

AXFOOD

ANNUAL REPORT 2012



Axfood's favourable performance

is testimony to the strength in

our way of working

+4.3%

NET SALES 2012



ANNUAL REPORT 2012

Contents

BUSINESS REVIEW

- Axfood at a glance
- Highlights 2012
- 1 CEO's message
- 4 Axfood's business model
- 8 Axfood's strategy
- 10 Market and trends
- 14 Private label products
- 16 Group overview
- 18 Willys
- 20 Hemköp
- 23 PrisXtra
- 24 Axfood Närlivs
- 26 Dagab
- 28 Corporate responsibility at Axfood

CEO's message Axfood continued to deliver stable earnings and sales. All units once again contributed through great commitment and high efficiency.

Sustainability Axfood is one of Sweden's leading food retail companies. The ability to take responsibility for sustainable development is critical for maintaining the trust of the Company's stakeholders. Axfood believes that sustainability work and sound economics go hand in hand. By being a driver of sustainability issues, Axfood creates the right offerings for its customers, which in turn leads to better business. Axfood's sustainability reporting is conducted in accordance with the Global Reporting Initiative (GRI), level B. The complete sustainability report for 2012, including a GRI table, can be downloaded from axfood.se.



The complete Sustainability Report can be found at axfood.se



FINANCIAL SECTION

- 38 Administration report
- 41 Risks and risk management
- 45 Corporate Governance Report 2012
- 54 Board of Directors
- 56 Executive Committee
- 58 Statement of comprehensive income, Group
- 59 Comments on the statement of comprehensive income and statement of financial position
- 60 Statement of financial position, Group
- 62 Statement of cash flows, Group
- 63 Statement of changes in equity, Group
- 63 Comments on statement of cash flows and statement of changes in equity
- 64 Income statement and balance sheet, Parent Company
- 65 Cash flow statement and shareholders' equity, Parent Company
- 66 Notes
- 87 Proposed disposition of the Company's profit
- 88 Audit report
- 90 Several-year overview
- 92 Axfood share data 2012
- 94 Annual General Meeting
- 94 Financial information and Investor Relations
- 95 Definitions and glossary

Corporate governance Axfood's corporate governance aims to create conditions to exercise an active and responsible ownership role, ensure the owners' ability to assert their interests vis-à-vis the Company's management bodies, and clearly delineate the division of roles and responsibilities between management and control bodies.

Strong financial position and dividend Axfood's profitable growth once again created the conditions for a shareholder dividend. The Board of Directors proposes a dividend of SEK 12 per share. This would entail a dividend corresponding to 70% of profit after tax while enabling the Company to maintain its financial strength.

Axfood is a Swedish company governed by Swedish law. All monetary amounts stated herein are in Swedish kronor. Millions of kronor are abbreviated as SEK m, billions as SEK bn and thousands as KSEK. Figures in parentheses pertain to 2011, unless stated otherwise. Market and competitive data are Axfood's own estimates, unless reference is made to a specific source. These estimations are based on the best and most recent data available from published sources in the public sector, the consumer goods industry and competitors.

Through profitable growth and innovative thinking, we will be the best food retail company in the Nordic region

Food retail business is conducted through the wholly owned store chains Willys, Hemköp and PrisXtra. Wholesale business is conducted through Dagab and Axfood Närlivs.

Collaboration with

820

proprietor-run stores

246

wholly owned stores

Axfood has 246 wholly owned stores. In addition, Axfood collaborates with a large number of proprietor-run stores that are tied to Axfood through agreements, including stores in the Hemköp chain as well as stores run under the Handlar'n and Tempo brands.

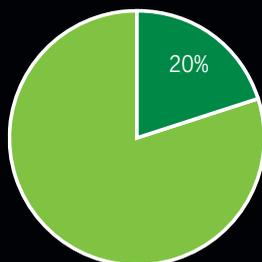
Nasdaq
OMX

Axfood is listed on Nasdaq OMX Stockholm AB's Large Cap list.

20%

MARKET SHARE

Axfood has an approximate 20% share of the food retail market in Sweden.



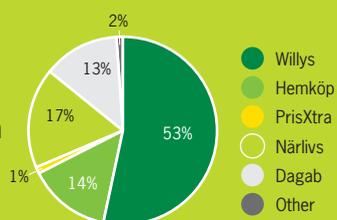
50%

The principal owner is Axel Johnson AB, with 50.1% of the shares.

Highlights 2012

Net sales (external)

36,306 SEK m
+4.3%

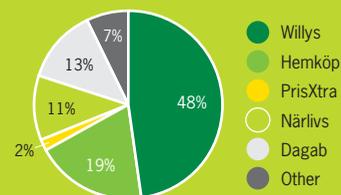
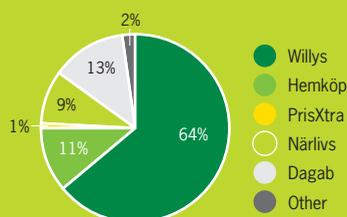


Average number of employees

7,254
+2.7%

Operating profit before impairment charges

1,247 SEK m
-0.2%





Small details make a big difference –
both for you as a customer and as
a shareholder

The store is our stage. With every new day the curtain rises for a new performance. This requires that we always strive to give just a little bit more. It's a matter of constantly caring and improving upon small details.

Together these details make up the important difference that makes our customers prefer to shop at our stores. Moreover, by attracting more and more customers to our stores, we grow steadily as a Group. This benefits you as a shareholder.

Axfood's favourable performance during the last five-year period is testimony to the strength in our way of leading and working: To succeed overall we must always pay attention to the small details.

ANDERS STRÅLMAN, PRESIDENT AND CEO

A stable and profitable year

It is with pleasure that I sum up 2012 as yet another good year with continued stable earnings and sales. All units once again contributed to this through great commitment and high efficiency. Our favourable performance would not have been possible, however, without satisfied customers, so it is therefore extra gratifying that so many showed us their confidence and appreciation.

2012 was an intensive and eventful year, with a high pace of activity in our ambitious investments in the future. In the extensive remodelling and modernization project at Willys stores, which has been going on since 2008, a total of 98 stores have now been upgraded. These investments in creating a better in-store experience will further strengthen Willys' market position and secure future growth.

Our second major project, the implementation of our new business system, which was begun in 2009, is now nearing its final phase. This has demanded much time and energy, but thanks to an outstanding effort by all our employees, we have stayed on schedule as well as within our investment budget. The new business system will be an

important tool in our continued development, among other things through new loyalty programmes and advanced price and product control.

One further future project involves adapting to the increasingly digital world we live in. Digitalization is changing customers' shopping behaviours, and we must be prepared to a greater extent to communicate with our customers through new channels. As part of this, we have introduced mobile payment in all Hemköp and Willys stores. Another aspect has been the development of a customer loyalty programme for Willys, which will be introduced in 2013.

Positive result for all units

Willys delivered its best result ever, with stable sales despite a high pace of remodelling in the modernization project and continued fierce competition. In 2013 the remaining some 20 stores in the project will be remodelled, while an additional ten new stores will be established.

Hemköp continued to grow with good profitability, but did not fully reach its goal of a 3% operating margin. This favourable performance can be credited in part to a series of marketing activities, which have helped strengthen the brand, combined with attractive customer offerings. Earnings were affected by one-off costs associated with store closures. The goal for 2013 is to attain an operating margin of at least 3%. Over time, however, there is potential to further strengthen profitability. In December Hem-

köp's director of sales, Thomas Gäreskog, took office as the new President of Hemköp.

PrisXtra once again showed a positive result, despite weak sales on account of the extensive traffic disruptions nearby the two largest stores.

Axfood Närlivs further strengthened its position, with favourable sales growth and stable earnings. New agreements have led to higher volumes, such as through the agreement with Statoil that took effect in January. The product offering was also improved during the year, and Axfood Snabbgross's e-commerce business for companies was fully launched.

For Dagab, the year was characterized by stable development and high efficiency. This was achieved in parallel with implementation of the new business system, which gave rise to higher costs. We expect additional costs for this to be charged against Dagab's earnings also in 2013.

PrisXtra's largest store to become Hemköp

In 2013 PrisXtra's largest store, at Norra Station, will be converted to Hemköp and will move to new premises in the same area. The location is strategically important, as an entirely new city district is emerging with office buildings, residential complexes and commercial space. Axfood's head offices will also be moving to the area in early 2014. Over time, the remaining four PrisXtra stores will also be successively converted to one of Axfood's two strong brands, Hemköp or Willys. As a consequence of this, an impair-

Key ratios

	2012	2011	2010	2009	2008
Net sales	36,306	34,795	34,260	32,378	31,663
Operating profit	1,192	1,250	1,209	1,128	1,077
Operating profit excl. impairment	1,247	1,250	1,209	1,128	1,077
Operating margin, %	3.3	3.6	3.5	3.5	3.4
Operating margin excl. impairment, %	3.4	3.6	3.5	3.5	3.4
Profit after financial items	1,154	1,214	1,172	1,082	1,011
Profit after tax	895	891	862	793	737
Earnings per share, SEK	17.06	16.99	16.42	15.13	14.05
Equity ratio, %	39.8	39.1	38.8	36.7	30.7
Ordinary dividend	12.00 ¹⁾	12.00	12.00	10.00	8.00
Average number of employees during the year	7,254	7,062	6,895	6,816	6,847

¹⁾ Proposed by the Board of Directors.

Quarterly data can be found under "Investors" on Axfood's website: axfood.se.

ment loss has been recognized for the PrisXtra brand.

Highest private label share

During the year we reached our goal of attaining a 25% private label share. This is the highest level ever achieved for Axfood or any other retailer in Swedish food retail market.

The increase can be credited in part to our successful investment in the Group-wide Garant brand, which has been highly appreciated by customers.

Sustainable development an increasingly important business driver

For Axfood, maintaining a responsible approach is an obvious prerequisite for running a successful business. Our aspiration is to be a leader in sustainability and to dare set the trend in embracing new technological solutions and ways of working. As part of this work, in 2012 we installed a new control system for energy use in our stores and warehouses. We also continued our profitable work with recycling waste that can be converted to raw material or energy. Dagab and Axfood Närlivs use diesel fuel that is based partly on pine oil and has lower CO₂ emissions than conventional diesel fuel. This grade of fuel was improved during the year by increasing the blend of pine oil, thereby further reducing CO₂ emissions.

Shareholder value and continued strong financial position

Through our strong earnings performance, we have succeeded at creating substantial shareholder value over the years. The Board of Directors proposes a dividend of SEK 12 per share. This means that 70% of our profit

after tax would be paid out to the shareholders, which is well in line with our dividend policy to pay out at least 50% of net profit. At the same time, we will maintain our financial strength, which we can channel towards investments in the future.

Market outlook 2013

Most indicators point to a downturn in the Swedish economy during the year. However, it is too early to say how customers' shopping behaviours may be affected by any lay-offs or rise in unemployment. At the same time, the food retail market is comparatively stable and less sensitive to economic swings than other retail sectors. Food price inflation is expected to remain low from the onset and should not exceed 2% for the year.

New year with ambitious agenda

We have a good starting point as we now move in to 2013 with the same strategy and a favourable financial position. Axfood has strong brands and well run stores on the whole, but we can always do better. However, to be able to grow long term with stronger profitability, what is most important is that we succeed to an ever-greater extent at meeting and exceeding our customers' expectations. We will therefore continue our ambitious pace of investment for one more year, with a higher number of new establishments, modernization of the store portfolio and implementation of the new business system. Parallel with this, our focus in 2013 will continue to be on stimulating profitable sales growth through attractive customer offerings and a high private label share. The pace of investment in 2013 will be at the same level as in 2012.



Finally, I would like to extend thanks to all our employees, who together have helped make the important difference that makes our customers want to do their shopping with us.

Axfood's goal for 2013 is to achieve an operating profit at the same level as in 2012.

Solna, 6 February 2013

Anders Strålman
President and CEO, Axfood AB

“During the year we reached our goal of attaining a **25% private label share**”

Important events during the year

- **20 March 2012** Axfood Närlivs AB and EMAB sign new agreement
- **26 April 2012** Axfood establishes new store in central Stockholm
- **16 May 2012** Axfood sells Netxtra to MatHem
- **28 Aug. 2012** Ola Andersson leaves Hemköpskedjan – Anders Strålman appointed as Acting President
- **7 Sept. 2012** Axfood receives award as Listed Company of the Year 2011
- **24 Oct. 2012** Mobile payment coming to Willys and Hemköp stores
- **4 Dec. 2012** Thomas Gäreskog appointed as new President of Hemköp



Axfood creates passion for food and value for the customer

Axfood's business model



A Group-wide products and purchasing function makes Axfood a strong player.

Being able to offer suppliers attractive volumes improves Axfood's ability to negotiate the lowest purchasing prices in the market. Axfood is a member of two international purchasing networks, which adds further strength in price negotiations. This benefits customers and contributes to the Group's profitability.

The choice of suppliers is made centrally, while the product offering strategy at stores is flexible.

Having the right product offering at the right place is crucial for optimal sales. This is why Axfood's stores and chains have the freedom to adapt their product offerings to local demand. Local producers provide extra attraction value to the product offering and are also embraced.



The store is the stage for our interaction with customers.

An inspiring shopping experience provides value-added to today's consumers. This is why Willys, Hemköp and Axfood Snabbgross are all working to modernize and upgrade their respective store concepts. Key aspects in this work include improved customer service, a sustainability profile, a larger offering of fresh products and a new store layout.

Responsiveness to customers' needs and preferences.

Axfood strives to offer its customers attractive prices and a wide selection of products as well as to maintain a high level of innovation, not least when it comes to the ever-growing selection of private label products. Axfood is also seeing growing demand for attractively priced products with an environmental and health profile, and this product offering is growing. Axfood's stores feature a wide selection of private label products – both organic and environmentally certified.

Responsible handling strengthens customer confidence.

Customers must be able to trust that the food they buy is handled in a responsible manner. Products at Axfood stores are subject to strict quality control, including an internal control programme and external inspections of stores and warehouses. Some 3,500 Axfood store employees have completed training in store operations and knowledge about perishables.



Axfood's vision is to be the best food retail company in the Nordic region. Satisfied and loyal customers who find the stores, product selection and prices attractive are critical for continued profitable growth. Toward this end, Axfood is investing continuously in offering an ever-improving shopping experience, but also more efficient processes, flows and use of resources. Efficiency, good governance and control of all aspects of Axfood's business model are of utmost importance for creating value.



An efficient logistics flow contributes to store sales and profitability.

Dagab, the Axfood chains' logistics partner, is working continuously to improve the efficiency of its stock-keeping and transport operations. In 2012 Dagab achieved its best results ever for key metrics, such as delivery reliability, productivity, quality and customer satisfaction.

Long-term sustainable transports are more economical.

The work with sustainability in transports involves initiatives like maximizing load capacity in delivery vehicles, eco-driving for lower fuel consumption and use of "green" diesel. In addition, Dagab is increasingly turning to rail transport for supplier deliveries to its warehouses.

More efficient use of energy.

Energy use at Axfood's stores and warehouses plays an important role in operations and is an area with major potential for improvement. Accordingly, a strategic, long-term and extensive programme has been launched to reduce energy consumption. Investments made to date in improving energy efficiency have had good results.



Strong position and long-term focus lead to stable and profitable development

The best customer experience

Satisfied and loyal customers are critical for Axfood's success and development. Toward this end, all parts of the Group work together to enhance customers' shopping experience and to exceed their expectations regarding the stores, product selection, prices and offerings. Parallel with this, the important work on developing customer loyalty programmes continues in order to gain a better understanding of what customers want and what makes a difference.

Long-term profitability

Axfood has set a long-term goal of a 4% operating margin. Achieving this requires contin-

ued initiatives to increase sales in tandem with continued good cost control and efficiency in all areas. Having a high share of private label sales has also been a successful and long-term strategy for profitable growth, where the Group-wide house brand Garant is playing an increasingly important role.

Strengthened market position

Consolidated sales of SEK 36,306 m give the Group economies of scale, which in turn is a prerequisite for capturing additional market shares. To ensure profitable growth also in the future, long-term investments are needed. Axfood has therefore been pursuing an ambitious pace of investment focused on

new establishment, renewal and modernization of stores, and implementation of a new business system.

Proud and committed employees and grocers

Competence, commitment, training and a willingness to make the extra effort necessary to perform beyond the ordinary create the conditions for satisfied customers. In addition, the breadth of training activities that are carried out every year have a clear coupling to profitability of the business. Training programmes also convey Axfood's core values, which are the foundation for the strong, shared set of values within the Group.

Net sales

Trend 2008–2012, SEK m

Axfood's operating income is derived almost exclusively from store sales. In recent years, sales have risen at a steady pace.



Profitability

Trend 2008–2012, SEK m

Operating profit increases Axfood's scope to act with respect to investments and promoting growth. Axfood has had stable profitability growth over the years.



¹⁾ Operating profit excl. impairment charges.

Vision, mission and values

Vision

Through profitable growth and innovative thinking, Axfood will be the best food retail company in the Nordic region.

Mission

Axfood's business mission is to develop and run successful food retail concepts based on clear and attractive customer offerings.

Core values

Axfood's core values represent a shared foundation and shared approach for employees in their daily work. The aim is to strengthen cohesion and integration between the Group's various parts while providing guidance to all employees.

- The store is the stage
- We dare
- Together we are strong
- We are aware
- You are important

Sustainable development

Systematic work with sustainability that focuses on the areas in which it has the greatest benefit is an increasingly important driver of the Group's value creation. Accordingly, in the day-to-day activities, sustainability aspects are integrated in purchasing, logistics, transports and store operations. Axfood's goal is to be best in the industry in taking responsibility for sustainable development.

Value drivers

Factors that affect Axfood's development are:

- Access to strategic store locations
- Development of an attractive product selection
- Innovativeness for enhancing customer benefit



Dividend

Trend 2008–2012, SEK

During the last five years Axfood's shareholders have seen steady growth in earnings per share. The Board's dividend policy calls for at least 50% of profit after tax to be paid out to the shareholders. During the last five years, the dividend averaged 69.7% of net profit, at the same time that the Company has maintained its financial strength.



¹⁾ Proposed by the Board of Directors.

Private label share

Trend 2008–2012, %

Having a high private label share is part of Axfood's strategy for achieving profitable growth. Axfood has the highest private label share in the Swedish food retail market, with private label products accounting for 24.4% of total sales at year-end. The ambitious investment in the Group-wide Garant private label has been very successful.

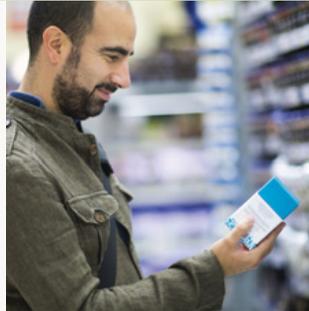


Strategy for profitable growth

STRATEGIC OBJECTIVES

Customers

Axfood will increase its customer orientation and offer the best shopping experience for the respective concepts' target groups



Profitability

Axfood will be the most profitable company in the Swedish food retail market



Growth

Axfood will grow its market share and strengthen its position as the number two player in Sweden's food retail market by investing in Group-owned and proprietor-run stores



Sustainable development

Axfood will be an active driver of sustainable development and thereby be best in the industry



Employees and organization

Axfood wants proud and committed employees and grocers who work in concert in a cost-effective organization



STRATEGIES

- Attractive selection and offerings for improved shopping experience
- Increase innovativeness in product selection for key categories
- Boost customer loyalty by developing loyalty programmes
- Better local and regional customer offerings

- Maintain high private label share
- Cost control in all areas
- Increase automation at stores and in logistics
- Strive for best purchasing prices in the market

- Increase like-for-like sales through development of chain and store operations
- Ambitious pace of store establishment in major cities and other growth areas
- Grow in e-commerce and ready-made meal solutions
- Develop a long-term and stable business model for grocers
- Develop service offering for customers and suppliers

- Reduce climate impact and energy consumption
- Improve handling and recycling of renewable waste
- Continue development of social involvement
- Maintain good oversight of social responsibility among suppliers

- Establish a more customer-oriented organization and develop business skills
- Ensure access to stores and grocers
- Attract, retain and develop employees
- Develop values-based leadership and active employee involvement

OUTCOME OF ACTIVITIES 2012

- 20 Willys stores and 10 Hemköp stores modernized
- Expanded range of Garant private label products
- Development of customer loyalty programme for Willys, for launch in 2013
- Introduction of transparent meat packages to meet customer preferences for more visible content
- Introduction of mobile payment at stores

- Stronger profitability for Hemköp
- Continued efficiency improvement of product flows in logistics and wholesale operations
- Continued good cost control
- Goal of 25% private label share reached during the year

- Continued favourable growth in like-for-like sales at Hemköp
- Four Willys stores and five Hemköp stores opened during the year
- Implementation of new business system on track
- Axfood Närlivs began deliveries to Svenska Statoil and acquired 50% of car care product supply company Hall Miba
- Favourable growth for Axfood Närlivs' e-commerce business
- One Hemköp store converted according to the "91/9" model

- Implementation begun of control system for energy use at stores and warehouses
- Service portal implemented for recycling renewable waste
- 21 social audits performed
- Continued collections for Save the Children
- All delivery trucks powered by Evolution diesel, which was reformulated during the year to include more pine oil and thereby generate lower emissions

- Approximately 49,700 person-hours spent in training, including in customer service and private label products
- Completion of trainee programme for prospective store managers with 12 participants
- Employee Satisfaction Index score of 91
- Implementation of new leader profile, which forms the base for new recruitment and further development of leaders

PLANNED ACTIVITIES 2013

- Continue developing attractive product selection
- Fine tune customer offering locally and regionally
- Continue modernization of stores to improve customers' shopping experience
- Develop loyalty programmes
- Continue implementation of mobile payment at stores

- Focus on greater sales, cost control and efficiency in all areas
- Continue developing private label products and maintain high private label share
- Increase automation at stores and in logistics

- Continue development of chain and store operations
- Maintain ambitious pace of store establishment and modernization
- Boost awareness of Axfood Närlivs' e-commerce channel
- Increase number of proprietor-run stores with "91/9" model
- Promote the use of peripheral services in stores, incl. post and payment services

- Increase number of social inspections and audits
- Continue efforts to reduce energy consumption. Continue implementation of energy control system at stores and warehouses
- Further increase efficiency in transports and thereby reduce emissions
- Increase internal and external awareness about Axfood's sustainability work

- Ensure leader succession
- Ensure recruitment and development of grocers and store managers
- Conduct training activities to increase sales
- Conduct annual employee survey
- Clearly define competencies and career paths

FINANCIAL TARGETS

Group operating margin, %



--- Target 4%

The operating margin in 2012 was 3.3%. Excluding impairment charges, the operating margin was 3.4%. Axfood's strategy creates conditions for achieving this long-term target within a few years.

