on the basis of a rolling 12-month period, as a percentage of average capital employed during the same period.

RETURN ON EQUITY

Profit for the period, excluding non-controlling interests, calculated on the basis of a rolling 12-month period, as a percentage of average equity excluding non-controlling interests during the same period.