¹⁾ Excluding impairment charges.

Equity ratio, %



--- Target 25%

The equity ratio target was met in every quarter through favourable earnings and cost control.

Dividend as % of profit

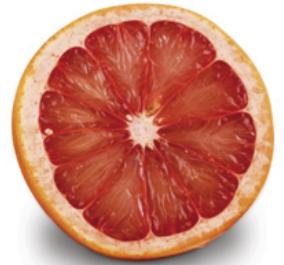


--- Target 50%

Axfood's goal is to pay a shareholder dividend corresponding to at least 50% of profit after tax.

The Board of Directors proposes a dividend of SEK 12 per share (12), corresponding to 70% of the year's profit after tax.

Market and trends



The Swedish food retail market showed stable development during the year, and consumers were cautiously optimistic. Inflation remained low.

The financial anxiety above all in Europe and the USA continued to be a source of uncertainty among Swedish households and businesses in 2012. Despite this, Swedish consumers were cautiously optimistic during the year. On the whole, the food retail market is less sensitive to economic swings than other retail segments.

Food inflation remained relatively low during the year, at 2% on an annualized basis, despite rising prices in the commodities markets.

TIME IN SHORT SUPPLY FOR TODAY'S CONSUMERS

No matter what the state of the economy is, time is in short supply for consumers today.



More food available online...

A THIRD OF THE world's population have Internet access, an increase of 528% during the last ten years, according to the consumer research firm Nielsen. In Sweden, Internet use is among the highest in the world, with roughly 90% of the population having online access.

For the food retail trade, growth in e-commerce has progressed more slowly than other parts of the trade, accounting for less than 1% of total food sales. From 2010 to 2011, sales rose approximately 40%, and the industry is gearing up for continued growth.

A new feature in digital commerce is shopping via smartphones, which is expected to be one of the strongest trends in the coming year among Swedish retailers.

– stable despite economic slowdown

It steers what people buy, where, and to a growing extent also how.

For everyday shopping, consumers often choose the store that is located nearest to them – for time reasons – however, they also expect such a store to have an attractive selection of fresh products, good service and an appealing shopping experience.

Granted, price is also a factor that influences consumers' choice of store, but what is most important is that the products are perceived as offering value for money, according to a global study performed by Nielsen.

The picture of the modern consumer is more complex, however. Certain industry analyses indicate that food has become part of the so-called experience industry, through increased use of food planning sites and mobile apps offering inspiration and recipes. Vardagsmaten.se is Axfood's online meal planning service that is also available as a mobile app.

Continued strong sustainability trend

Consumer interest in organic foods continues to rise, but not at the same pace as in previous years.

The trend is essentially the same in northern Europe and the USA, even though the priorities vary somewhat from market to market: consideration for the environment and care for one's own health, animal welfare, quality and flavour are all compelling considerations behind shoppers' choice of organic products.

The food retail industry is meeting this demand for organic products with a gradually expanding offering. In addition, Axfood's chains are working to display organic products better for shoppers.

One challenge for retailers is the higher price for organic products, which is partly due to the fact that the supply of organic ingredients is not rising at the same pace as demand.

Sales of organic foods in Axfood's stores rose 4.7% in 2012.



Vardagsmaten.se is Axfood's online meal planning service that is also available as a mobile app.



DIGITAL TRADE CAN offer major benefits that are in demand among consumers today, including convenience, simplicity and speed. This is true especially when groceries are delivered home to consumers' doors, and even more so with complete suggestions for recipes and the necessary ingredients. Consequently, pre-packed grocery bags for home delivery are a concept that has become popular in Sweden and is gaining traction also in other parts of the world.

In Sweden, Axfood Närlivs is the market-leading supplier of pre-packed grocery bags through supply agreements with some of the largest operators in the market, including Linas Matkasse, Middagsfrid and MatHem.



Mobile payment coming to Willys and Hemköp stores

Mobile payment at stores is yet another technological development that retailers are embracing. During the autumn Axfood signed an agreement with the suppliers Seamless and Swedbank to gradually introduce a system for mobile payment in all of the chains' stores.

Health and food trends

HEALTH AWARENESS is another enduring trend that is partly linked to the sustainability trend. Many consumers attach a premium to healthy food. Hypoallergenic products and lacto- and gluten-free alternatives are also growing product categories.

At the same time, there is a strong consumption trend that is going in the exact opposite direction from the Swedish nutrition recommendations and is tied to the debate about what exactly constitutes healthy food. This trend indicates that consumption of saturated fats has risen in the last three years, according to a report from the trade organization Svensk Dagligvaruhandel.

For example, during a three-year period, sales of butter have risen 40%, at the same time that sales of light margarine have decreased. On average, Swedes eat 14 kg of sweets per person and year, which is more than 3 kg more than the average in the Western world.

One plausible, partial explanation for the phenomenon of increased fat consumption is the interest in new diets that are based on more fat and fewer carbohydrates in food. This, in turn, could also explain the lower interest in – and falling sales of – Keyhole-labelled products, which typically have lower fat content.



The Swedish food retail market

Sales of food retail products in Sweden were stable in 2012.

Sales in current prices rose 3.3% for the year, according to data from Statistics Sweden and HUI Research. The price and calendar effect was 2.0%, entailing 1.3% growth in sales volume for the food retail sector. Total food sales in 2012 were estimated at approximately SEK 226 bn.

The demographic structure in Sweden is characterized by a steadily growing concentration in the major metropolitan areas, which are also accounting for a growing share of purchasing power.

Axfood is the second-largest player in the Swedish food retail market, with a market share of 20%. The market per se is comparatively stable and less sensitive to economic swings than other retail sectors. By the same token, the rate of growth is relatively moderate, resulting in fierce competition for market shares among – above all – the three largest retailers, which account for nearly 90% of the market.

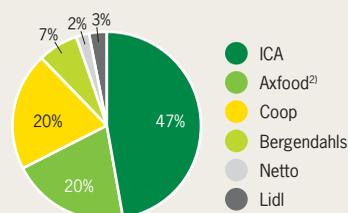
Ensuring there is scope for continued stable growth requires attention to every detail in the business, from product selection and purchasing, to the products' path from producer to store shelf, to customer service and the customers' shopping experience.

Sales in the food retail market



Sources: Statistics Sweden and HUI Retail Trade Index

Market shares, largest competitors in Sweden 2011¹⁾



¹⁾ Competitor sales figures for 2012 not available at the time the calculations were performed. Pertains only to food sales.

²⁾ Willys, Hemköp (Group-owned & franchise stores), PrisXtra, Tempo, Handlar'n and other collaborating stores.

Sources: Sales figures for ICA, Coop, Bergendahls, Lidl and Netto have been obtained from a compilation performed by the trade journal Fri Köpenskap. Axfood's figures include own estimates of sales for the Tempo, Handlar'n, Vi and other collaborating stores as per December 2011.



New opportunities for retailers

MULTI-CHANNEL SALES has become an established concept in the food retail industry as consumers are increasingly embracing the opportunity to shop digitally. Both in Sweden and internationally, major chains are adapting to this trend by developing and offering new ways of shopping and a more prominent online presence.

One alternative is to shop online and have products delivered home. Using smartphones to shop is one new channel that is being tested by several, large international chains. In Stockholm, an online grocery shopping company tested such a solution in 2012. After downloading the company's app, customers could scan products at a virtual store in a subway station, and the groceries would be delivered to them at home. The app can also be used to scan products at home when supplies run low.

This digital development is opening a broader spectrum of opportunities for retailers to interact with customers aside from traditional marketing channels. Facebook pages and blogs, chat and Twitter functions, and digitally transmitted personal offers are examples of such opportunities that can contribute to higher sales.

SEGMENTATION IN SWEDEN

	Hard Discount	Discount	Hypermarkets	Traditional grocers	Service stations/mini-markets
	5%	11%	22%	45%	17%
Items:	1,500–2,000	5,000–12,000	1,500–2,000	10,000–15,000	1 000–
Price index:	– ¹⁾	90–100	96–103	100–108	110–130
Location:	Residential and external	Residential and external	External	City centres, residential	Traffic- or residential-oriented
Trademarks:	Netto, Lidl	PrisXtra, Willys, Willys Hemma	ICA Maxi, Coop Forum, City Gross ²⁾	Hemköp, Vi stores, Coop Konsum, Coop Extra, ICA Supermarket, ICA Kvantum	Tempo, Handlar'n, ICA Nära, 7-Eleven, service stations, Coop Nära

Market share: Based on 2011 sales figures, since data for 2012 was not available at the time of print. Values are estimates to some degree.

Price index: Based on results of Axfod's price surveys of Sweden's main store concepts.

¹⁾ Accurate price comparison not possible due to too little comparability in product range.

Source/interpretation: Axfod. Some data are estimates in cases where statistics were not available.

Private label products – 25% goal achieved

The ambitious investment in the Group-wide house brand, Garant, met continued success during the year. The positive reception of Garant by consumers was a strong contributing factor behind Axfood reaching its goal of a 25% private label share.

Axfood's objective with Garant is to offer consumers a "guaranteed good selection" of products at prices that are lower than for comparable brand-name alternatives. In addition, boosting sales of private label products plays a key part in achieving Axfood's overarching goal of profitable growth. Garant further contributes to the Group's profitability, since stores that Axfood supplies outside of the Willys and Hemköp chains can also sell the products.

At year-end Axfood's private label share was 24.4%, which is the highest for any retailer in the Swedish food retail market. However, earlier in the year the goal of a 25% private label share was reached, marking a new top level for Axfood. The private label share for the Swedish food retail market as a whole was approximately 20%.

The Garant product line is being continuously expanded and covers essentially all food categories, from general groceries to dairy products, fruits and vegetables, and meats and charcuterie products. At year-end 2012 the product line covered a total of approximately 700 items.



Another important aspect in the marketing of Garant is well executed campaigns in Axfood stores combined with high exposure in digital and social media. The Garant website, tyckomgarant.se, is the hub of interactivity with consumers, who can find information and news about the product line and even rate individual products. However, the most extensive consumer dialogue is conducted on the highly popular Garant Facebook site, such as



Communication with customers

Apart from high quality products at good prices, the success of Garant can be credited to Axfood's work on creating an attractive packaging design that stands out on store shelves. Garant has received several accolades and awards for its packaging design in the trade press.

Axfood's private label products are backed by a thorough quality control process

Axfood decides to add a new private label product to its product offering.

The next step is to invite a number of suppliers to submit tenders along with a request for documentation in accordance with Axfood's purchasing guidelines. Product samples are also submitted.

The product samples are tested internally. Based on this, 3–4 suppliers are selected and requested to return with new product samples that have been modified according to Axfood's preferences.

The product samples are tested once again internally, after which an external consumer panel of 60 persons rates the products.

Final negotiations are held on purchasing terms, and an agreement is drawn up including the purchasing terms as well as conditions for compliance with Axfood's Code of Conduct, including social responsibility aspects.

The products are delivered to Dagab and gradually reach store shelves.



with the “Guarantors” – a dedicated Garant focus group that tests and rates Garant products during a specific period.

Stronger sustainability profile

Apart from price and quality, sustainability is an important attribute of the Garant brand. Under the Garant Ekologiska produkter brand, Axfood offers a diverse and attractively priced range of organic food products.

Coordinated purchasing

To attain purchasing volumes that can match those of the multinational retail chains, mid-size retailers can coordinate their purchasing through several international purchasing organizations. Axfood is a member of two such organizations – European Marketing Distribution (EMD) and United Nordic.

Through its membership in EMD, Axfood belongs to a network with sales potential of

more than EUR 130 bn, which corresponds to a market share of 12% in Europe. This makes EMD the single largest purchaser in the European food retail market.

United Nordic is owned in equal parts by Axfood, Dagrofa (Denmark), Norgesgruppen (Norway) and Tuko Logistics (Finland). The owners’ combined sales amount to approximately EUR 15 bn.

“GUARANTORS” PROVIDE CONSUMER INSIGHT

MAINTAINING DIRECT CONTACT with customers provides vital support in the development of the Garant product offering. As it turns out, customers are interested and engaged. When Axfood sought participants on Facebook for its new consumer panel, it received more than 15,000 applicants. Two “Guarantor” groups were selected with ten members each, and every week during a 12-week period they were asked to evaluate a grocery bag packed with Garant products. The bags, which were delivered home to the panel members once a week, were composed according to varying themes. One week, the bags included breakfast products, while another week brought dinner products. In all, each group received some 240 different products to test.

The “Guarantors” have provided valuable consumer insight while giving added exposure to the Garant brand through the many contributions and comments that were submitted both on Facebook and on tyckomgarant.se.



AXFOOD'S PRIVATE LABELS

Brand	Segment	No. of products
	Mid-range food products. Quality comparable to the market leader as a minimum, but lower price for consumers.	700 products
	Value-added products that meet organic criteria for certification by KRAV and/or EU organic labelling.	130 products
	Value-added body care, laundry and household cleaning products, all of which are ecolabelled, perfume-free, asthma- and allergy-labelled, and climate-compensated.	20 products
	Value-added Fairtrade Certified products.	10 products
	Discount food and nonfood products.	800 products
	Mid-range non-food products, including batteries and light bulbs (Func), and kitchen and household cleaning supplies (Fixa).	280 products

Group overview

WILLY:S

Business concept: Willys takes the role as challenger in the market and strives to set the trend in the discount food retail segment by offering “Sweden’s cheapest bag of groceries”, with a wide and varied product selection.

NET SALES
19,407 SEK m 

OPERATING PROFIT
796 SEK m 

EMPLOYEES
3,494 

NUMBER OF STORES
WILLYS **128** WILLYS HEMMA **46**

Hemköp

Business concept: To be “the personal food store”, which in a simple yet painstaking manner provides inspiring food ideas to active families in their day-to-day lives as well as on special occasions.

NET SALES
5,082 SEK m 

OPERATING PROFIT
133 SEK m 

EMPLOYEES
1,413 

NUMBER OF STORES
GROUP-OWNED **67** FRANCHISES **114**

PrisXTRA

Business concept: PrisXtra caters to price-conscious metropolitan customers with a keen interest in food, but with an eye for premium products.

NET SALES
502 SEK m 

OPERATING PROFIT
16 SEK m 

EMPLOYEES
116 

NUMBER OF STORES
5



Axfood has a concept for every target group

Närlivs

Business concept: We make it easy for our customers to do good business.

NET SALES EXTERNAL
6,328 SEK m

NET SALES TOTAL
6,336 SEK m



OPERATING PROFIT
113 SEK m



EMPLOYEES
793



NUMBER OF STORES
AXFOOD SNABBGROSS **20**

NUMBER OF DISTRI-
BUTION CENTRES **4**

TEMPO/HANDLAR'N/DIREKTEN
667

Dagab

Business concept: Dagab helps enhance sales and profitability for stores through efficient, adapted logistics solutions.

NET SALES EXTERNAL
4,799 SEK m

NET SALES TOTAL
24,634 SEK m



OPERATING PROFIT
163 SEK m



EMPLOYEES
955



NUMBER OF
DISTRIBUTION CENTRES **4**

Other

Includes joint-Group support functions such as purchasing coordination, private labels, IT and corporate offices.

NET SALES EXTERNAL
188 SEK m

NET SALES TOTAL
4,521 SEK m

OPERATING PROFIT
-29 SEK m

EMPLOYEES
483



Willys – good profitability and high pace of modernization

Business concept

Willys takes the role as challenger in the market and strives to set the trend in the discount food retail segment by offering “Sweden’s cheapest bag of groceries”, with a wide and varied product selection.

Vision

Willys will be Sweden’s most highly recommended grocery store chain. We will achieve this by giving our customers the best service in the market and a positive shopping experience.

Customer structure

Willys is the food store for price-conscious shoppers. With a wide product selection and rich offering of fresh products, Willys seeks to meet its customers’ basic grocery needs – plus a little more. Large households and families with children are Willys’ priority customer categories.

Store facts

Willys is Sweden’s leading discount chain, with 174 wholly owned stores, of which 46 are Willys Hemma. Willys stores can be found nationwide in shopping centres and other locations just outside city centres. A few also have central city locations. Willys stores range in size from 1,100 to 4,700 square metres of retail space and approximately 9,000 items, while Willys Hemma stores range from 300 to 1,200 square metres, with approximately 5,000 items.

Willys posted stable sales and continued strong earnings in 2012.

The pace of modernization also remained high. Four stores were opened, of which two are Willys Hemma. The greatest investments, however, were carried out within the ongoing store modernization project. The aim of the remodelling is to create a better shopping experience and meet new demands and expectations from today’s customers.

2012 review

Modernization of stores continued. During the year, 20 stores were upgraded. Thus by year-end, a total of 101 of the 128 Willys stores had been upgraded or newly opened in accordance with the new concept.

Willys’ business concept, to offer “Sweden’s cheapest bag of groceries”, requires active work with the price point. During the year, continuous investments were made in marketing activities, and during the fourth quarter a broad price reduction was carried out for more than 1,200 products.

Private label products’ share of sales continued to rise and reached 26.9% for Willys and 29.5% for Willys Hemma at year-end.

A customer loyalty programme, Willys+, has been developed for launch in 2013. Read more on page 19.

A number of initiatives have been carried out to further lift Willys’ environmental profile, including clearer communication in stores. All Willys stores are ecolabelled since previously with the “Good Environmental Choice” label.

During the year, various employee training programmes were carried out. By year-end, all employees had completed training in customer service, among other things.



Willys' partnership with Save the Children continued in 2012. Special attention was focused on support for three Save the Children activities: work in socioeconomically deprived areas, the "Five steps to action" sport project, and the "Rewrite the future" school project.

Future challenges

Willys faces the constant challenge of growing sales in existing stores in the face of mounting competition from the hypermarket segment. Success at this requires that Willys is responsive to new demands from customers for value-added other than price, such as the shopping experience, customer service, and sustainability.

Priorities 2013

Achieving higher sales and maintaining profitability continue to be the overarching priorities. Growth will also be achieved through new establishment.

Work will continue on raising awareness about Willys' commitment to offering "Sweden's cheapest bag of groceries".

Modernization of Willys stores will continue in tandem with efforts to offer increasingly better customer service and a more inspiring shopping experience, such as through continued focus on fresh products.

Launch of the Willys customer loyalty programme, Willys+, will take place during the first quarter.



Willys will be the first discount chain in Sweden's food retail sector to launch a customer loyalty programme, Willys+, in February 2013.

The aim of the loyalty programme is to strengthen the chain's relationship with customers, boost customer loyalty and begin a shift away from traditional, mass direct mail advertising to directed communication via digital channels. Customers enrolled in Willys+ will receive more and better offers

every week as well as tips and inspiration for meals using the discounted food products. Customers will be able to track their purchasing and discounts on willys.se or by using the Willys+ mobile app. Willys+ is entirely digital, freeing customers of the hassle with membership cards, coupons and paper advertisements. All communication is done via e-mail or the Willys+ app, resulting in a solution that is both sustainable and cost-effective.



Sales and operating margin



Key ratios

SEK m	2012	2011
Net sales	19,407	18,904
Like-for-like change in sales, %	0.0	-1.6
Operating profit	796	775
Operating margin, %	4.1	4.1
Number of Group-owned stores	174	170
Average number of employees during the year	3,494	3,410
Private label share (Willys/Willys Hemma)	26.9/29.5	26.7/29.7

Hemköp – higher sales with favourable profitability

Business concept

To be “the personal food store”, which in a simple yet painstaking manner provides inspiring food ideas to active families in their day-to-day lives as well as on special occasions.

Vision

To be the favourite neighbourhood grocery store.

Mission

We create passion for food every day.

Customer structure

Due to the location of Hemköp’s stores in urban and residential settings, customers shop more frequently. Hemköp customers are looking for variety, a range of choices and high quality at an attractive price, and they like Hemköp’s broad selection and accent on fresh products, inspiring food ideas and personal service. They are active people who enjoy good food and are mindful about their health and the environment.

Store facts

Hemköp’s stores are centrally located in city centres and residential areas. Retail space in the stores ranges from 400 to 4,000 square metres, and the stores carry approximately 10,000–12,000 items. At year-end the Hemköp chain comprised a total of 181 stores, of which 67 were Group-owned.

Hemköp continued to grow with good profitability. This was achieved through focus on sales, initiatives to strengthen the brand and good cost control. Sales rose 6.2%, with an operating margin of 2.6%.

2012 review

Hemköp reported favourable growth and earnings. This positive performance can be credited in part to efforts to increase sales while maintaining continued focus on good store operations and cost control. The Vi stores that were converted to Hemköp franchises at the end of 2011 have performed well. They have also strongly contributed to greater visibility for Hemköp, especially in the Greater Stockholm area. Visibility has also been strengthened by the new brand platform that was

launched in 2012 with the support of a number of marketing activities, both in stores and digitally, and a major profiling campaign.

During the year, five new stores opened, and ten stores were upgraded.

Hemköp’s sustainability work is attaining ever-greater scope, especially with respect to energy use and waste recycling. Both of these areas have major potential for profitable measures. The current monitoring and control of energy consumption is an important aspect of this work and has led to energy savings. As stores are refurbished, important features include furnishing refrigerator and freezer displays with doors and lids, and investing in sorting systems for waste recycling.

In summer 2012 Hemköp was the first store chain to test two systems for mobile payment for in-store purchases. The outcome was very positive, and a roll-out of the



systems in all Hemköp stores was begun toward the end of the year, after agreements were signed with the suppliers Seamless and Swedbank. Parallel with this have been continuous efforts to boost customer loyalty and customer satisfaction with the help of Hemköp's loyalty card.

Competence development of employees continued throughout the year and included e-learning courses with a number of different themes at Hemköp's Group-owned stores. Employees at proprietor-run stores are also invited to participate in the courses.

During the year, one store was converted under the "91/9" model. The model entails that a majority of the store is owned by Axfood during the first years. The goal is then that the store proprietor will eventually own 99% and Axfood 1%. The aim is to encourage Hemköp's employees to become entrepreneurs and small business owners.

In December, Hemköp's director of sales, Thomas Gäreskog, took office as the new President of Hemköp.

Future challenges

Hemköp's overarching challenges are to grow sales and maintain the positive trend in earnings in a fiercely competitive market segment. Building and strengthening the Hemköp brand is a critical success factor.

Priorities 2013

Hemköp will continue to prioritize sales and profitability along with cost control. This will be achieved through an ongoing effort to instil a more positive perception among customers of Hemköp's price point along with improved store operations aimed at strengthening customer satisfaction and loyalty. Personal attention to customers will be developed, among other things through training of store staff.

The goal is to adopt additional "91/9" agreements at a number of stores in 2013.



In 2012 Hemköp launched a new brand platform with a number of marketing activities aimed at strengthening the brand and increasing sales.



Sales and operating margin



Key ratios

SEK m	2012	2011
Store sales, incl. proprietor-run stores	11,050	9,148
Net sales	5,082	4,787
Like-for-like change in sales, %	2.0	0.4
Operating profit	133	94
Operating margin, %	2.6	2.0
Number of stores, Group-owned/franchises	67/114	62/121
Average number of employees during the year	1,413	1,364
Private label share, %	18.1	18.8



PrisXtra – continued positive result

Business concept

PrisXtra caters to price-conscious metropolitan customers with a keen interest in food, but with an eye for premium products.

Customer structure

PrisXtra's customers are typically foodies who want to be the first to try new ideas and trends. Customers at central city locations consist largely of small households. On weekdays customers want fast, simple solutions, while at weekends they gladly spend extra time and care on shopping and cooking.

Store facts

PrisXtra's five stores are located in central Stockholm and near-lying suburbs, with retail space ranging from 1,100 to 3,500 square metres. The stores carry nearly 20,000 items.

PrisXtra is a grocery chain serving the Stockholm market, comprising five stores at year-end.

PrisXtra aspires to be the most attractively priced alternative for foodies in Stockholm, whether in the discount, conventional grocery or premium segments. The basic product range consists of brand-name goods combined with discount products and a distinctive offering of attractively priced premium products.

Several of the stores feature a buffet counter for takeaway lunch and dinner. Fruits, vegetables and fresh bread are also strong attractions.

2012 review

PrisXtra once again showed a positive result, even though sales for the two largest stores continued to be hurt by extensive road construction nearby.

PrisXtras largest store to be converted to Hemköp

In 2013 PrisXtra's largest store, at Norra Station, will be converted to Hemköp and will move to new premises in the same area. The location is strategically important, as an entirely new city district is emerging with office buildings, residential complexes and commercial space. Axfood's head offices will also be moving to the area in early 2014. Over time, the remaining four PrisXtra stores will also be successively converted to one of Axfood's two strong brands, Hemköp or Willys. As a consequence of this, an impairment loss has been recognized for the PrisXtra brand.

Key ratios

SEK m	2012	2011
Net sales	502	549
Change in like-for-like sales, %	-8.6	-10.0
Operating profit	16	15
Operating margin, %	3.2	2.7
Number of Group-owned stores	5	5
Average number of employees during the year	116	135



Axfood Närlivs – strengthened position as market leader

Business concept

We make it easy for our customers to do good business.

Customer structure

Customers work under Axfood's own profiles in the retail, convenience retailing, and restaurant and food service segments.

Own profiles consist of Tempo, Handlar'n and Direkten. Convenience retailers include service stations and convenience stores and small, independent businesses such as newsstands. Axfood Snabbgross offers cash and carry business primarily to restaurants and foodservice operators, as well as to convenience store operators, associations and offices.

Axfood Närlivs continued its favourable growth, with a 14.9% increase in sales. New agreements led to higher volumes. An improved product offering by Axfood Snabbgross also contributed to higher growth. Overall, Axfood Närlivs increased its market shares in all segments.

Axfood Närlivs is Axfood's open wholesale business with responsibility for market cultivation of stores not owned by the Axfood Group in the mini-market and convenience store segment. Tempo, Handlar'n and Direk-

ten stores are run by independent grocers who cooperate with Axfood under the respective store brands. Axfood Närlivs contributes to development in the convenience store segment, among other things through business development together with major chain customers. This focus has made Axfood Närlivs a market leader in its segment.

Following a reorganization in 2012, Axfood Närlivs is structured in three business areas: Axfood Närlivs Detaljhandel, Axfood Snabbgross, and Rikskunder and e-commerce.

Axfood Närlivs Detaljhandel caters to the some 800 customers working under small grocery store profiles, such as Tempo, Handlar'n and Direkten, and to independent convenience store operators. Axfood Snabbgross, with 20 cash and carry outlets, has foodservice operators and restaurants as its main customer categories. The Rikskunder and e-commerce business area caters to large, nationwide chains, such as service stations and the leading grocery home delivery companies.

2012 review

Sales for the year were favourable, owing in part to deliveries to new customers. In addition, the number of affiliated stores has increased along with a parallel increase in the average store size. Overall Axfood Närlivs grew its market shares in all of its business areas.

Axfood Snabbgross has achieved organic growth through a broadened and modernized product offering and a stronger positioning towards the restaurant market. Among other things, the meat selection has been expanded, and starting in 2012 Axfood



Snabbgross also offers an extensive selection of restaurant supplies.

Axfood Snabbgross's e-commerce business was launched in full during the year, with a main focus on business customers. In connection with this, Axfood Närlivs' e-commerce site for consumers, Netxtra, was sold to MatHem, at the same time that product supply agreements were signed for MatHem's e-commerce business in Stockholm. Axfood Närlivs is the market-leading supplier of pre-packed grocery bags, with customers such as Linas Matkasse and Middagsfrid.

In the Rikskunder business area, the agreement with Statoil took effect on 1 January, covering supplies to more than 300 service stations. In addition, a new and more far-reaching cooperation agreement was signed during the year with EMAB, an organization for independent service station retailers. Axfood Närlivs thereby continues to have all of the country's service station chains as customers. The acquisition of 50% of the wholesale company Hall Miba, a supplier of car care products and accessories to service stations and affiliated stores, has provided an opportunity to grow further in this segment.

Demand for convenient meal solutions is rising, and to achieve deeper penetration of the value chain and better understand the end consumer, in 2011 Axfood Närlivs opened Food Court, an independent fast food and convenience store in Malmö.

During the year parts of the distribution centre in Tyringe were moved to the warehouse in Örebro.

Axfood Närlivs' work with sustainability issues has been focused mainly on waste sorting for recycling and energy efficiency improvements at warehouses.

Future challenges

Axfood Närlivs' overarching challenge is to continue generating profitable growth. This

requires continuous adaptation to emerging demands on the product offering and faster lead times. Above all, it is important for competitive reasons to be able to meet the shift toward an ever-greater share of fresh products and fast food in the product selection at customers' stores.

An important aspect of Axfood Närlivs' success also lies in its ability to take responsibility for a growing share of the value chain than just transports and inventory, and thereby help customers do better business.

Implementation of Axfood's new business system has been started, however, for Axfood Närlivs the greatest challenges will come above all in 2013 and 2014, when new logistics platforms will be put in operation.

Priorities 2013

Work will continue with continuous efficiency improvements in all areas.

Operations in all concepts will be developed and modernized further in order to be able to meet rapid development in the market with an ever-improving customer offering.



Axfood Snabbgross conducts cash and carry and e-commerce business above all with restaurants and foodservice operators, convenience store customers, and offices and associations.

Sales and operating margin



Key ratios

SEK m	2012	2011
Net sales	6,336	5,516
Distributed sales	5,822	4,992
Operating profit	113	110
Operating margin, %	1.8	2.0
Tempo/Handlar'n/Direkten, no. stores	667	656
Snabbgross, no. of cash and carry outlets	20	20
Average no. of employees during the year	793	735
Delivery reliability, %	97.9	97.7
Inventory turnover rate, times	30.9	26.3

Dagab – more efficient product flows and major energy savings

Business concept

Dagab helps stores increase their sales and profitability through efficient, adapted logistics solutions.

Customer structure

Dagab's customers consist of the store chains within the Axfood Group.

Dagab is the hub of the Axfood Group's logistics flow and contributes through continuous improvements to higher store sales and profitability. In 2012, good results were achieved for important key ratios such as delivery reliability, productivity, quality and customer satisfaction. Investments in more efficient energy use also generated significant savings.

Dagab is the logistics partner for all of the Axfood Group's store chains. Deliveries are made to some 550 stores throughout Sweden from two main distribution centres – Backa in Gothenburg and Jordbro in Stockholm – and from two complementary cold storage warehouses in Borlänge and Jönköping. Products from the various suppliers are distributed from these facilities to stores according to order. This volume of products accounts for roughly 70% of the stores' total supply needs.

2012 review

Dagab's ongoing efficiency improvement work was highly successful. Key performance

indicators that are measured include productivity, delivery reliability, timeliness and customer satisfaction.

The extensive implementation of Axfood's

new SAP business system continued during the year. The main project in 2012 involved introduction of a new product supply system in Borlänge and Jönköping. The project, which required a major work effort, has been highly successful. However, it also gave rise to higher costs, which hurt earnings for the year.

Investments within the framework of the sustainability programme were also made during the year, especially in more efficient use of energy. Energy efficiency in the new buildings used by the company meets the level of the Green Buildings efficiency certification system. All less energy-efficient premises in Jordbro have been remodelled, and together these measures have led to favourable savings.

A large number of training courses were carried out to ensure successful implementation of the new business system.

Future challenges

Dagab's overarching challenge is to contribute to increasingly closer and effective integration with the Axfood Group. In this context, Dagab plays a key role in implementation of Axfood's new business system. The main, immediate challenge is to prepare for installations in Jordbro.

Priorities 2013

2013 will entail continued intensive work on implementation of Axfood's new business system, parallel with continuous initiatives to provide improved support to the stores and improvements in daily operations.

Dagab will also keep its focus on environmental matters in logistics, with an emphasis on energy and fuel efficiency at facilities and in transports, and on waste handling and sorting.



Optimal operations and cost efficiency

Efficiency at every level is a key feature in Axfood's strategy for profitable growth. From work with the product offering to purchasing, stock-keeping and distribution, continuous work is carried out to extract cost and quality benefits from each part of the product flow.

Dagab is the hub of Axfood's logistics flow, where roughly 70% of the products ordered

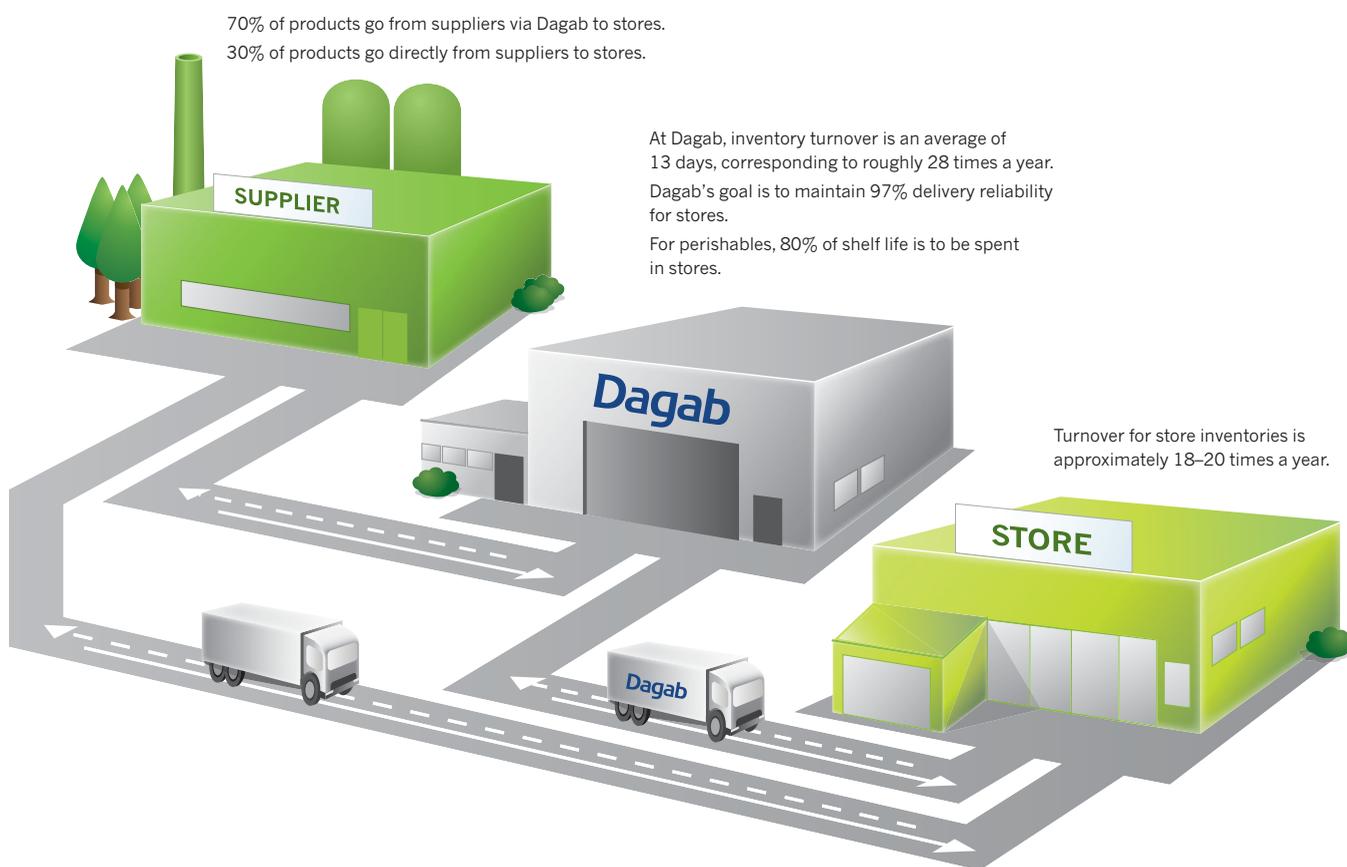
from the various suppliers are channelled for repackaging and stock-keeping. Dagab's warehouses thereafter distribute the products to the stores, according to their orders.

The products that are purchased at this level are determined by the store chains' product strategies; purchasing is handled by a central purchasing function, which nego-

tiates all of Axfood's supplier agreements. Through this centralized purchasing function, economies of scale are achieved.

Axfood's purchasing and logistics model is being continuously improved to achieve faster inventory turnover and more efficient product ordering as well as improved distribution and more efficient transports.

THE FLOW FROM SUPPLIER TO STORE



Sales and operating margin



Key ratios

SEK m	2012	2011
Net sales	24,634	24,295
Distributed sales	17,205	16,981
Operating profit	163	192
Operating margin, %	0.7	0.8
Average number of employees during the year	955	961
Delivery reliability, %	97.5	97.1
Inventory turnover rate, times	27.5	29.2

Axfood is one of Sweden's leading food retail companies. Its ambition is also to be a leader in sustainability. By being a driver of sustainability issues over the long term and with clear goals, Axfood creates the right offerings for its customers, which in turn leads to better business.

Towards industry leadership in sustainability

Axfood's goals and strategies rest on a conviction that environmental and social responsibility, a strong customer orientation, and proud and committed employees are vital drivers of value creation in the Company. Work with the environment and sustainable development shall therefore be conducted actively in order to make Axfood the best in the industry. This work rests on a foundation of Axfood's core values and Code of Conduct, along with the Company's sustainability programme. According to Axfood's environmen-

tal policy, the precautionary principle shall be used proactively in environmental work.

Axfood's sustainability work is based on the UN definition of sustainability: "Development that meets the needs of the present without compromising the ability of future generations to meet their own needs". Sustainability work is conducted mainly in accordance with ISO 14001. Reporting is done in accordance with the Global Reporting Initiative (GRI) guidelines, level B.

Code of Conduct for business ethics

According to the Group's Code of Conduct, Axfood shall conduct its business in accordance with generally accepted business practice and high standards of business ethics in relation to its suppliers and other business partners. To ensure uniform conduct among all employees, Axfood adheres to a policy that lays out the Group's position on the offering and accepting of bribes and corruption. This policy is updated annually, and pertinent employees are required to certify in writing

AXFOOD'S STAKEHOLDERS

Axfood's most important stakeholders are the groups of people who are affected most by and/or affect the Company's business. The issues that are perceived by these stakeholders as being

the most important provide guidance to Axfood in its work with sustainability and corporate social responsibility.

Owners:

Axfood shall create enduring value for its shareholders by exercising corporate responsibility.



Customers:

Axfood aims to offer its customers a wide range of environmentally adapted, healthy and safe products at competitive prices.

Employees:

Axfood wants proud and committed employees, and to be a collaborative and effective organization.



Suppliers:

By making demands and conducting a dialogue, Axfood strives to raise the level of its suppliers' sustainability work.

Society:

Axfood strives to actively contribute to society by influencing and being responsive.



SUSTAINABILITY ORGANIZATION



Responsibility for overarching strategies, goals and actions, and follow-up rests with the Executive Committee and Head of Environment and Social Responsibility. The individual companies and divisions within the Axfood Group have operational responsibility for their own sustainability work.

that they have read the policy. These include employees who have the right to authorize payments for a profit centre or who in some other way have a say in purchasing decisions for goods or services.

Organization and implementation

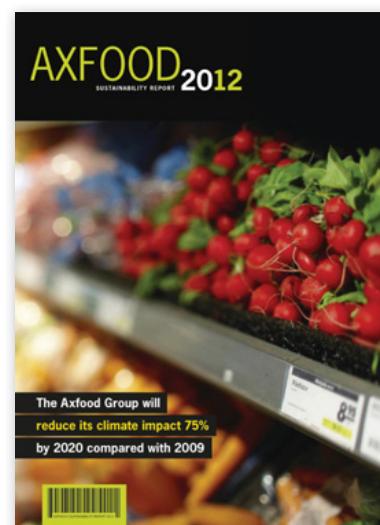
Axfood works with sustainability matters in a business-driven manner and integrates them in all aspects of the business in order to instil involvement throughout the organization. Responsibility for overarching strategies, goals and actions, and follow-up rests with the Executive Committee and Head of Environment and Social Responsibility. The individual companies and divisions within the Axfood Group have operational responsibility for their own sustainability work.

To be able to work in an integrated fashion, it is important that the individual com-

panies within the Axfood Group have operational responsibility for their own sustainability work. Sustainability coordinators have been appointed in all of Axfood's companies. It is also important to gradually raise the employees' competence in the area of basic knowledge about sustainability issues as well as Axfood's commercial benefit from being an industry leader in sustainability practices.

Axfood's 2012 Sustainability Report

Axfood conducts its sustainability reporting in accordance with the Global Reporting Initiative (GRI) guidelines, level B. The complete Sustainability Report for 2012, including a GRI table, can be downloaded from axfood.se, where other governing documents are also available, such as the Group's sustainability policy, sustainability programme, and the Axfood Code of Conduct.



Sustainability programme with measurable goals

Axfood's sustainability programme is an important governance tool for the Group's sustainability work. The programme describes goals, actions and follow-up of the Group's sustainability work and is revised once a year, in pace with the achievement of goals and emergence of new opportunities.

FOCUS AREA	OVERARCHING GOALS
<p>SUSTAINABLE PRODUCTS</p> 	<ul style="list-style-type: none"> Axfood will continuously improve its products from an environmental perspective through adherence to the purchasing guidelines. <ul style="list-style-type: none"> Axfood will work actively for more sustainable production of palm and soybean oil. Axfood will contribute to better animal welfare.
<p>ENVIRONMENT – TRANSPORTS</p> 	<ul style="list-style-type: none"> Axfood will reduce its climate impact from transports and business travel.
<p>ENVIRONMENT – ENERGY</p> 	<ul style="list-style-type: none"> The Axfood Group will reduce its climate impact by 75% by 2020 (base year 2009).
<p>SUPPLIERS</p> 	<ul style="list-style-type: none"> Axfood will promote respect for human rights, workers' rights and environmental protection among its suppliers and business partners.
<p>EMPLOYEES</p> 	<ul style="list-style-type: none"> Axfood will create workplaces that offer involvement, diversity and opportunities to develop.

TARGET/KEY RATIO	OUTCOME 2012	OUTCOME 2011
<ul style="list-style-type: none"> The Axfood Group will increase its sales of organic products to at least 3% of total food sales in 2013. Axfood's sales of organic meat will amount to 2% of total meat sales by year-end 2012. Packaging of Axfood's private label products will include information about the country of origin of meat ingredients. The palm oil used in Garant products will be certified by 2015. 	<p>2.7%</p> <p>1.1%</p> <p>Approximately 95% of products are labelled with information on the country of origin. A dialogue is being carried out with suppliers of certified palm oil.</p>	<p>2.7%</p> <p>–</p>
<ul style="list-style-type: none"> Dagab and Axfood Närlivs will reduce their CO₂ emissions from Group-owned vehicles by 20% per tonne-kilometre by 2015 (base year 2009). The Axfood Group will reduce air travel by employees by 15% from 2011 to 2012. 	<p>–17.4%</p> <p>–16%</p>	<p>–13.0%</p> <p>–</p>
<ul style="list-style-type: none"> The Axfood Group will reduce its energy consumption by 30% per square metre by 2015 (base year 2009). Dagab will reduce its electricity consumption by 10% per square metre by year-end 2012 (base year 2011). 	<p>–3.9%</p> <p>–9.3%</p>	<p>–2.5%</p> <p>–</p>
<ul style="list-style-type: none"> By 2015 at the latest, suppliers accounting for at least 67% of the Group's purchasing value from risk countries will be audited in accordance with the BSCI's* goals. By 2015 at the latest, at least 34% of audited suppliers will have made improvements in accordance with the BSCI standards. 	<p>Axfood will become a member of BSCI in 2013.</p>	
<ul style="list-style-type: none"> Continued high work attendance rate of at least 95%. Continued Customer Satisfaction Index score of at least 90%. Achieve an even gender balance in management positions, i.e., that women and men will be represented within a range of 40%–60% by 2015 at the latest. 90% of employees will perceive that the Company is an equal opportunity workplace for men and women, by 2015 at the latest. All employees will have received basic training in environmental issues by 2015 at the latest. 	<p>95.0%</p> <p>91.0%</p> <p>22.7%</p> <p>80%</p> <p>87%</p>	<p>95.3%</p> <p>92.0%</p> <p>21.6%</p> <p>78%</p> <p>82%</p>

* The Business Social Compliance Initiative, a leading business-driven initiative for companies committed to improving working conditions in the global supply chain.

The environment – ambitious initiatives for energy efficiency



Energy consumption, transports and waste recycling are priority areas for Axfood's environmental sustainability work. All of these areas are of great importance for Axfood's business and have major potential for improvement. Strategic, long-term and extensive work is being conducted especially in the area of energy use to reduce consumption. In addition, life cycle analyses in connection with the purchasing process are aimed at reducing the environmental impact of products.

Control of electricity consumption

In 2012, work on implementation of a system for detailed measurement and control of electricity consumption was begun according to plan in Group-owned stores and warehouses. The system allows for central control and monitoring, towards the goal of achieving the ambitious targets to reduce electricity consumption by 30% per square metre by 2015.

The measurements show that electricity use continues to decrease in the Group's premises, by a total of 3.9%, since 2009. During the year, as part of a three-year investment programme, recruitment began for energy engineers, who will work systematically with these measurements towards the goal of achieving a long-term reduction in electricity consumption.

Fuel-efficient transports

Axfood's business requires extensive product flows. Axfood strives to ensure that these transports are long-term sustainable as far as possible and has adopted more stringent emission targets. Product transports are conducted under own management via Dagab and Axfood Närlivs as well as through sub-contracted freight companies. Axfood's own delivery fleet currently comprises 144 vehicles. CO₂ emissions from Axfood's transports, measured both in terms of tonnes of transported goods and sales value, are decreasing steadily from year to year.

All transports conducted using Axfood's own fleet use Evolution diesel, which is based partly on pine oil and generates lower emissions than conventional diesel fuel. Improvements were made to Evolution diesel during the year, by increasing the blend of pine oil from 16% to 25%, resulting in further reductions in emissions.

For business travel, the Axfood Group has set a target to reduce the total volume through increased use of virtual meetings and through preferential use of trains or buses instead of air travel for trips that are necessary. In 2012 the Group met its goal that all company cars shall be environmental cars.

Profitable recycling

Waste sorting is currently practised at all of Axfood's offices, stores and warehouses. The aim is to recycle as much waste as possible and to capitalize on possible revenues from sorted waste, such as shrink wrap and corrugated board. Food waste is sorted for biogas production in the municipalities that have suitable biogas plants. The ambition is to be able to use food waste from all of Axfood's stores for biogas production.

Reduced climate impact from products

The choice of products in Axfood's offering has an environmental impact in production, transport and consumption. Axfood therefore

strives to purchase products that have the smallest environmental impact.

The new purchasing guidelines, which have been drawn with the support of life cycle analyses for key staples, are being implemented in the practical purchasing work. This work is focused on reducing climate impact as well as other environmental impact.

SOLARWATER PROJECT PROVIDING CLEAN WATER IN UGANDA

AXFOOD CLIMATE COMPENSATES its air travel and its Garant Säcklart line of private label products, which includes household cleaning, laundry and body care products. Climate compensation is achieved through, among other things, a project in Uganda, where support is provided to a solar water purification project. Through Axfood's support, 1,000 families have access to clean water using solar energy.



Priorities 2013

Environmental aspects in the new purchasing guidelines will continue to be implemented in the practical purchasing activities.

Further initiatives are being taken to reduce energy consumption in stores, warehouses and offices. Implementation of the energy control system will continue in stores and warehouses.

With new statistics available, the level of sorting at stores will increase further, and the share of material that is sent for incineration will be reduced.

The successful work on lowering CO₂ emissions from transports will continue.

Customers – attractively priced, sustainable and safe foods



Axfood's customers expect Axfood to meet their demands for environmentally adapted, healthy and safe foods at competitive prices. They also increasingly want to know where the meat and processed meat products they buy come from, with a majority preferring products with Swedish ingredients. Axfood is meeting this demand through continuous development of attractively priced, sustainable and safe products that are organic, Fairtrade certified and healthy. In addition, Axfood's stores are working to make it easy for shoppers to find organic products.

Stronger focus on animal welfare

Many people who buy organic food do so out of concern for animal welfare. Axfood has therefore invested in offering an ever-growing selection of organic beef and pork. Axfood gives priority to organic meat with the Swedish KRAV certification, which has considerably more stringent animal welfare standards than other organic certifications.

During the year, the products and purchasing department mapped out the animal welfare rules that apply in a number of countries. This study will be used to support purchasing activities and is part of the Group's new purchasing guidelines. Intensive work was carried out during the autumn to train buyers in this area.

Sustainable fish and shellfish products

In accordance with Axfood's fish policy, fish and shellfish from threatened populations are not sold in Axfood stores. Determination of which fish may be sold is based on WWF's

red list, which is continuously updated in pace with changed conditions regarding which types of fish are red-listed. In 2012 Willys and Hemköp were the first to sell king prawns that are environmentally certified by the Marine Stewardship Council (MSC). Farmed tropical giant prawns have long been red-listed by WWF, but the new king prawns sold in Axfood stores are harvested from wild, non-threatened populations under strict control.

Growing share of organic products

Garant Ekologiska varor is Axfood's own organic brand, offering organic alternatives for everyday foods at a reasonable price. The products are sold in all of Axfood's store concepts. At year-end the product line comprised 130 items and is being gradually expanded.

Aware, Axfood's Fairtrade Certified private label, included 10 products at year-end, including coffee, tea, and chocolate.

Organic products accounted for 2.7% of total food sales in Axfood's stores in 2012.



All farmed giant prawns are red-listed by WWF, however, during the year Axfood launched MSC-certified wild prawns that are harvested by an Australian fishing cooperative.

Priorities 2013

Axfood will continue to prioritize higher sales of organic products, with the goal that these will account for at least 3% of total food sales in 2013.

Suppliers – audits for better working conditions



Axfood's relations with suppliers are to be characterized by generally accepted business practices and high standards of business ethics. At the same time, it is important that suppliers of products and services comply with national laws and regulations and that international conventions are respected.

A guiding point in these relationships is the Axfood Code of Conduct, which lays down Axfood's position and commitment to its

suppliers as well as to the individual employees and other partners. Companies and their subcontractors that supply products or services to Axfood Group companies are required to meet the requirements stipulated in the Code of Conduct.

Together with local auditors, Axfood conducts social audits of production facilities of selected suppliers in order to see how well they comply with the laws in their own countries with respect to workers' rights and working conditions, as well as to UN and ILO conventions. The main factors examined are child labour, workers' rights, work environments and housing conditions.

In 2013 Axfood will become a member of the Business Social Compliance Initiative

(BSCI), an international initiative for companies committed to improving working conditions in the global supply chain.

Priorities 2013

Axfood will continue to accelerate the pace of social audits. The goal is to perform social audits of all suppliers in high-risk countries by the end of 2013 at the latest. Axfood will also influence global developments in the area through its participation in BSCI.

The Group's environmental purchasing guidelines will continue to be implemented in purchasing work and in the development of private label products.

Employees – pride, commitment and diversity



Axfood wants proud and committed employees who work according to the Group's core values in a collaborative and business-driven organization. This requires strong focus on fostering a distinctive culture through systematic work on developing the business in such areas as employeeship, values-based leadership, entrepreneurship and customer orientation.

Values-based leadership

Values-based leadership and active employeeship are key success factors at Axfood. A defined manager profile has been created

which lays out the type of leadership that is encouraged within the Group and serves as a guide for new recruitment and further development of leaders.

Training for better business

Axfood Academy is the Group's centre for training and development programmes for all of the Group's employees and leaders. E-learning is a cost-effective and environmentally friendly form of training that can be offered to all employees regardless of their geographic location across the country. For Axfood, providing opportunities for training is an important tool for achieving the strategic objective that all employees will feel a sense of pride and commitment in their work.

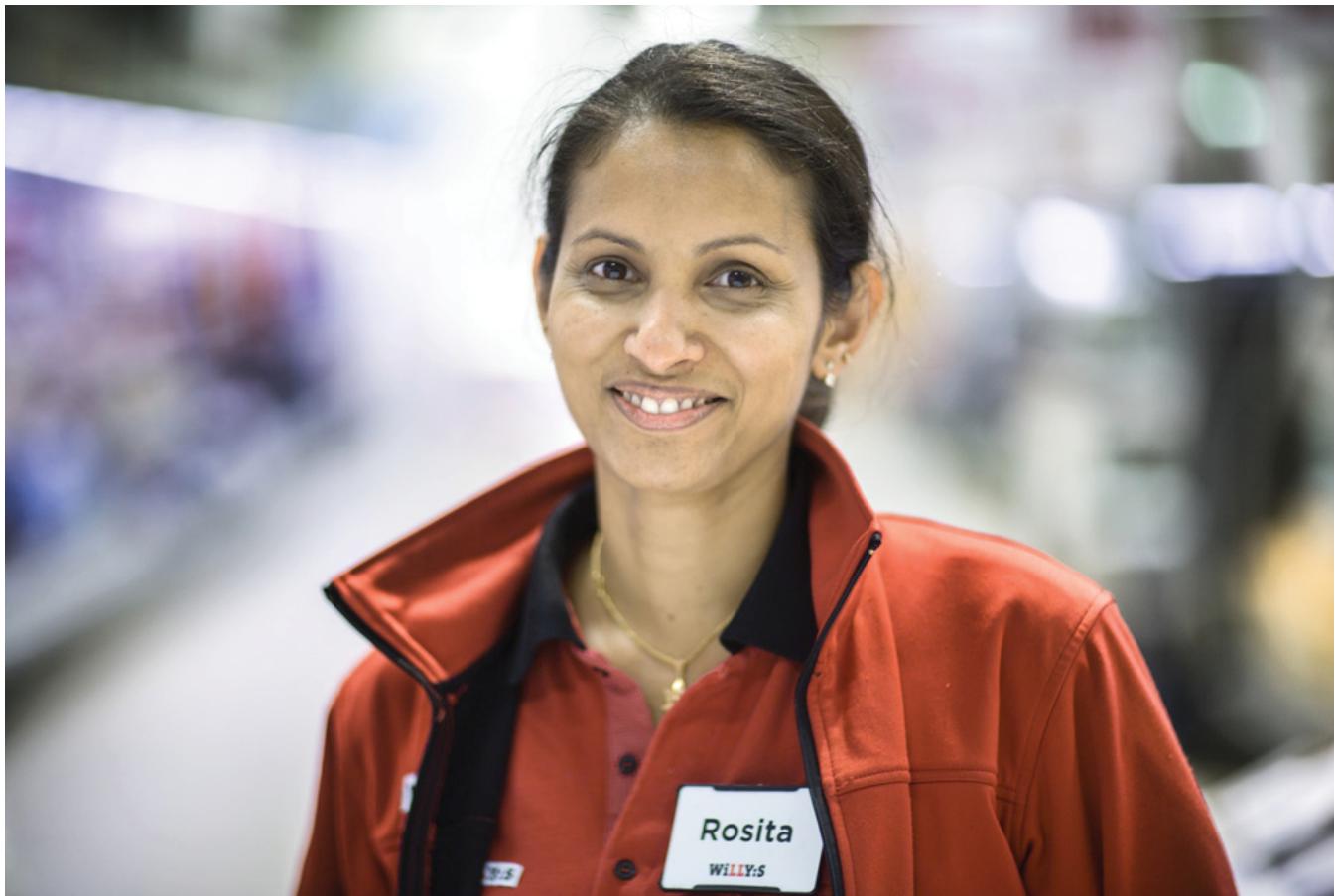
While training activities are focused on ensuring basic competence, such as in food handling, they are also intended to

strengthen entrepreneurship and sales while instilling Axfood's core values and view of leadership and employeeship.

Since the introduction of e-learning in 2008, approximately 84,000 courses have been completed, and today more than 5,000 employees are certified in knowledge about store operations and perishables.

Equal opportunity and diversity

Axfood's commitment to diversity is a key aspect of management recruitment and employee development. A Group-wide equal opportunity and diversity policy lays down guidelines for equal opportunity and diversity work within the Group, both centrally and locally. The basic principle is that diversity in society and among Axfood's customers shall be reflected in the diversity of Axfood's employees.



The Group's explicit objective is to achieve an even gender balance in management positions, entailing representation of men and women within a range of 40%–60% by 2015 at the latest. At year-end 2012 the share of women in management positions was 22.7%. The share of store managers who are women has risen from zero in 2000 to 27%. Axfod's management training programmes have had an even balance of men and women since 2010.

In 2012 Axfod's Head of Human Resources, Louise Ring, received an award for her work with diversity at the annual "Competence Gala".



Satisfied employees

For the past few years, the work climate – with leadership as a key component – has been measured in Axfod's annual employee survey. The results for 2012 showed a stable Employee Satisfaction Index score of 91, vs. a benchmark of 85.

Priorities 2013

Axfod will continue development of training in support of sales. A long-term grocer offering will be established in the areas of recruitment, retention and development. A review will be conducted of Group-wide needs and initiatives in the area of work environments and health.

Society – external work with responsibility issues



Axfod has a multitude of contact interfaces with society at large and participates on a regular basis in consultations and discussions on current issues with public authorities and trade organizations. Axfod is also extensively involved in partnerships with various business networks and non-profit organizations.

Axfod is one of the initiative-takers behind the Haga Initiative, a climate network dedicated to reducing emissions from industry, combating climate change and serving as a model for companies that take responsibility for climate concerns. One requirement for membership is that the company commits itself to reducing its carbon emissions by at least 40% by 2020.

Axfod is also a member of the Swedish Association of Environmental Managers and CSR Sweden.

Diversity network

Diversity Charter Sweden is a network that has been launched to share knowledge and experience surrounding diversity and thereby

contribute to successful and profitable work with diversity issues. Here, too, Axfod was one of the initiative-takers. All member-companies in the Diversity Charter sign a contract that they will work actively with diversity based on set targets.

Non-profit organizations

Axfod belongs to numerous partnerships and consultative forums with non-profit organizations in the area of sustainability. These include, for example, a formalized partnership between Willys and the Swedish Society for Nature Conservation (SSNC). Axfod's long-term cooperation with Save the Children involves a host of activities conducted every year in Axfod's stores. In addition, Hemköp



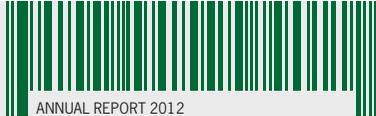
For the 2012 Christmas season Garant launched "extra nice" gingerbread snaps, where SEK 1 per sold tub was donated to Save the Children.

has a cooperation agreement with SOS Children's Villages.

With respect to red-listing of fish, Axfod consults with WWF. Axfod is also a member of the Roundtable on Sustainable Palm Oil (RSPO) and the Roundtable on Responsible Soy Association. Both of these organisations are helping to protect the world's rainforests by contributing to the development of credible and practical systems for trading in certified palm oil and soybeans.

Priorities 2013

Continued cooperation and dialogue with social organizations.



ANNUAL REPORT CONTENTS

ADMINISTRATION REPORT

- 38 Administration report
- 41 Risks and risk management
- 45 Corporate governance report 2012
- 54 Board of Directors
- 56 Executive Committee

FINANCIAL STATEMENTS

- 58 Statement of comprehensive income, Group
- 59 Comments on the statement of comprehensive income and statement of financial position
- 60 Statement of financial position, Group
- 62 Statement of cash flows, Group
- 63 Statement of changes in equity, Group
- 63 Comments on the statement of cash flows and statement of changes in equity
- 64 Income statement and balance sheet, Parent Company
- 65 Cash flow statement and shareholders' equity, Parent Company

NOTES

- 66 Note 1 Accounting and valuation policies
- 74 Note 2 Operating segments
- Note 3 Acquired operations
- 75 Note 4 Discontinued operations
- Note 5 Breakdown of income
- Note 6 Breakdown of expenses
- Note 7 Information on intra-Group income and expenses
- 76 Note 8 Information on employees, and compensation of directors, the CEO and other senior executives
- 77 Note 9 Auditors' fees
- Note 10 Depreciation and amortization
- Note 11 Operating leases
- 78 Note 12 Related party transactions
- Note 13 Net financial items
- Note 14 Appropriations and untaxed reserves
- Note 15 Taxes
- 79 Note 16 Earnings per share
- Note 17 Intangible assets
- 80 Note 18 Property, plant and equipment
- Note 19 Government support
- 81 Note 20 Finance leases
- Note 21 Participations in Group companies
- Note 22 Participations in associated companies
- Note 23 Financial assets
- Note 24 Non-current and current receivables
- 82 Note 25 Accounts receivable – trade
- Note 26 Prepaid expenses and accrued income
- Note 27 Provisions for pensions and similar obligations
- 83 Note 28 Financial assets and liabilities
- 85 Note 29 Non-current and current interest-bearing liabilities
- Note 30 Accrued expenses and deferred income
- Note 31 Contingent assets, pledged assets and contingent liabilities
- 86 Note 32 Exchange rate differences and currency exposure
- Note 33 Critical assessments and estimations







Administration report

AXFOOD AB (PUBL), REG. NO. 556542-0824

The Board of Directors and President of Axfood AB (publ), with domicile in Stockholm, Sweden, herewith submit the annual report and consolidated accounts for the 2012 financial year.

OPERATIONS

Axfood conducts food retail and wholesale business in Sweden. Retail business is conducted through the Willys, Hemköp and PrisXtra chains, with a total of 246 Group-owned stores at year-end (237). During the year a number of stores were established, acquired, sold or closed. Store conversions are also conducted among Axfood's various retail concepts. In 2012 14 stores were established or acquired and five stores were closed or sold. In addition to Group-owned stores, Axfood collaborates with a large number of proprietor-run stores that are tied to Axfood through agreements, including stores in the Hemköp chain as well as stores operating under the Handlar'n, Tempo and Direkten brands. In all, Axfood collaborates with approximately 820 proprietor-run stores.

Wholesaling is conducted by Dagab, where 81% (80%) of sales are made to Group-owned stores, and Axfood Närlivs, whose customers consist primarily of mini-markets, service stations and other convenience stores. In addition, Axfood Närlivs operates 20 cash and carry outlets via its subsidiary Axfood Snabbgross AB.

SEASONAL VARIATIONS

Axfood has no significant seasonal variations in its operations.

IMPORTANT EVENTS 2012

Sales in the food retail segment in Sweden improved slightly in 2012 compared with a year earlier. Measured in current prices, sales rose 3.3%, according to Statistics Sweden and

HUI. The price and calendar effect was 2.0%, entailing a 1.3% rise in sales volume for the food retail sector. Total food sales in 2012 are estimated at approximately SEK 226 bn.

Operating profit amounted to SEK 1,192 m, compared with SEK 1,250 m a year ago, and sales totalled SEK 36,306 m (34,795). The operating margin was 3.3% (3.6%). Operating profit for the year includes an impairment loss of SEK 55 m for the PrisXtra brand. Operating profit excluding impairment totalled SEK 1,247 m (1,250), and the operating margin excluding impairment was 3.4% (3.6%).

Willys posted stable sales and continued strong earnings. The pace of investment also continued to be high. Four new stores were established, including two Willys Hemma. However, most investments were made in the continuing store modernization programme. A total of 20 Willys stores were remodelled in 2012, and the number of stores was 174 (170). Sales for the year totalled SEK 19,407 m (18,904), and operating profit was SEK 796 m (775).

Hemköp reported favourable growth and stable earnings in 2012. This positive development can be credited in part to efforts to increase sales and to continuous focus on good store operations and cost control. The Vi stores that were converted to Hemköp franchises at the end of 2011 have performed well. Sales compared with the preceding year were favourably affected by the new proprietor-run stores that were converted to Hemköp franchises at the end of 2011. These have also made a strong contribution to greater visibility for Hemköp, particularly in the Greater Stockholm area. The number of stores at year-end was 181 (183), of which 114 (121) are proprietor-run. Sales totalled SEK 5,082 m (4,787), and operating profit was SEK 133 m (94), including restructuring costs of SEK 14 m (8).

During the fourth quarter, Thomas Gäreskog was named as the new President of Hemköpskedjan AB.

PrisXtra once again showed a continued positive result for the year, despite the fact that sales for the two largest stores continued to be hurt by extensive construction work nearby. In 2013, PrisXtra's largest store, at Norra Station, will be converted to Hemköp and will move to new premises in the same area. Over time, the remaining four PrisXtra stores will be successively converted to one of Axfood's two strong brands, Hemköp or Willys. As a consequence of this, an impairment loss of SEK 55 m has been recognized for the value of the PrisXtra brand. PrisXtra will cease to constitute an own segment in the reporting, and as from the first of January 2013, it will be included in Hemköp. At year-end PrisXtra had five stores (5). Sales in 2012 totalled SEK 502 m (549), and operating profit was SEK 16 m (15).

Axfood Närlivs continued to show favourable growth, with a 14.9% rise in sales in 2012. In the Rikskunder business area, the agreement with Statoil took effect on 1 January, covering more than 300 service stations. An opportunity for further growth in this segment was obtained through the acquisition of 50% of the wholesale company Hall Miba on 1 January 2012. Hall Miba supplies car care products and accessories to service stations and stores. Axfood Närlivs' sales totalled SEK 6,336 m (5,516), and operating profit was SEK 113 m (110).

Dagab's ongoing work with efficiency improvement has been highly successful. Key performance indicators that are measured include productivity, delivery reliability, time planning and customer satisfaction. During the year, Dagab was affected by the extensive implementation of Axfood's new business system. Sales for Dagab in 2012 totalled SEK 24,634 m (24,295), and operating profit was SEK 163 m (192).

The work on implementing a new, integrated business system continued according to plan during the year. The main project in 2012 involved introduction of a new product supply system, which was released in Borlänge in the spring and followed up with an additional release in Jönköping during the autumn. The entire system is expected to be in operation in 2014.

- Sales of food retail products in Sweden developed slightly better in 2012 than a year earlier. Measured in current prices, sales increased by 3.3%, according to Statistics Sweden and HUI.
- Continued strong earnings performance for Willys.
- Hemköp reported favourable growth and stable earnings.
- PrisXtra will cease to be its own segment and will be part of Hemköp, effective 1 January 2013.
- Axfood Närlivs increased its sales by 14.9%.
- Dagab's continuing work with efficiency improvement has been very successful.
- Work continued with new, integrated business system.

LEGAL COMBINATION OF COMPANIES 2012

On 1 January 2012 a legal combination of the operations of Dagab AB, Axfood Närlivs AB and Axfood Sverige AB took effect. The combination entails the transfer of the operations of Dagab and Axfood Närlivs to Axfood Sverige – Axfood Närlivs through a merger, and Dagab AB through an asset and liability transfer. The combination resulted in a simplification of administrative flows between the various units.

NET SALES

Net sales for the Axfood Group rose 4.3% to SEK 36,306 m (34,795). Retail sales including Hemköp franchises totalled SEK 30,959 m (28,601), an increase of 8.2% compared with the preceding year. Sales for Group-owned stores rose 3.0% for the year, and like-for-like sales rose 0.2%. A breakdown of sales per chain is shown in the table below.

Store sales, Group-owned and franchises

2012	SEK m	%	Like-for-like sales
Hemköp	5,011	5.8	2.0
Hemköp franchises	6,039	36.8	1.1
Hemköp total	11,050	20.8	1.6
Willys total	19,407	2.7	0.0
PrisXtra total	502	-8.6	-8.6
Total	30,959	8.2	0.3

EARNINGS

Operating profit totalled SEK 1,192 m (1,250). Operating profit was charged with an impairment loss of SEK 55 m for the PrisXtra brand. Operating profit excluding impairment totalled SEK 1,247 m (1,250). The operating margin was 3.3% (3.6%), and the operating margin excluding impairment was 3.4% (3.6%). After net financial items of SEK -38 m (-36), profit for the year totalled SEK 1,154 m (1,214). After taxes of SEK -259 m (-323), net profit for the year was SEK 895 m (891). Effective 1 January 2013 the corporate tax rate in Sweden has been reduced from 26.3% to 22%. As a result of this reduction, the Group's closing, deferred taxes in 2012 have been recalculated, resulting in a reduction in the tax expense for the year by SEK 50 m.

Condensed statement of comprehensive income

	2012	2011
Net sales, SEK m	36,306	34,795
Operating profit, SEK m	1,192	1,250
Operating profit excl. impairment, SEK m	1,247	1,250
Operating margin, %	3.3	3.6
Operating margin excl. impairment, %	3.4	3.6
Profit after financial items, SEK m	1,154	1,214
Net profit for the year, SEK m	895	891
Earnings per share, SEK	17.06	16.99

CAPITAL EXPENDITURES

Capital expenditures for the year totalled SEK 932 m (993). Of these, SEK 175 m (70) pertained to acquisitions of businesses, SEK 386 m (468) to investments in non-current assets in the retail operations, SEK 86 m (111) to investments in non-current assets in the wholesale operations, and SEK 211 m (239) to investments in IT development.

In January 2012, Axfood acquired 50% of Hall Miba, a wholesaler of car care supplies. Axfood has control of Hall Miba through shareholder agreements and board dominance. During the year, ten stores were acquired – nine for Hemköp and one for Willys. Axfood's ownership in the acquired stores amounts to 100% after the acquisitions, except for the company Hemköp i Anderstorp AB, in which the Axfood's ownership is 91%. For further information about acquisitions, see Note 3.

FINANCIAL POSITION

Cash and cash equivalents held by the Group amounted to SEK 521 m (317) at 31 December 2012. Cash flow from operating activities was SEK 1,915 m (1,384). After net capital expenditures of SEK -816 m (-941), net borrowings and payment of the dividend, together totalling SEK -895 m (-441), cash flow for the year was SEK 204 m (2).

Interest-bearing assets (cash and cash equivalents) increased by SEK 204 m to SEK 521 m (317), and interest-bearing liabilities and provisions decreased by SEK 260 m to SEK 782 m (1,042). Interest-bearing liabilities include SEK 353 m (364) in provisions for pensions. Interest-bearing net debt decreased by SEK 464 m to SEK 261 m (725).

The equity ratio was 39.8% (39.1%), and the debt-equity ratio, net, was 0.1 (0.2).

PARENT COMPANY

Other operating income for the Parent Company amounted to SEK 184 m (178) for the year. After selling and administrative expenses of SEK 284 m (-252) and net financial items totalling SEK 1,258 m (1,177), profit totalled SEK 1,158 million (1,103). Of net financial items, SEK 1,261 m (1,182) pertains to Group contributions received. Capital expenditures totalled SEK 4 m (3). Cash and cash equivalents held by the Parent Company totalled SEK 0 m (0).

At year-end the Parent Company had no interest-bearing receivables outside the Group. Interest-bearing net debt decreased by SEK 400 m and was SEK 349 m (749) at year-end.

EMPLOYEES

Axfood had an average of 7,254 full-time employees in 2012, compared with 7,062 a year earlier, of whom 46% were men (46%) and 54% women (54%). The share of employees who work in the retail operations was 73% (73%), while the share who work in the wholesale operations was 20% (20%).

Axfood wants proud and committed employees who work according to the Group's core values in a collaborative and entrepreneurial organization. This requires a strong focus on fostering a distinct culture through systematic work on developing initiatives in employeeship, values-based leadership, business skills and customer orientation. The Employee Satisfaction Index score was 91 in 2012, compared with 92 a year ago. The industry benchmark is 85.

For Axfood, providing opportunities for training is an important tool for achieving the strategic objective of ensuring that all employees will feel a sense of pride and commitment to their work. Training initiatives are focused on building basic competence, such as in food handling, while also contributing to stronger business skills, higher sales, and conveying Axfood's core values and view of leadership and employeeship. Since the start of e-learning in 2008, a total of 84,000 courses have been completed, and today more than 5,000 employees are certified in store operations and knowledge about perishables.

Depending on what business they are engaged in, Axfood AB and its subsidiaries are bound by at least one of the four nationwide collective agreements that exist for the retail trade, the wholesale trade, food workers or salaried employees. The Commercial Employees Union is the union counterpart for the first two of these, the Swedish Food Workers' Union is the union counterpart for the third category, and Unionen and Akademikerförbundet SSR are the union counterparties for salaried employees. All employees are covered by collective bargaining agreements, which regulate pay and terms of employment, such as notice periods. Ordinarily the agreements also emphasize the importance of performance reviews for identifying needs for competence-raising measures. Axfood has representatives in the collective bargaining process that was started during the year. With respect to guidelines for compensation and other terms of employment for the CEO and other senior executives, see the Corporate Governance Report on page 46.

AXFOOD SHARES AND OWNERSHIP

The total number of shares outstanding is 52,467,678. Only one class of stock is in issue. The share capital amounts to SEK 262 m, and

the share quota value is SEK 5. No changes were made during the year in the number of shares or share capital. Each share carries the right to one vote at the Annual General Meeting and extraordinary general meetings, and there are no limitations regarding how many votes each shareholder may vote for at general meetings of shareholders. There are no stipulations in Axfood AB's articles of association or any of Axfood AB's subsidiaries' articles of association that limit a shareholder's right to transfer shares. Axfood AB has not entered into any agreements that could be affected by a possible acquisition offer. The same applies for Axfood AB's subsidiaries. Axfood AB owns no treasury shares.

Axfood is listed on Nasdaq OMX Stockholm AB's Large Cap list. The principal owner is Axel Johnson AB, with ownership of 50.1% of the shares (votes and capital). At year-end Reitangruppen AS owned 15.6% of the shares in Axfood. No other shareholder owns – directly or indirectly – more than 10% of the shares in Axfood (votes and capital). Axel Johnson's and Reitan's ownership stakes were unchanged in 2012.

Axfood's employees do not own shares in which the voting rights for such shares cannot be exercised directly (for example, through a pension foundation). No incentive programmes exist for Axfood employees that affect Axfood's share structure. The members of the Board of Directors and any deputy directors are elected by the Annual General Meeting for terms extending until the next Annual General Meeting. Axfood's articles of association make no stipulation on the appointment or dismissal of directors. No authorization has been issued by the Annual General Meeting to the Board of Directors that Axfood AB shall issue or buy treasury shares in the Company.

The 2012 Annual General Meeting gave the Board of Directors a mandate to give employees of Axfood an opportunity to buy shares in store companies in the Hemköp chain (so-called 91/9 companies). It is important that the Axfood Group's franchisees feel a great sense of commitment to run their business effectively and profitably in well managed stores. Franchisees' interests are aligned with the Axfood Group's interest in strengthening the Group's brands in the food retail market. The sale of store companies in accordance with the 91/9 model creates favourable opportunities for Axfood to meet the Group's targets. The mandate applies until the 2013 Annual General Meeting and covers a maximum of ten stores. To date, one store has been sold under a 91/9 agreement.

RESEARCH AND DEVELOPMENT

Axfood does not conduct any research activities, but does conduct some development of IT solutions within its own operations.

ENVIRONMENTAL IMPACT AND SUSTAINABLE DEVELOPMENT

Axfood does not conduct any operations requiring a permit in accordance with the environmental code. However, the Company has a reporting obligation for a small amount of refrigerant that is used in certain refrigeration systems in the wholesale operations.

One of Axfood's strategic objectives is to be an active driver of work on sustainable development regarding the environment, towards the goal of making the Company the best in the industry in this regard. Axfood works with sustainability matters in a business-driven manner and integrates them in all aspects of the business in order to instil involvement throughout the organization. Responsibility for overarching strategies, goals and actions, and follow-up rests with the Executive Committee and Head of Environment and Social Responsibility. The individual companies and divisions within the Axfood Group have operational responsibility for their own sustainability work. Sustainability coordinators have been appointed in all of Axfood's companies. It is also important to gradually raise the employees' competence in the area of basic knowledge about sustainability issues as well as Axfood's commercial benefit from being an industry leader in sustainability practices.

Axfood's sustainability programme covers a multitude of goals and sub-goals for both the near- and long term. Initiated in 2009, the programme is being developed in pace with the achievement of objectives and the emergence of new opportunities. The sub-goal is to reduce electricity consumption per square metre by 30% by 2015 (base year 2009). At year-end 2012, Axfood's electricity consumption had decreased by 3.9% per square metre since 2009.

BUSINESS ETHICS AND PRODUCT RESPONSIBILITY

According to the Axfood Group's Code of Conduct, Axfood shall conduct its business in accordance with generally accepted business practice and high standards of business ethics in relation to its suppliers and other business partners. To ensure uniform conduct among all employees, Axfood adheres to a policy that lays out the Group's position on the offering and accepting of bribes, and corruption. This policy is updated annually, and pertinent employees are required to certify in

writing that they have read the policy.

These include employees who have the right to approve payments for a profit centre or who in some other way have a say in purchasing decisions for goods or services.

Axfood's customers expect Axfood to meet their demands for environmentally adapted, healthy and safe foods at competitive prices. They also increasingly want to know where the meat and processed meat products they buy come from, with a majority preferring products with Swedish ingredients. Axfood is meeting this demand through continuous development of attractively priced, sustainable and safe products that are organic, Fairtrade certified and healthy. In addition, Axfood's stores are working to make it easy for shoppers to find organic products. Many people who buy organic food do so out of concern for animal welfare. Axfood has therefore invested in offering an ever-growing selection of organic beef and pork, which was expanded during the year to 65 items. During the year, the products and purchasing department mapped out the animal welfare rules that apply in a number of countries. This study will be used to support purchasing activities and is part of the Group's new purchasing guidelines. Intensive work was carried out in autumn 2012 to train buyers in this area.

In accordance with Axfood's fish policy, no fish or shellfish from threatened populations is sold in Axfood stores. Determination of which fish may be sold is based on WWF's red list, which is continuously updated in pace with changed conditions regarding which types of fish are red-listed. In 2012 Willys and Hemköp were the first to sell king prawns that are environmentally certified by the Marine Stewardship Council.

In 2012, organic products accounted for 2.7% of total food sales.

EVENTS AFTER THE BALANCE SHEET DATE

No significant events have taken place after the balance sheet date.

Future outlook

Axfood's goal for 2013 is to achieve an operating profit at the same level as in 2012.

With respect to the Company's result of operations and financial position in general, reference is made to the statement of comprehensive income and statement of financial position that follow on page 58 and forward, along with accompanying comments.

Risks and risk management

Like all businesses, Axfood is exposed to risks. By risks is meant defective handling or events or decisions outside of the Company's control that could lead to business interruption, damage or loss with substantial impact for the entire Group. How risks are managed is of fundamental significance for the Company's success.

To prevent risk or mitigate their effects and loss, processes are continuously implemented to identify and manage risks in all parts of the Group. In this work, operational as well as strategic and financial risks are assessed from probability and consequence perspectives. New store establishment and acquisitions are preceded by very thorough market analyses of the competition as well as demographics, where every investment calculation stretches over several years. In addition, issues in the external environment are analysed from ethical, social and environmental aspects, among other things.

In all parts of the Group, well-working systems for incident reporting are in place. Through these, Axfood can gain a quick overview and thereby determine how operational risks are to be prioritized and managed effectively and systematically.

This system also allows Axfood to have control of claim costs that are uninsured or below insurable levels. Axfood has Group-wide insurance, which is reviewed yearly by an independent, external party. Insurance protection covers, among other things, property, business interruption, product liability, transports, and liability for directors and senior executives. Through active loss prevention work, Axfood has been able to lower its insurance costs in recent years.

Axfood has a Group-wide crisis management and communication plan, which the Company's crisis management team conducts drills on at regular intervals. The plan is designed to ensure preparedness in the event of a crisis and that the right measures are taken on the right occasion by the desig-

nated key functions. The goal is to minimize acute damage in a situation in which normal routines are inadequate. In a prolonged crisis, the crisis management work would shift into continuity planning, where for example the time that operations are forced to a standstill is limited to a minimum. Axfood also works actively with follow-up continuity plans.

OPERATIONAL AND STRATEGIC RISKS

Business risks

Fire

Fire is one of the most serious business risks that the Company must manage, especially regarding fire in a central warehouse, which would result in property loss and business interruption losses. The Group's systematic fire safety work puts great emphasis on an effective fire safety organization and internal controls. The priority of fire safety work conducted at the Group's stores is on how best to handle an evacuation, where the primary focus is on employee and customer safety.

IT structure

There is a keen awareness in the Company that centralization elevates the Group's risk and vulnerability. This also applies to the centralized IT structure. Major emphasis is therefore put on preventive work and the surrounding organization, as well as on planning for operational continuity in case of unforeseen events. In the event of a major IT disruption, IT operations are safeguarded through duplicate resources and geographic spread of risk at the same time that Axfood continuously reviews what can be done to minimize the risks.

Regular risk analyses are performed of operations using Axfood's own risk gradation analysis tool.

Suppliers

A bankruptcy or serious fire at a critical supplier could result in disruptions in product flows. Therefore, alternative solutions are looked at on a regular basis at the same time that major demands are put on fire safety and the financial stability of critical counterparties.

Labour market conflicts

Labour market conflicts, i.e., a strike or lock-out in any area of the business, could disrupt

operations. However, in Sweden this is less common than in many other European countries. Sweden's labour market parties generally strive for stability in the workplace and multi-year contracts. In addition, contracts are usually coordinated centrally, which limits the risk for protracted conflicts.

How Axfood handles factors such as competition and shrinkage can impact the Company's earnings. However, these should not be regarded as operational risks, but rather as a part of doing business.

Liability risks

Axfood is one of the leading food retailers in Sweden, and therefore its ability to manage food safety, hygiene, the cold chain and product liability for products that could cause property damage or personal injury is critical for maintaining customers' trust. Should a serious defect be discovered in any of these areas, a major risk would arise for financial loss as well as damage to the brand. A more detailed description of Axfood's work with quality assurance and food safety can be found in the Corporate Responsibility section of this report.

Sustainability risks

Environmental policy decisions as well as changes in supply and demand and environmental opinion could affect Axfood, not least in the form of higher taxes or compelling investments. The Company therefore monitors developments in this area and prioritizes climate and environmental aspects in all

Financial risk management at Axfood is described in more detail on pages 43–44. In the Corporate Governance Report, on pages 46–53, a detailed description is provided of the Company's internal control and risk assessment, which are intended to prevent errors in the financial statements. Preventive work for mitigating liability risks, sustainability risks, and risks for violation of laws, rules and regulations, is described in the Corporate Responsibility section.

parts of its operations in order to be proactive in its ability to comply with new stipulations and requirements. The Corporate Responsibility section includes a description of how Axfood's work with environmental and company liability is conducted.

Axfood does not conduct any operations requiring a permit in accordance with the environmental code. However, the Company has a reporting obligation for a small amount of refrigerant that is used in certain refrigeration systems in the wholesale operations.

Violations of laws, rules and regulations

For Axfood it is of great importance to comply with laws and other rules and regulations as well as to conduct business in accord-

ance with generally accepted business practice. Violations or neglect in these areas could harm the Company's reputation and result in sanctions as well as fines. For risk prevention purposes, Axfood has therefore established a number of policies, a well-working system of internal control, and an ethical approach at all levels. The Axfood Code of Conduct was updated in 2012 and is described in more detail the Corporate Responsibility section.

Legislation and political decisions

A decision to halt new establishment of large stores – which has happened in several Nordic and European countries – poses a latent threat to Axfood. A similar decision in Sweden could affect new store establishment, but cur-

rently this is judged to be unlikely. In general, decisions on what measures shall be taken are made well in advance of implementation of new rules and regulations. See also the heading Sustainability Risks.

Risks for errors in financial reporting

Axfood continuously updates its risk analysis regarding the gradation of risks that could lead to errors in its financial reporting. Each year Axfood's board of directors decides which risks are essential to take into consideration in order to ensure satisfactory internal control of the Company's financial reporting. A more detailed description of Axfood's work on internal control is included in the Corporate Governance Report.

Operational and strategic risks	RISK LEVEL		Risk management	Insured ¹⁾
	Likelihood	Consequence		
Business risks				
– Fire				
A major fire in a central warehouse is the greatest business risk.	■ □ □ □	□ □ ■ □	Major emphasis is put on preventive work, an effective fire safety organization and internal control.	✓
– IT				
Centralization of the IT structure increases vulnerability and the risk for major operational disruptions.	■ □ □ □	□ □ ■ □	Major emphasis is put on preventive work and continuity planning. Duplicate resources and geographic spread of risk are intended to safeguard operations in the event of a major IT disruption.	✓
– Supplier risks				
Bankruptcy or extensive fire at a critical supplier.	■ □ □ □	□ □ ■ □	Alternative solutions are evaluated on a regular basis. Major demands are therefore put on fire safety and financial stability.	✓
– Labour market conflicts				
A strike or lockout in any part of the business could cause operational disruptions.	■ □ □ □	□ □ ■ □	Coordination and dialogue in industry organizations. Usually long contract periods, which reduces the risk for conflicts.	✓
Liability risks				
Serious defects in food safety, hygiene, the cold chain and product liability could cause financial loss as well as harm to the brand.	■ □ □ □	□ □ ■ □	Preventive work through internal controls, food safety inspections and inspections aimed at ensuring quality standards.	✓
Sustainability risks				
Environmental policy decisions and major changes in supply and demand could give rise to new taxes or compelling investments.	■ □ □ □	□ □ ■ □	Developments are monitored closely. Climate and environmental aspects are taken into account in operations in order to be able to proactively comply with new requirements.	n.a.
Violations of laws, rules and regulations				
Criminal actions or neglect could seriously harm the Company's reputation and result in sanctions or fines.	■ □ □ □	□ □ ■ □	For risk prevention purposes, Axfood has established a number of policies and a well-working system of internal control.	✓
Legislation and political decisions				
New laws and political decisions could pose limitations to business or give rise to new, stricter requirements.	■ □ □ □	■ □ □ □	Through business intelligence and active presence in trade organizations, Axfood has the opportunity to act and influence.	n.a.
Risk for errors in financial reporting				
A detailed description of the Group's work with internal control is provided in the Corporate Governance Report.	■ □ □ □	■ □ □ □		n.a.

Likelihood – ■ low ■ medium ■ high Consequence – ■ low ■ medium ■ high

¹⁾ Fully or in part.

FINANCIAL RISKS

The Axfood Group is exposed to financial risks, which are described under the respective type of risk below. No offsetting of financial assets and financial liabilities has taken place.

Axfood has a Group-wide finance policy that regulates the delegation of responsibility on financial matters between the Board, the CEO/CFO, the central finance department and other Group companies.

The Group's external financial management is centralized in the central finance department of the Parent Company, Axfood AB. The Group's finance department reports monthly to the CFO with a follow-up of the finance policy. The same report is also presented to the Board four times a year. This report also includes a follow-up of financing and liquidity risk, interest rate risk, currency exposure and credit risks.

Financing and liquidity risk

Responsibility for the Group's negotiations in central financing matters rests with the finance department. The Group's external financing from credit institutions (mainly banks) is conducted by the Parent Company, while subsidiaries finance their operations through the central Group account systems.

To limit the risk and financial loss resulting from the Axfood Group not being able to finance the Group's operations at any given time, a refinancing risk reserve has been established, which is broken down into a liquidity reserve and an operating reserve,

in accordance with the finance policy. The refinancing risk reserve shall amount to SEK 300 m (300) and may be used during individual weeks in the event of short-term movements in liquidity. On 31 December 2012 the refinancing risk reserve amounted to SEK 806 m (216). The finance department is responsible for monitoring and overseeing the refinancing risk reserve.

The finance department works with moving 12-month liquidity forecasts covering all of the Group's units. These forecasts are used to manage liquidity risk and are updated on a monthly basis.

Outstanding short-term loans as per 31 December 2012 will be dissolved on their contracted maturity dates without any negative effect on the refinancing risk reserve. Committed credit lines are to have a minimum average remaining contract term of 12 months. As per 31 December 2012 the average remaining contract term was 767 days (594). Information on confirmed and drawn credit lines, as well as maturity dates for utilized credits, is provided in Note 29.

The Axfood Group's investment policy aims to ensure the Axfood Group's ability to pay in the short and long term. In addition, the investment policy is designed to reduce the Group's external borrowing as much as possible by coordinating the management of surplus liquidity within the Group and achieving the best possible balance of financial income and expense. Investments may only be made in highly liquid instruments with low credit risk, i.e., investments that can be con-

verted to cash and cash equivalents at any given point in time. Approved instruments are account balances, deposits and investments in short-term debt instruments with approved counterparties.

The Axfood Group shall only cooperate with counterparties that are judged to be capable of meeting their obligations to the Group. The banks and financial institutions that the Group cooperates with shall have high creditworthiness in order to be able to support the Group long-term. Limits per counterparty are set yearly.

Axfood regularly follows up its capital structure on the basis primarily of the equity ratio. The target for the Group is to have an equity ratio of at least 25% at any given time and to distribute a minimum of 50% of profit after tax for the year to the shareholders.

Market risk

Market risk is the risk of the fair value or future cash flows from a financial instrument varying due to changes in market prices. The Axfood Group's market risks are broken down into interest rate risk, currency risk and credit risk, which are described below. The goal of the Axfood Group's financial management is to limit the short-term effect on the Group's earnings and cash flow caused by fluctuations in the financial markets.

Interest rate risk

The Axfood Group's interest rate risk associated with interest-bearing assets is to be managed by investing cash and cash equiv-

Financial risks	RISK LEVEL		Risk management
	Likelihood	Financial loss	
Financing and liquidity risk			
The risk of Axfood at any given time not being able to finance the Group's operations.	■ ■ ■ ■	■ ■ ■ ■	The Group has access to the debt market, for both short- and long-term loans as well as loan promises issued by Swedish banks.
Interest rate risk			
Interest rate risk pertains to the risk of negative impact on the Group's cash flow and profit caused by changes in market interest rates.	■ ■ ■ ■	■ ■ ■ ■	Interest rate risk is limited by maintaining terms of fixed interest of normally 12 months.
Currency risk			
The risk of exchange rate movements having a negative impact on the Group's financial outcome.	■ ■ ■ ■	■ ■ ■ ■	Axfood's policy is to hedge 100% of orders placed in foreign currency.
Credit risk			
Potential losses on guarantee commitments made by Axfood.	■ ■ ■ ■	■ ■ ■ ■	Axfood's customers undergo credit checks on a regular basis. By coordinating its credit monitoring activities, among other things, Axfood ensures that its credit losses will be kept at a low level.

Likelihood – ■ low ■ medium ■ high Financial loss – ■ low ■ medium ■ high

alents in such a way that maturity dates for investments with fixed rates of interest match the Axfood Group's known outflows and/or debt amortization. The goal is that no fixed-income investments shall be sold prior to maturity.

Interest rate risk and cash flow risk in the Group's debt portfolio shall be limited. The norm is to have terms of fixed interest that entail a risk-neutral position. This is achieved by maintaining short terms of fixed interest, which is defined as a remaining average term of fixed interest of 12 months. This interest risk norm applies only when the Group has a need for long-term borrowing. For commercial and administrative reasons, the finance department may also act within the framework of a limited deviation mandate. In terms of amount, this deviation mandate is set at SEK 4 m for a one percentage point parallel shift in the yield curve. As per 31 December 2012 the Axfood Group had no long-term borrowing, and in the same way as the preceding year, the deviation mandate was not exercised. Thus at the end of the reporting period, there was no amount that would affect earnings and shareholders' equity in the event of a one percentage point change in the interest rate.

All short-term loans will be dissolved on their contracted maturity dates. The maturity dates and effective rates of interest for the loans are shown in Note 29.

Sensitivity analysis for interest rate risk

The effect on interest income and interest expense during the coming 12-month period of a one percentage point increase or decrease in interest rates amounts to SEK 0.3 m (2.9), taking into account the interest-bearing assets and liabilities that do not carry fixed rates of interest and which were held at the end of the reporting period.

As per the end of the reporting period, a one percentage point change in interest rates would entail a change in the fair value of financial liabilities by SEK 1.8 m (0.2), of which the entire amount would affect cash flow and net financial items in profit for the year.

Currency risks

Transaction exposure in foreign currency arises in connection with the import of goods paid for in foreign currency.

The Axfood Group's finance policy prescribes that 100% of orders are to be hedged at the time the order is placed. In addition, currency flows that are judged to be of a permanent and continuous character shall be hedged to:

- 75% of the exposure within 3 months,
- 50% of the exposure within 6 months, and
- 25% of the exposure within 12 months.

Approved hedge instruments are spot contracts, forward exchange contracts and currency swap contracts. In 2012 hedges were taken out only through spot contracts and forward exchange contracts. As per 31 December 2012, all outstanding currency forward contracts, with a nominal value of SEK 329 m (292), were restated to fair value. A compilation of outstanding forward contracts is provided in Note 32.

The Parent Company did not have any exchange rate exposure during the year.

Sensitivity analysis regarding currency risk 2012

Currency	SEK m	10% change in exchange rate vs. SEK, SEK m
EUR	1,967	196.7
USD	137	13.7
DKK	35	3.5
NOK	20	2.0
GBP	1	0.1
CAD	0	0.0
Total	2,160	216.0

The sensitivity analysis above shows a hypothetical impact on cash flow and profit before tax. Currency hedges are always taken out not later than at the time orders are placed, and the hedge rate is always coupled to the respective orders. Based on this value, the price in stores is then determined for the respective products. For further information regarding exchange rate differences and exposures, see Note 32.

Credit risks

In the Axfood Group, credit risks and credit losses are mainly attributable to trade accounts receivable, although some risks are coupled to a few minor guarantee commitments. The Group has drawn up a credit policy that stipulates how customer credits are to be handled. The credit policy stipulates, among other things, the conditions for credit assessment, credit monitoring, and for the handling of demands for payment and insolvency. The Group's customers undergo a credit check, whereby information about the customers' financial position is obtained from various credit reporting agencies. In addition, limits are set individually per customer, and security is obtained, such as bank guarantees and chattel mortgages. Through coordination of credit monitoring and its handling of security within the Group, Axfood ensures that its risk exposure and thus its credit losses are kept at a commercially acceptable level.

Financial assets are reported in the statement of financial position after deducting provisions for possible credit losses. Added to these provisions are provisions for estimated losses on guarantee commitments made by Axfood. These pertain mainly to guarantees for bank financing for Hemköp franchisees. Axfood charges a going-rate commission for issuing these guarantees. Outstanding guarantee commitments amount to SEK 14 m (9) and are reported under contingent liabilities, see Note 31. There is no concentration of credit risks, neither through exposure to individual borrowers nor groups of borrowers whose financial situation is such that it can be expected to be affected in a similar manner by changes in the external environment. For further information on trade accounts receivable, see Note 25.

The Parent Company did not have any external credit risks at year-end.

Corporate Governance Report 2012

No company can deny that it owes its success and growth to its customers. In our business, it's a matter of giving customers a positive and inspiring shopping experience; of ensuring that customers are satisfied and can find what they are looking for; of providing products that customers perceive as offering value for money; and of welcoming customers with staff who are seen as being competent and service-minded.

Thinking forward is our primary task

This is something we must always keep in mind as a retail company: We cannot stand still, but must think forward every day, both in the near and long term. In Axfood's daily business, we work relentlessly with matters big and small to ensure that what we offer leads to value added for our customers and ultimately to good business for our owners. We cannot live on the merits of a unique product. What is unique, instead, is how we perform and who does the performing – in other words, that we have good employees, well run stores and efficient operations.

Long-term perspective

In the Board's work as well, most revolves around how we create satisfied customers and what we believe our customers may expect from us in the future. For the Board, it is especially important that we take a broader view and make sure that there is scope for matters of more strategic importance in the longer perspective, based on our knowledge of the market and the industry, and what we know about our customers. Such scope is created by doing the right things with an eye on the future and by having people, tools and processes in place that enable us to conduct our business in an orderly fashion, and maintain good control, risk management, and close follow-up of the business. This is how we help set the stage for favourable earnings capacity and good results that can be converted to future investments and dividends for our owners.

Investments in the future

Presently two major projects are in progress in which we are investing heavily in the future. One is the remodelling and modernization of all our Willys stores, aimed at creating the next generation of food stores. This is a substantial investment that we are making to ensure growth in the future.

The second project is Axfood's new business system – an investment spanning six years and the largest in Axfood's history. We are now at the beginning of the end of the implementation stage. To date this project has required a lot of time and energy, but it will be a strong tool in our continued development. If we manage to realize the full potential of the new system, here too we will have built a solid foundation for a strong Axfood going forward.

Investments are also being made to contribute to sustainable development in society, in accordance with Axfood's highly set strategic goal of being best in the industry. This applies especially to such areas as energy efficiency improvement and the eco-cycle, where we benefit not only from lower carbon emissions and less waste going to landfills, but also from considerable profitability enhancements over time.

Good corporate governance

For me, all of these measures are concrete proof of what we mean by good corporate governance. As the Board of Directors, it is our duty to safeguard the company's and owners' interests, and steward the great trust that our owners have put in us. But we can't do that unless we also stay focused on – and are responsive to – all of the company's stakeholders: customers, employees, the capital market and society. Even these stakeholders put their trust in us in varying ways. It is trust that we must earn at all times.

Continuity and long-term perspective are guiding principles. Good corporate governance at Axfood also strives for these: to take advantage of all opportunities that exist in the present in order to create continuity and growth over time while at the same time strengthening our ability to also deal with unforeseen developments.

Fredrik Persson, Chairman of the Board



Corporate governance at Axfood aims to create conditions to exercise an active and responsible ownership role, ensure the owners' ability to assert their interests vis-à-vis the Company's management bodies, more clearly delineate the division of roles and responsibilities between management and control bodies, and to ensure the best possible openness vis-à-vis the owners and capital market. Good corporate governance also ensures effective decision-making, which increases Axfood's chances to take advantage of new business opportunities.

The Corporate Governance Report is part of the Company's Administration Report and is reviewed by the Company's auditors. The auditors' review is reported in the Audit Report on page 88.

Axfood is a Swedish, public stock corporation with registered number 556542-0824. The Company has its domicile in Stockholm and is listed on the Nasdaq OMX Stockholm exchange. Corporate governance at Axfood rests on a foundation of both external and internal governance documents.

EXTERNAL GOVERNANCE INSTRUMENTS

The external governance instruments that make up the framework for Axfood's corporate governance activities include the Swedish Companies Act, the Swedish Annual Accounts Act, other relevant laws, Nasdaq OMX Stockholm AB's rules for issuers and the Swedish Code of Corporate Governance.

INTERNAL GOVERNANCE INSTRUMENTS

The Articles of Association adopted by the Annual General Meeting is the most impor-

tant internal governance instrument, followed by the Board's work plan and the Board's instruction for the CEO. In addition, the Board has adopted numerous policies, guidelines and instructions that contain binding rules for all of the Group's operations.

SWEDISH CODE OF CORPORATE GOVERNANCE

Axfood applies the Swedish Code of Corporate Governance ("the Code"), with a departure pertaining to the following point:

DEPARTURE FROM THE CODE, RULE 2.5:

According to the Swedish Code of Corporate Governance, the composition of the nominating committee shall be publicly announced well in advance, but not later than six months prior to the Annual General Meeting.

Explanation:

The Nominating Committee's composition is based on shareholder statistics as per 31 August and is publicly announced in connection with publication of the third quarter interim report in October.

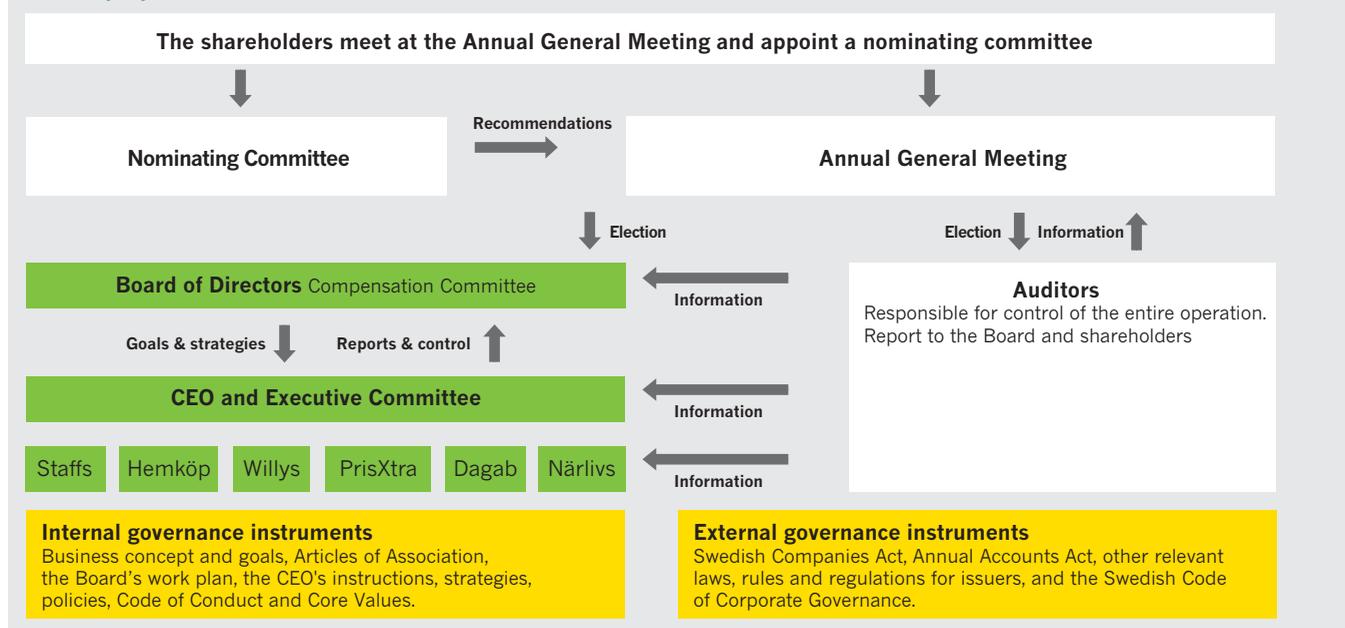
Since Axfood's Annual General Meeting is held relatively early in the year (in March), announcement of the Nominating Committee is made approximately five months before the AGM. This is considered by the AGM to be sufficient time for the Nominating Committee to perform its duty.

SHAREHOLDERS

Axfood's shares have been listed on the Stockholm Stock Exchange since 1997 and have been traded since October 2006 on Nasdaq OMX Stockholm's Large Cap list. The Company has 52,467,678 shares outstand-

GOVERNANCE MODEL

Governance, management and control at Axfood are divided among the shareholders (via the Annual General Meeting), the Board of Directors and the CEO pursuant to Swedish corporate law, the Swedish Code of Corporate Governance and the Company's Articles of Association.



ing, and the number of shareholders at year-end was 15,363 (14,247). All shares carry equal voting power and equal right to the Company's profit and equity.

The largest single owner since the Company's stock market introduction has been Axel Johnson AB, whose ownership at year-end was unchanged at 50.1%. The second largest shareholder is Reitangruppen AS, whose holding at year-end amounted to 15.6% of the shares and votes. At year-end, private individuals and closely held companies owned 60.9% of the shares (60.7%), while foreign shareholders owned 27.2% (28.9%). For further information on Axfood's shares, see pages 92–93.

2012 ANNUAL GENERAL MEETING

Axfood's Annual General Meeting (AGM) was held in Stockholm on 14 March 2012. A total of 259 shareholders and representatives were in attendance, representing 39,156,776 shares, corresponding to 74.6% of the shares and votes in the Company.

Resolutions

The AGM made the following resolutions:

- In accordance with the Board's proposal, to pay an ordinary dividend of SEK 12 per share (12) for the 2011 financial year;
- That the Board shall consist of seven members without deputies (unchanged);
- That directors' fees shall be payable in a combined amount of SEK 2,400,000, in accordance with the Nominating Committee's recommendation. The fees are unchanged compared with 2011 and shall be apportioned as follows:
 - SEK 525,000 for the Chairman
 - SEK 375,000 for the Vice Chairman
 - SEK 300,000 for each of the other AGM-elected directors
 - No fees are payable for committee work;
- Re-election of Fredrik Persson as Chairman of the Board, in accordance with the Nominating Committee's recommendation;

- Re-election of board members Antonia Ax:son Johnson, Peggy Bruzelius, Maria Curman, Fredrik Persson, Odd Reitan, Marcus Storch and Annika Åhnberg, in accordance with the Nominating Committee's recommendation;
- To adopt guidelines for appointment of the Nominating Committee, in accordance with the Board's recommendation. These guidelines are unchanged compared with previous years:
 - The owner who, based on ownership statistics from Euroclear Sweden AB on 31 August, has the most shares and votes, shall after consulting with the three subsequently largest shareholders, appoint a nominating committee consisting of five persons;
 - If a material change takes place in the ownership structure after the Nominating Committee has been constituted, then the composition of the Nominating Committee shall also be changed;
 - The Board is responsible for convening the Nominating Committee;
- To adopt new Articles of Association, with amendments regarding the mandate period for the auditors; the Articles of Association were adopted by the required two-thirds majority of votes submitted and shares represented;
- Re-election of KPMG, with Thomas Thiel as chief auditor, as auditor for the period extending through the end of the 2014 Annual General Meeting;
- To approve employee purchases of shares in subsidiaries.

The complete minutes of the Annual General Meeting are available on Axfood's website: axfood.se.

NOMINATING COMMITTEE AHEAD OF 2013 AGM

In accordance with the principles for appointment of the Nominating Committee that were adopted by the 2012 AGM, the owner

with the largest number of shares and votes shall, together with the three subsequently largest shareholders, appoint the Nominating Committee.

The largest owners as per 31 August 2012 were:

- Axel Johnson AB
- Reitangruppen AS
- SEB funds
- Swedbank Robur funds

According to the Swedish Code of Corporate Governance, a nominating committee shall have at least three members, and a majority of these shall be independent in relation to the company and its executive management. Axfood's Nominating Committee consists of five members, and all are considered to be independent in relation to the Company and the Executive Committee.

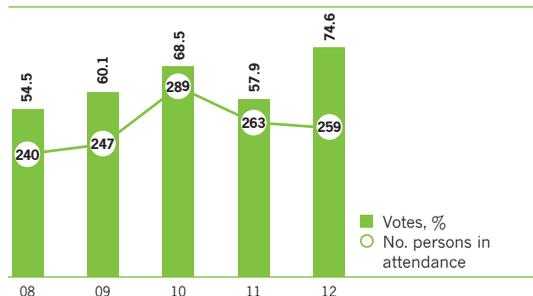
WORK OF THE NOMINATING COMMITTEE

The Nominating Committee is tasked with making recommendations ahead of the Annual General Meeting on the number of directors, the Board's composition and on directors' fees, including any special fees that may be payable for committee work. The Nominating Committee is also tasked with submitting recommendations for the person to be elected as Chairman of the Board, a chairman to preside over the Annual General Meeting and, where applicable, for election of auditors and their fees.

The Chairman of the Board presents an annual evaluation of the Board's work during the year to the Nominating Committee, and this forms the basis of the Committee's work – along with the corporate governance requirements stipulated in the Swedish Code of Corporate Governance and Axfood's own company-specific needs.

The Nominating Committee's recommendations for board members, directors' fees and election of auditors are presented

AGM attendance 2008–2012



Composition of Nominating Committee

Name	Representing	Share of votes as per 31/8/2012, %
Göran Ennerfelt	Axel Johnson AB, committee chair	50.1
Kristin S. Genton	Reitangruppen AS	15.6
Johan Strandberg	SEB funds	2.1
Marianne Flink	Swedbank Robur	1.7
Jonas Hillhammar	Axfood's Shareholder Association	0.8 ¹⁾

The Chairman of the Board of Axfood, Fredrik Persson, is a co-opted member of the Nominating Committee.

¹⁾ Share of ownership according to the proxies held by the Shareholder Association at the 2012 AGM.

in the notice of the Annual General Meeting. A statement explaining the Nominating Committee's recommendations on the Board's composition is published on Axfood's website in connection with publication of the AGM notice.

All shareholders have the right to submit nominations of board members to the Nominating Committee. Nominations are to be submitted to the Nominating Committee chair. The Nominating Committee's recommendations for board members, directors' fees and auditors are presented in the AGM notice.

The Nominating Committee held two meetings during the year in preparation for the 2013 Annual General Meeting. No compensation was paid for the members' work on the Nominating Committee.

BOARD OF DIRECTORS

The Articles of Association prescribe that Axfood's board of directors shall consist of a minimum of three and maximum of ten AGM-elected ordinary directors with a maximum of two deputies. The Board shall be composed of members who possess a well-balanced mix of expertise that is vital for managing Axfood's strategic work in a responsible and successful manner. Examples of such expertise include knowledge about the retail industry, corporate governance, compliance, finance, financial analysis and compensation matters. Previous board experience is another important area of expertise.

Axfood's board is made up of seven directors who each have important expertise and experience for Axfood that amply covers

these areas. The composition of the Board of Directors is shown in the table below. A more detailed presentation of the board members is provided on pages 54 and 55.

In 2012 Axfood's board consisted of seven AGM-elected directors and no deputies. This is the same number of board members as in the years 2009–2011. Three directors and three deputies are appointed by the employees. Axfood's CEO, Anders Strålmán, is not a director on the Board, but participates at board meetings by presenting reports. Karin Hygrell-Jonsson, Axfood's Chief Financial Officer, serves as company secretary.

Independence

The Swedish Code of Corporate Governance stipulates that a majority of the AGM-elected directors shall be independent in relation to the Company and the Company's management. At least two of these shall also be independent in relation to the Company's major shareholders.

Axfood's board has been judged to meet the requirements for directors' independence, as all of the AGM-elected directors are independent in relation to the Company and the Executive Committee. Three of the directors, Peggy Bruzelius, Maria Curman and Annika Åhnberg, are also considered to have met the requirement for independence in relation to the Company's major shareholders.

Fredrik Persson has not been found to be independent in relation to the Company's major shareholders, since he is President and CEO of Axfood's largest shareholder, Axel Johnson AB.

Antonia Ax:son Johnson and Marcus Storch, who serve as Chairman and as a director, respectively, of Axel Johnson AB, have not been found to be independent in relation to the Company's major shareholders.

Odd Reitan is Chairman of the Board of Reitangruppen AS and Axfood's second-largest shareholder. He has therefore not been found to be independent in relation to the Company's major shareholders.

Changes in the Board during 2012

No changes were made in the Board's composition in 2012.

The Board's work

Each year the Board adopts a written work plan that lays out the Board's responsibilities and regulates the Board's and directors' internal division of duties and the decision-making process within the Board. The work plan also regulates the Board's meeting schedule, summonses to board meetings, agendas and minutes of board meetings, and the Board's work with accounting and auditing matters.

The work plan also regulates how the Board is to receive information and documentation as a basis for its work so as to be able to make well-grounded decisions.

Axfood's board holds a statutory meeting immediately after the Annual General Meeting. Thereafter the Board is to have at least four meetings per calendar year. Each of the regular board meetings follows a set agenda that is stipulated in the Board's work plan and includes such points as the CEO's report, financial reports, investments and strategic matters.

Composition of the Board of Directors

Name	Year elected	Independent	Total fee ¹⁾	ATTENDANCE		
				Compensation Committee	Board meetings	Committee meetings
Fredrik Persson (Chairman of the Board)	2008	No	525,000	Yes	7/7	3/3
Marcus Storch (Vice Chairman)	2000	No	375,000	Yes	7/7	3/3
Antonia Ax:son Johnson	2000	No	300,000	Yes	5/7	2/3
Peggy Bruzelius	2000	Yes	300,000	–	7/7	–
Maria Curman	2003	Yes	300,000	–	6/7	–
Odd Reitan	2009	No	300,000	–	5/7	–
Annika Åhnberg	2000	Yes	300,000	–	7/7	–
Ulla-May Iwahr Rydén (Employee representative)	–	–	–	–	7/7	–
Michael Sjörelén (Employee representative)	–	–	–	–	6/7	–
Inger Sjöstrand ²⁾ (Employee representative)	–	–	–	–	3/7	–
Lars Östberg ²⁾ (Employee representative)	–	–	–	–	3/7	–
Total			2,400,000			

¹⁾ Fee as per decision by the 2012 AGM.

²⁾ Lars Östberg served as an employee representative through 30 June 2012, and Inger Sjöstrand for the time thereafter.

The Board has chosen to appoint a compensation committee from among its members to deal with compensation matters more in-depth. The Board as a whole serves as an audit committee.

BOARD WORK DURING THE YEAR

The Board held seven meetings in 2012, including the statutory meeting. Prior to the board meetings, the directors received written material covering the items of business to be dealt with at each meeting.

The CEO's status report is a standing agenda item at every board meeting, as is a follow-up report on earnings performance. Store investments and establishment matters are also items of business at every board meeting. Every quarter the Company's interim reports are reviewed – in February, April, July and October.

The board meetings during the first half of 2012 covered the year-end book-closing and annual report, reports from the auditors, the Compensation Committee and Nominating Committee, and matters of business ahead of the Annual General Meeting. The Board also held a statutory meeting in connection with the Annual General Meeting, where a work plan was adopted for the Board and for the Compensation Committee. In addition, the Board reviewed many of the policies that are important governance instruments within the Axfood Group, including the credit and finance policy, the investment policy, and the IR and communication policy.

Strategic issues were discussed at the Board meeting in June. In addition to follow-up and evaluation of the strategy for

2012, the Board also discussed methods for optimizing the product offering, among other things. During the autumn, the Board adopted the business plan that was produced during the year by the subsidiaries and Executive Committee. Other important business-related matters included analysis of establishment costs and the issue of introduction of customer loyalty programmes. The Board also addressed the report from the auditors and reviewed the Company's internal control and compliance, and conducted its annual evaluation of the Board with a subsequent report to the Nominating Committee. All of these matters are closely tied to Axfood's goals and strategies.

The Board's work during the year is illustrated in the diagram below.

Compensation Committee

The Compensation Committee is tasked with discussing, deciding and making recommendations on salaries, other terms of employment and incentive programmes for members of the Executive Committee. However, for the CEO, the Board as a whole sets the level of compensation and other terms of employment. The Compensation Committee reports and makes recommendations to the Board.

At the start of each year the Committee sets the targets for variable compensation for the members of the Executive Committee. The Compensation Committee also sets the retirement benefits for the members of the Executive Committee.

The members of the Compensation Committee as from 14 March 2012 were Fredrik Persson (committee chair), Antonia Ax:son

Johnson and Marcus Storch. Axfood's CEO, Anders Strålman, is a co-opted member of the Compensation Committee. During the year, the committee dealt with terms and outcomes regarding variable compensation for senior executives of the Group, as well as annual evaluation of incentive programmes. The Compensation Committee held three meetings in 2012. No fees have been paid to committee members for their work on the Committee.

Audit Committee

According to the Swedish Code of Corporate Governance, an audit committee shall have a minimum of three members, of whom the majority shall be independent in relation to the company and its executive management, and at least one member shall be independent in relation to the company's major owners. The Companies Act allows for the entire board to perform the work duties incumbent upon an audit committee, as long as no board member is employed by the company and at least one member is independent in relation to the company, the company's executive management and the major shareholders.

Axfood's board has opted to serve in its entirety as an audit committee. This entails in practice that the Board in its entirety works with and has responsibility for ensuring the quality of the Company's and Group's financial reporting. These matters are a standing item on the Board's agenda and involve, for example, working together with the Executive Committee and the auditors to monitor and evaluate the handling of complicated accounting and valuation matters. The Board

THE BOARD'S WORK IN 2012

December

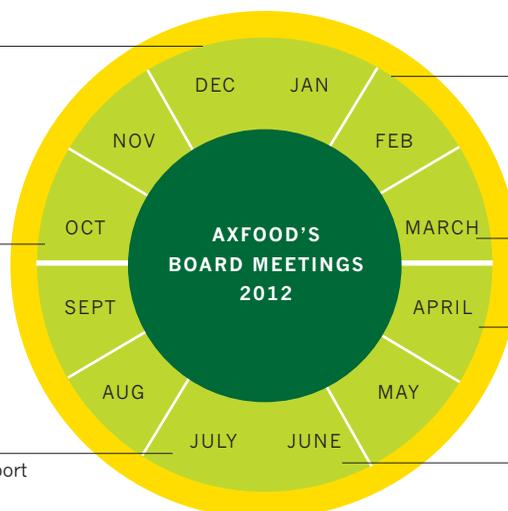
- CEO's status report, earnings follow-up
- Business plan 2013 • Board evaluation
- Report from Nominating Committee, election of auditors • Report from auditors
- Follow-up of investments • Internal control and compliance

October

- CEO's status report • 3rd quarter interim report • Investments • Analysis of establishment costs • Customer loyalty programmes
- 2012 Annual Report

July

- CEO's status report • 2nd quarter interim report



February

- CEO's status report • Year-end book-closing, year-end report • Annual Report, matters ahead of AGM • Report from auditors, Nominating Committee • Investments • Evaluation of compensation of senior executives

March

- Annual General Meeting
- Statutory board meeting

April

- CEO's status report • 1st quarter interim report • Board's work plan • Policies • Investments • Organizational and restructuring matters • Roll-out of SAP

June

- CEO's status report, earnings follow-up
- Strategy 2012, follow-up of strategy 2011 • Investments

meets regularly with the Company's auditors to stay informed about the focus and scope of the audit, gain insight into the Group's risks, and to establish guidelines for any other services than the audit that the Group may procure from the Company's auditor. Audit activities also include following up the Group's work with internal control.

Work in 2012 was mainly focused on valuation matters, the Group's interim reports, year-end report and annual report, the Group's capital structure, follow-up of the Group's work with internal control – such as on the internal control environment and risk management – and review of reports from the Company's AGM-elected auditor, including the auditor's audit plan.

EVALUATION OF THE BOARD'S WORK

Fredrik Persson, Chairman of the Board, is responsible for evaluation of the Board's work and for presenting the evaluation to the Nominating Committee. The aim of the evaluation is to gain an idea about the directors' views on how the board work is conducted and on which measures can be taken to improve the effectiveness of the Board's work. This evaluation therefore served as important documentation for the Nominating Committee's work ahead of the 2013 Annual General Meeting.

In 2012 the Chairman conducted a questionnaire survey for all of the board members. The survey focused on the directors' views of the effectiveness of the Board's work and on whether the Board is well-balanced in terms of expertise. The results of this survey were then reported to both the Board and the Nominating Committee in December 2012.

AUDITORS

The auditors are appointed by the Annual General Meeting based on a recommendation by the Nominating Committee. Following a change in the Companies Act, the 2012 Annual General Meeting adopted an amendment to the Articles of Association entailing

that the auditors are elected for a term of two years instead of four years as previously.

At the 2012 Annual General Meeting, KPMG AB was elected, with Authorized Public Accountant Thomas Thiel as chief auditor for the term extending until the 2014 Annual General Meeting.

When requesting additional services from KPMG aside from its auditing assignment, such services are provided only to an extent that is compatible with the rules of the Auditors Act and FAR's professional ethics rules regarding auditors' impartiality and independence.

EXECUTIVE COMMITTEE Members and work of the Executive Committee

The Executive Committee is made up of Axfood's President and CEO along with the presidents of two operating companies, two divisional directors and six heads of staffs. A presentation of the members of the Executive Committee is provided on pages 56 and 57.

The Executive Committee has monthly meetings for ongoing matters and discussions, and holds a longer strategy meeting once a year. The store establishment and financing committee, which is tied to the Executive Committee, meets once a month to address application-related and decision matters concerning store investments, store divestments, new leases and renewals of existing leases.

A yearly business plan is drafted first by the subsidiaries and divisions and thereafter by the Executive Committee during the last four months of the year and is presented to the Board at the end of the year. The work on the business plan thereby involves employees on several levels within the Group. The business plan is revised prior to the start of each quarter with new forecasts and is thereby a dynamic planning document. The companies and divisions within the Axfood Group are governed through internal boards, with Axfood's President and CEO Anders

Strålman serving as chairman. The other directors on the boards of subsidiaries and divisions are various representatives from the Executive Committee. The companies have board meetings at least four times a year.

Changes in the Executive Committee in 2012

On 4 December, Thomas Gäreskog took office as President of Hemköp. Thomas Gäreskog has been employed by Hemköp for two years, most recently as director of sales, and succeeded Anders Strålman, who had been serving as acting President of Hemköp since August 2012. Ola Andersson resigned as President of Hemköp in August 2012.

GUIDELINES FOR COMPENSATION OF MEMBERS OF THE EXECUTIVE COMMITTEE

The guidelines for compensation and other terms of employment for the CEO and other senior executives (the Executive Committee) were adopted by the Annual General Meeting on 14 March 2012. The guidelines are the same as those that applied for 2010 and 2011. The Executive Committee consists of the CEO and the ten other executives, see pages 56 and 57.

The main principles for compensation and other terms of employment for the members of the Executive Committee entail that Axfood shall offer its senior executives compensation that is in line with the going rate in the market. Recommendations for compensation shall be proposed by a special compensation committee within the Board. An exception to this is made for the CEO, for whom the Board in its entirety sets the level of compensation and other terms of employment.

The criteria for setting compensation levels shall be based on the importance of the work duties and on the executive's expertise, experience and performance.

Auditor

Thomas Thiel is the client contact for Axfood at KPMG and thereby has ultimate responsibility for the auditing services provided to Axfood. Thomas Thiel is an Authorized Public Accountant and has been a partner of KPMG since 1985. In addition to his assignment for Axfood, he is the auditor for SKF, Stena and Peab.

Thomas Thiel was CEO of KPMG Sweden from 1995 to 2008, during which time he also served as a director on the boards of KPMG Sweden, KPMG Europe and KPMG International. He is also a former Chairman and Vice Chairman of FAR (1994–1998).



Auditors' fees 2010–2012 (KPMG AB)

SEK m	GROUP			PARENT COMPANY		
	2012	2011	2010	2012	2011	2010
Auditing fees	4	5	4	1	1	1
Consulting fees	1	1	1	0	0	0
Total	5	6	5	1	1	1

Total compensation shall consist of the following components:

- Fixed base salary
- Short-term variable compensation
- Long-term variable compensation
- Retirement benefits
- Other benefits and severance terms

Fixed base salary

The members of the Executive Committee shall be paid a base salary in the form of a fixed, cash monthly salary that is attractive compared with the going rate in the market. This fixed base salary constitutes compensation for a committed work contribution at a high professional level that creates value-added for Axfood's customers, owners and employees.

Variable compensation

In addition to their base salary, the members of the Executive Committee shall be offered short-term and long-term variable compensation. Variable compensation is based on the achievement of Axfood's targets for:

- earnings,
- sales growth, and
- personal objectives for the financial year.

Short-term variable compensation shall be paid in the form of annual, variable compensation. The goals for the outcome levels are set by the Compensation Committee at the start of the year. The goals for the CEO are to be set by the Board in its entirety. Long-term variable compensation shall support long-term objectives in the Executive Committee's decision-making. The combined variable compensation (the sum of short- and long-term compensation) has a cap as follows:

- 70% of base salary paid out during the year for the CEO
- 40%–55% of base salary paid out during the year for the other members of the Executive Committee

The sum of variable compensation for the CEO and the other members of the Executive Com-

mittee can amount to a maximum of approximately SEK 14 m. The right to variable salary expires in the event an executive gives notice prior to payment of the compensation.

SHARE-BASED INCENTIVE PROGRAMMES

There are no outstanding share-based incentive programmes for members of the Executive Committee.

RETIREMENT BENEFITS

The Board's compensation committee sets the retirement benefits for members of the Executive Committee and submits recommendations to the Board for determination of the CEO's retirement benefits. Axfood applies a retirement age of 65 for members of the Executive Committee. For the CEO and one other member of the Executive Committee, a provision is made and funding is secured through insurance premiums, respectively, in an amount equivalent to 35% of their annual base salary. For the other members of the Executive Committee, the basic retirement benefit consists of the so-called ITP plan. As a supplement to this is a defined contribution pension corresponding to 25% of salary amounts between 30 and 50 times the Base Amount, which is funded through insurance. For this part, one member of the Executive Committee has a solution corresponding to ITP, department 1. Older retirement agreements are adapted as far as possible to the plan outlined above.

Other benefits

A maximum notice period of 12 months applies for members of the Executive Committee. In addition, severance pay corresponding to a maximum of 12 months' salary may be payable. For the CEO and all other members of the Executive Committee, deduction shall be made for other earned income during the time termination pay or severance pay is received. The notice period for members of the Executive Committee, by their own initiative, is six months. The members

of Axfood's Executive Committee receive – in addition to liability insurance – customary benefits for persons in corresponding positions, such as a company car benefit and healthcare insurance, and in certain cases also a travel benefit and housing benefit.

INFORMATION ON PREVIOUSLY DECIDED COMPENSATION

Previous Annual General Meetings adopted guidelines for compensation and other terms of employment for members of the Executive Committee for the time up until the 2013 Annual General Meeting. Briefly, these guidelines entail that, in addition to base salary, variable salary would be payable that was tied to Axfood's targets for earnings and sales growth as well as the achievement of personal objectives. In accordance with the adopted principles, a certain portion of this variable compensation has been withheld until the 2013 Annual General Meeting. However, the amounts have been expensed in the respective financial years.

Previously decided variable compensation that fell due for payment after the 2012 Annual General Meeting has been paid out. Variable compensation that has not fallen due for payment amounted to SEK 2.7 m (3.7) as per 31 December 2012.

The guidelines adopted by the 2012 Annual General Meeting have been adhered to, and all previously decided compensation that has not yet been paid out is within the limits described above.

THE BOARD'S PROPOSAL FOR NEW GUIDELINES FOR COMPENSATION OF MEMBERS OF THE EXECUTIVE COMMITTEE

Ahead of the 2013 Annual General Meeting, no changes are proposed in the principles for compensation and other terms of employment for members of the Executive Committee.

Salary and compensation for the CEO and other senior executives

KSEK	Year	Base salary	Variable compensation	Other benefits	Other compensation	Pension costs	Total
CEO	2012	5,500	3,259	345	–	2,348	11,452
	2011	5,284	1,163	304	–	2,196	8,947
Executive Committee, others	2012	19,738	6,832	1,060	54	7,477	35,161
	2011	20,503	4,231	839	81	7,598	33,252
Total	2012	25,238	10,091	1,405	54	9,825	46,613
	2011	25,787	5,394	1,143	81	9,794	42,199

THE BOARD'S REPORT ON INTERNAL CONTROL 2012

According to the Swedish Companies Act, the Board is responsible for ensuring that the Company's organization is designed in such way so as to ensure satisfactory control of the bookkeeping, financial management and of the Company's financial conditions in general. The Swedish Code of Corporate Governance emphasizes this and prescribes that the Board is responsible for internal control. This report is prepared in accordance with the Annual Accounts Act and the Swedish Code of Corporate Governance. The report has been reviewed by the Company's auditor.

Axfood has elected to describe how its internal control is organized in the way proposed by the Confederation of Swedish Enterprise and FAR in their guide to the Swedish Code of Corporate Governance. This description is limited to internal control regarding the financial reporting in accordance with the Swedish Code of Corporate Governance, point 7.4. Neither the documented organization of internal control nor the content in the respective areas is to be viewed as being static; rather, these are continuously adapted to Axfood's operations and external environment.

Axfood's Chief Financial Officer has ultimate responsibility for ensuring that follow-up and work with Axfood's internal control are conducted in accordance with the method decided on by the Board. A steering committee under the direction of the CFO leads the Group's work with internal control. This steering committee reports its conclusions to the

Board on a regular basis. Major emphasis is put on adapting the work on internal control to changes in Axfood's business.

Axfood's internal control structure is based on the COSO model, whose framework has been applied to Axfood's business and conditions. According to the COSO model, a review and assessment are performed in the areas of the control environment, risk assessment, control activities, information and communication, and follow-up. Based on this review, certain development areas are identified and assigned priority in the ongoing internal control activities. In 2012, work continued to be focused on ensuring the quality of the financial reporting in connection with the implementation of the new SAP business system. The fifth release was begun in March and included the first parts of Axfood's product flow. This pertained to certain product flows within Dagab. During the autumn, additional new functionality within the product flow was implemented – mainly pertaining to the transit flow – as well as new functionality pertaining to pricing and the product offering. In connection with the SAP releases, major work is dedicated to testing new functionality and ensuring that existing functionality is not affected by new releases, which includes existing and critical flows above all in the finance/accounting solution. In addition, the work with internal control has been focused on the structure of authorizations, roles and limitations in the combination of roles, both with respect to operational roles and IT roles. Part of ensuring internal control

entails ensuring that all roles have clear ownership based on the underlying process. This means, among other things, that new roles and changes in roles must be approved by the respective process owners.

Control environment

The control environment is the foundation of internal control of the financial reporting. An important part of the control environment is that decision-making channels, authorizations and responsibilities are clearly defined and communicated between the various levels of the organization and that governing documents such as internal policies, handbooks, guidelines and manuals are on hand. Axfood's board has established clear work processes and rules of procedure for its work and the work of its committees. An important part of the Board's work involves drawing up and approving various fundamental policies, guidelines and frameworks. These include the Board's work plan, the CEO instructions, the investment policy, the finance and credit policy, and the communication policy.

In addition to these, Axfood applies other policies and guidelines, such as the Group's decision-making process, the information security policy, the Code of Conduct, ethical guidelines, employee manual, sustainability programme and internal dishonesty policy. The aim of these policies is to create a foundation for good internal control and to achieve and maintain a high standard of ethics in the Group.

INTERNAL CONTROL PROCESS

December

- Report on internal control to the Board: background and follow-up of preceding year, focus of current year, recommended focus areas next year

October

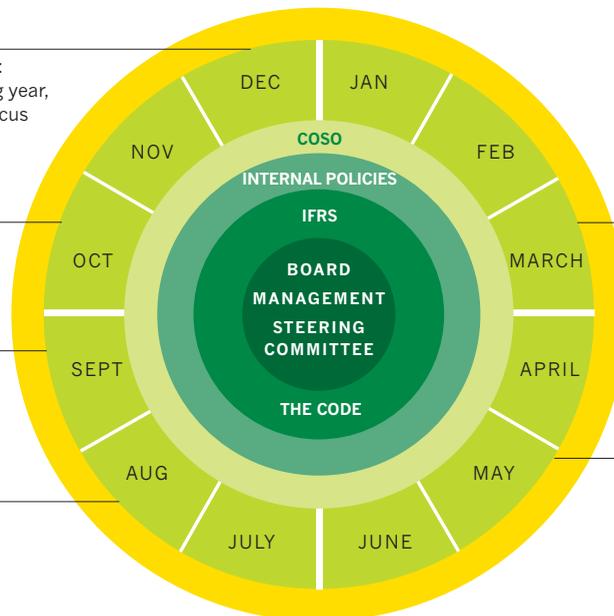
- Follow-up of reporting

September

- Reports from subsidiaries

August

- KPMG review and revision, audit of administration



March

- Steering committee meets and discusses which areas other than the ordinary areas are to be reviewed during the year

May

- Internal control meetings with subsidiaries
 - Review of risks/risk management with the respective financial managers
 - Possible revision of control environment with new instructions

In addition, the Board has ensured that the organizational structure lays out clear roles, responsibility and processes that promote the effective management of risks in the business and enable goal achievement. As part of the responsibility structure, the Board evaluates business performance and results using a specially designed report package covering outcomes, forecasts, business plans, strategic plans, monitoring of financial risks and analyses of important key ratios.

As part of the work on strengthening internal control, Axfood has chosen to compile governing documents in an electronic financial manual (Axekon), which is accessible to all employees within the Group. The financial manual provides an overview of existing policies, rules and routines that affect the content and quality of financial reporting. Axekon also includes links to other areas, such as security/insurance, HR/personnel and IT. All document owners verify yearly that the Axekon documents are current and up to date.

Risk assessment

Axfood continuously updates its risk analysis pertaining to the assessment of risks that could lead to errors in financial reporting. As a result of its annual review, the Board makes decisions on which risks are essential to take into account in order to ensure satisfactory internal control in the Group's financial reporting.

In the course of its risk reviews, Axfood identifies a number of items in the financial statements, as well as administrative flows and processes, where there is an elevated risk for errors. The Company works continuously on strengthening controls surrounding these risks, and in 2012 this was done in a couple of areas, in part regarding implementation of the new business system – especially in the product supply process – and in part regarding new routines tied to the combination of legal units in the Axfood Group. Implementation of the new business system will continue to affect risk assessment considerably in the coming years as new administrative flows are incorporated into Axfood's operations.

Risks are addressed, assessed and reported by Axfood centrally in cooperation with the Group companies. In addition, risks are addressed in special forums, such as in questions raised by Axfood's establishment and financing committee in connection with store establishment and acquisitions.

Control activities

The Group's control structure is designed to manage the risks that the Board consid-

ers to be of material importance for internal control of financial reporting. At Axfood these control structures consist of an organization with clear roles that enable the effective and suitable delegation of responsibility from an internal control perspective as well as specific control activities that are designed to discover or prevent risks for errors in the reporting in a timely fashion.

Examples of control activities include clear decision-making processes and procedures for important decisions, performance analyses and other control activities within the processes involving revenues/receivables, purchasing/payments, non-current assets, inventories, salaries, VAT/taxes, finance, bookkeeping, consolidation/reporting, and master data.

Examples of control activities in these processes are spot checks, reconciliations and reviews of undertakings. In 2012, special focus was on process reviews of Axfood's Shared Services Centre (SSC) in Jönköping, where risks and controls in the various processes were reviewed. In pace with the roll-out of the SAP business system, new routines for setting parameters in master data were established, and new controls tied to the new routines were implemented. For example, based on checklists that have been drawn up, SSC controls the documentation that is received from other parts of the Group's operations. This documentation is then used to update master data in SAP.

Information and communication

Axfood's governing documents in the form of policies, guidelines and manuals, to the extent they pertain to financial reporting, are conveyed primarily via the Group's intranet and the Group's financial manual. The financial manual is published on the Group's intranet and is updated on a continuous basis based on changes in external requirements and changes in Axfood's business that require clarification and instructions. Communication also takes place in connection with monthly book-closing meetings attended by all subsidiary financial managers. The Group CFO works on a continuing basis with the financial managers of all subsidiaries on matters related to risk analyses and control activities. Joint reviews are also conducted of the continuous updates that are made of the financial manual.

For communication with internal and external parties, Axfood adheres to a communication policy that stipulates guidelines for how this communication should take place. The purpose of the policy is to provide assurances that all information obliga-

tions are met in a correct and complete manner. Internal communication aims to ensure that every employee understands Axfood's values and business. To achieve the objective of having informed employees, active work is conducted internally in which information is communicated on a regular basis via the Group's intranet.

Within the framework of internal control activities, Axfood works continuously on improving information security.

Follow-up

Axfood's finance functions are integrated through a joint finance and accounting system and joint accounting instructions. The Board and Executive Committee receive information on a regular basis about the Group's results of operations, financial position and business development. The internal control work provides support to the Board and management in assessing and reviewing critical risk areas in the financial reporting, so that they can thereafter decide which efforts and follow-up initiatives to employ in selected areas.

Further, the Group has a central security function that works through the companies. Axfood has no internal audit function, since the functions described above fulfil this role. However, Axfood does have a defined process for evaluating and monitoring internal control. The method of follow-up is decided on by the Board, which also conducts a yearly evaluation of the need of a separate internal audit function.

Stockholm, 6 February 2013

The Board of Directors of Axfood AB

FURTHER INFORMATION CAN BE FOUND AT axfood.se

- Articles of Association
- Code of Conduct
- Information from previous AGMs, starting in 2001 (notices, minutes, resolutions, CEO's addresses)
- Information on the nomination process
- Information on principles for compensation of senior executives
- The Board's evaluation of guidelines for variable compensation programmes
- Reports on variable compensation systems
- Corporate governance reports starting in 2005
- Information ahead of the 2013 AGM

Board of Directors



Fredrik Persson



Marcus Storch



Peggy Bruzelius



Antonia Ax:son Johnson



Maria Curman

Fredrik Persson, b. 1968, **CHAIRMAN**, Director since 2008 **OTHER ASSIGNMENTS**: President of Axel Johnson AB **CHAIRMAN**: Axstores AB, Svensk Bevaknings Tjänst AB and Mekonomen AB **VICE CHAIRMAN**: Martin & Servera AB and Swedish Trade Federation **DIRECTOR**: AxFast AB, Axel Johnson International AB, Lancelot Holding AB, Aktiebolaget Electrolux, Novax AB and the Confederation of Swedish Enterprise **EDUCATION**: B.Sc. Econ., Stockholm School of Economics, studies at Wharton School, USA **PROFESSIONAL EXPERIENCE**: Head of Analysis at Aros Securities. Employed by Axel Johnson Group since 2000, previously as Executive Vice President and CFO of Axel Johnson AB **COMMITTEE MEMBERSHIP**: Compensation Committee **CURRENT SHAREHOLDING IN AXFOOD**: 1,200 *Independent in relation to the Company and the Executive Committee. Non-independent in relation to major shareholders of the Company*

Marcus Storch, b. 1942 **VICE CHAIRMAN** Director since 2000 **CHAIRMAN**: the Nobel Foundation **VICE CHAIRMAN**: Axel Johnson AB and Mekonomen AB **DIRECTOR**: Nordstjernan AB, Investment AB Öresund, the Royal Swedish Academy of Sciences and the Royal Swedish Academy of Engineering Sciences (IVA) **EDUCATION**: M.Sc. Eng., Royal Swedish Institute of Technology, Honorary Doctor of Medicine **PROFESSIONAL EXPERIENCE**: President and CEO of AGA **COMMITTEE MEMBERSHIP**: Compensation Committee **CURRENT SHAREHOLDING IN AXFOOD**: 12,000 *Independent in relation to the Company and the Executive Committee. Non-independent in relation to major shareholders of the Company*

Peggy Bruzelius, b. 1949, Director since 2000 **CHAIRMAN**: Lancelot Holding AB **DIRECTOR**: Akzo Nobel N.V., Syngenta AB, Diageo plc, Livförsäkringsaktiebolaget Skandia (publ) and the Royal Swedish Academy of Engineering Sciences (IVA) **EDUCATION**: MBA, Stockholm School of Economics, Honorary Doctor of Economics **PROFESSIONAL EXPERIENCE**: President and CEO of ABB Financial Services **CURRENT SHAREHOLDING IN AXFOOD**: 1,500 *Independent in relation to the Company and the Executive Committee, and to major shareholders of the Company*

Antonia Ax:son Johnson, b. 1943, Director since 2000 **CHAIRMAN**: Axel Johnson AB and the Axel and Margaret Ax:son Johnson Foundation **VICE CHAIRMAN**: Nordstjernan AB **DIRECTOR**: Axel Johnson Inc., AxFast AB, the Axel and Margaret Ax:son Johnson Foundation for Public Service, the Antonia Ax:son Johnson Foundation for Sustainable Development, NCC AB, Mekonomen AB, and others **EDUCATION**: BA, Stockholm University **PROFESSIONAL EXPERIENCE**: Active in the family-owned company Axel Johnson Gruppen since the 1970s **COMMITTEE MEMBERSHIP**: Compensation Committee **CURRENT SHAREHOLDING IN AXFOOD**: 26,270,066 *Independent in relation to the Company and the Executive Committee. Non-independent in relation to major shareholders of the Company*

Maria Curman, . 1950, Director since 2003 **DIRECTOR**: Bonnier AB, Bonnierförlagen AB, Cappelen Damm AS (Norway), Bonnier Media Deutschland, Teracom AB and Apoteket AB **EDUCATION**: M.Sc. Econ., Stockholm School of Economics **PROFESSIONAL EXPERIENCE**: CEO of Bonnierförlagen AB, President of Sveriges Television, CEO of Bonnier Books **CURRENT SHAREHOLDING IN AXFOOD**: 1,000 *Independent in relation to the Company and the Executive Committee, and to major shareholders of the Company*



Odd Reitan



Annika Åhnberg



Ulla-May Iwahr Rydén



Michael Sjören



Inger Sjöstrand

Odd Reitan, b. 1951, Director since 2009
CHAIRMAN: Reitangruppen AS, Reitan Handel AS, Rema 1000 AS, Reitan Eiendom AS, Reitan Convenience AS and Uno X gruppen AS
DIRECTOR: Næringsforeningen i Trondheimsregionen and the Mid-Norway Chamber of Commerce and Industry
EDUCATION: Varehandelsens høyskole
PROFESSIONAL EXPERIENCE: Started own store in 1972 and senior executive of own companies
CURRENT SHAREHOLDING IN AXFOOD: 8,185,817
Independent in relation to the Company and the Executive Committee. Non-independent in relation to major shareholders of the Company

Annika Åhnberg, b. 1949, Director since 2000
CHAIRMAN: IVA, department X, Swedish Nutrition Foundation and Save the Children Sweden (Ystad chapter)
DIRECTOR: Antonia Ax:son Johnson Foundation for the Environment, Högstads & Christinehofs Fideikommiss AB, Royal Swedish Academy of Agriculture and Forestry (KSLA) and Saltå Kvarn AB
EDUCATION: Graduate of Social Studies, Department of Social Work, Stockholm University
PROFESSIONAL EXPERIENCE: Consultant in own firm, Tankeföda AB, former Minister for Agriculture
CURRENT SHAREHOLDING IN AXFOOD: 200
Independent in relation to the Company and the Executive Committee, and to major shareholders of the Company

Ulla-May Iwahr Rydén, b. 1951, Employee representative, Director since 2006
OTHER ASSIGNMENTS: Union representative on Axfood Närlivs AB's board of directors
EDUCATION/PROFESSIONAL EXPERIENCE: PTK's course on company board work
CURRENT SHAREHOLDING IN AXFOOD: 0
Non-independent in relation to the Company and the Executive Committee

Michael Sjören, b. 1960, Employee representative, Director since 2010
OTHER ASSIGNMENTS: Union representative on Axfood Närlivs AB's board of directors
EDUCATION/PROFESSIONAL EXPERIENCE: Axfood Group employee since 1995
CURRENT SHAREHOLDING IN AXFOOD: 0
Non-independent in relation to the Company and the Executive Committee

Inger Sjöstrand, b. 1953, Employee representative, Director since 2012
OTHER ASSIGNMENTS: Chairman of ABF Södra Östra Dalarna, Union representative on Hemköpskedjan AB's board of directors
PROFESSIONAL EXPERIENCE: Hemköp employee since 1977
CURRENT SHAREHOLDING IN AXFOOD: 0
Non-independent in relation to the Company and the Executive Committee

Executive Committee



Anders Strålman



Karin Hygrell-Jonsson



Hans Holmstedt



Louise Ring



Nicholas Pettersson

Anders Strålman, b. 1953, President and CEO, Axfood AB **AXFOOD EMPLOYEE SINCE:** 1993¹⁾ **OTHER ASSIGNMENTS:** Chairman of Svensk Dagligvaruhandel; director of Bergendahls El Holding, Svensk Handel AB, Returpack Svenska AB and Rabbalshede Kraft AB **EDUCATION:** M.Sc. Econ., University of Gothenburg **PROFESSIONAL EXPERIENCE:** President of Willys AB, CFO and CEO of Billhälls AB; member of Axfood's Executive Committee since 2000 **CURRENT SHAREHOLDING IN AXFOOD:** 16,500

¹⁾ Pertains to employment with companies that are now part of the Axfood Group.

Karin Hygrell-Jonsson, b. 1955, Chief Financial Officer **AXFOOD EMPLOYEE SINCE:** 1991¹⁾ **OTHER ASSIGNMENTS:** Director of Fujifilm Sverige AB **EDUCATION:** M.Sc. Econ., Stockholm School of Economics **PROFESSIONAL EXPERIENCE:** Chief Financial Officer and financial manager, Axfood AB; financial manager, Axel Johnson AB and Dagab AB; Manager Cash & Currency, SAS; banker, PKbanken. Member of Axfood's Executive Committee since 2007 **CURRENT SHAREHOLDING IN AXFOOD:** 500

¹⁾ Pertains to employment with companies that are now part of the Axfood Group.

Hans Holmstedt, b. 1967, Purchasing Director **AXFOOD EMPLOYEE SINCE:** 2005 **EDUCATION:** Economics, EFL (Executive Foundation Lund); Personal Leadership, IHM Business School **PROFESSIONAL EXPERIENCE:** Business Area Manager Fruit & Vegetables, Axfood; Purchasing and Marketing Manager, Saba Fukt & Grönt; purchaser Saba Fukt & Grönt and NAF International Valencia. Member of Axfood's Executive Committee since 2011 **CURRENT SHAREHOLDING IN AXFOOD:** 100

Louise Ring, b. 1955, Head of Human Resources **AXFOOD EMPLOYEE SINCE:** 2003 **EDUCATION:** University studies in behavioural sciences, Umeå University; HR executive IFL at the Stockholm School of Economics **PROFESSIONAL EXPERIENCE:** CFO and HR manager, ICA Handlarnas AB; store manager, head of training, organizational and operating matters, H&M. Member of Axfood's Executive Committee since 2005 **CURRENT SHAREHOLDING IN AXFOOD:** 100

Nicholas Pettersson, b. 1976, President of Axfood Närlivs AB **AXFOOD EMPLOYEE SINCE:** 2004¹⁾ **EDUCATION:** M.Sc. Econ., Växjö University **PROFESSIONAL EXPERIENCE:** Marketing Manager, Axfood Närlivs; business area head, Axfood Snabbgross; supply chain manager, AB Svenska Shell; business analyst, Shell Detaljist AB. Member of Axfood's Executive Committee since 2009 **CURRENT SHAREHOLDING IN AXFOOD:** 100

¹⁾ Pertains to employment with companies that are now part of the Axfood Group.



Jan Lindmark



Anne Rhenman Eklund



Thomas Evertsson



Anders Quist



Anders Agerberg



Thomas Gäreskog

Jan Lindmark, b. 1959, Head of IT **AXFOOD EMPLOYEE SINCE:** 2001 **EDUCATION:** M.Sc. Econ., Stockholm University **PROFESSIONAL EXPERIENCE:** IT director, Fritidsresgruppen; IT manager, Posten Brev; consultant, Enator. Member of Axfood's Executive Committee since 2007 **CURRENT SHAREHOLDING IN AXFOOD:** 850

Anne Rhenman Eklund, b. 1957, Head of Corporate Communications **AXFOOD EMPLOYEE SINCE:** 2007 **OTHER ASSIGNMENTS:** Director of the Association of Swedish Advertisers **EDUCATION:** Nordic Executive Investor Relations Program, Helsinki School of Economics; various coursework at Berghs School of Communication **PROFESSIONAL EXPERIENCE:** Head of Investor Relations, Axfood; Head of Corporate Communications and IR, Q-Med AB and Axis Communications AB; Consultant in investor relations, PR and market communication. Member of Axfood's Executive Committee since 2010 **CURRENT SHAREHOLDING IN AXFOOD:** 0

Thomas Evertsson, b. 1964, President of Willys AB **AXFOOD EMPLOYEE SINCE:** 2008 **EDUCATION:** M.Sc. Econ., University of Gothenburg, School of Economics, Business and Law **PROFESSIONAL EXPERIENCE:** hypermarket manager, Head of chain operations, Coop Supermarkets; President, Coop Sverige AB; Vice President, Coop Norden AB. Member of Axfood's Executive Committee since 2008 **CURRENT SHAREHOLDING IN AXFOOD:** 2,400

Anders Agerberg, b. 1953, President of Dabab AB **AXFOOD EMPLOYEE SINCE:** 1976 **EDUCATION:** Secondary School diploma, university studies **PROFESSIONAL EXPERIENCE:** Vice President and Head of Logistics, Dagab; Head of Dagab Syd. Member of Axfood's Executive Committee since 2010 **CURRENT SHAREHOLDING IN AXFOOD:** 0

Anders Quist, b. 1953, Head of Business Development **AXFOOD EMPLOYEE SINCE:** 1995¹⁾ **OTHER ASSIGNMENTS:** Director of GS1 Sweden AB and GS1 Sweden Services AB **EDUCATION:** Secondary School diploma, grocer training, diverse training in retailing **PROFESSIONAL EXPERIENCE:** Vice President, Bilhälls; Vice President, Willys; store manager, operations manager, grocer, sales manager, Dagab väst. Member of Axfood's Executive Committee since 2007 **CURRENT SHAREHOLDING IN AXFOOD:** 1,500

¹⁾ Pertains to employment with companies that are now part of the Axfood Group.

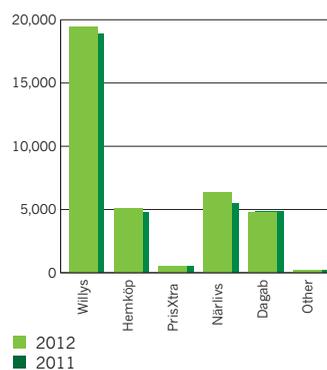
Thomas Gäreskog, b. 1961, President of Hemköp **AXFOOD EMPLOYEE SINCE:** 2010 **EDUCATION:** Secondary School diploma, business management training, leadership training **PROFESSIONAL EXPERIENCE:** Store manager, ICA; several positions of trust for ICA; regional director, Hemköp; sales manager, Hemköp. Member of Axfood's Executive Committee since 2012 **CURRENT SHAREHOLDING IN AXFOOD:** 0

All shareholdings reported as per 31 December 2012.

Statement of comprehensive income, Group

Amounts in SEK m	Note	2012	2011
Net sales	2, 5	36,306	34,795
Cost of goods sold	6	-31,416	-29,877
Gross profit		4,890	4,918
Selling expenses		-2,238	-2,177
Administrative expenses		-1,705	-1,736
Share of profit in associated companies	22	0	0
Other operating income	7	304	253
Other operating expense	10	-59	-8
Operating profit		1,192	1,250
Interest income and similar profit/loss items	13	7	6
Interest expense and similar profit/loss items	13	-45	-42
Net financial items		-38	-36
Profit before tax		1,154	1,214
Current tax	15	-243	-223
Deferred tax	15	-16	-100
Net profit for the year		895	891
Other comprehensive income			
Change in fair value of forward contracts		0	0
Change in fair value of available-for-sale financial assets		0	5
Tax attributable to components in other comprehensive income	15	0	-1
Other comprehensive income for the year		0	4
Comprehensive income for the year		895	895
Earnings per share before and after dilution, SEK	16	17.06	16.99
Operating profit includes depreciation/amortization of	10	637	588

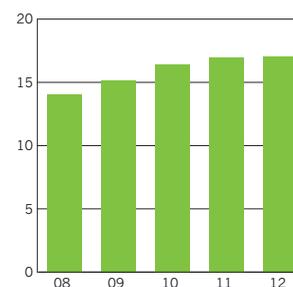
Consolidated net sales per segment, SEK m



Consolidated operating profit and operating margin



Earnings per share, SEK



Comments on the statement of comprehensive income and statement of financial position

STATEMENT OF COMPREHENSIVE INCOME

- Axfood's consolidated sales rose 4.3% during the year.
- Like-for-like sales rose 0.2% for the year.
- Operating profit decreased to SEK 1,192 m (1,250). Operating profit excluding impairment charges amounted to SEK 1,247 m (1,250).
- Earnings per share were SEK 17.06 (16.99).

Net sales

Consolidated net sales totalled SEK 36,306 m (34,795), an increase of 4.3% compared with 2011. Of consolidated net sales, slightly less than 74% (76%) consist of sales in stores and slightly less than 25% (24%) consist of external wholesale turnover and store compensation. For Group-owned retail operations, sales rose 3.0%, with a 0.2% rise in like-for-like sales. Sales for Willys rose 2.7% to SEK 19,407 m (18,904), with an unchanged level of like-for-like sales. Hemköp's sales rose 6.2%, to SEK 5,082 m (4,787), with a 1.6% rise in like-for-like sales.

Operating profit

Operating profit was SEK 1,192 m (1,250). Profit for the year includes discontinuation costs of SEK 14 m (8) for stores in the Hemköp chain. Profit was affected by an impairment charge of SEK 55 m (-) for the value of the PrisXtra brand. Operating profit includes depreciation and amortization totalling SEK 637 m (588). The Group's gross margin was 13.5% (14.1%), and the operating margin excluding impairment charges was 3.4% (3.6%).

Net financial items

Net financial items worsened marginally during the year, from SEK -36 m to SEK -38 m. Interest-bearing liabilities decreased during the year by SEK 260 m, from SEK 1,042 m to SEK 782 m. Borrowings during the first three quarters were slightly higher than in the preceding year and resulted in a higher borrowing cost of approximately SEK 3 m, at the same time that interest income on current receivables was approximately SEK 1 m higher than a year ago.

Tax, profit for the year, and earnings per share

The tax charge was SEK 259 m (323), corresponding to an effective tax rate of 22.4% (26.6%). The effective tax was positively affected in the

amount of SEK 50 m pertaining to a recalculation of deferred tax as a result of a reduction in the corporate tax rate from 26.3% to 22% as from 2013. Profit after tax for the year was SEK 895 m (891), or SEK 17.06 per share (16.99).

STATEMENT OF FINANCIAL POSITION

- The equity ratio was 39.8% (39.1%)
- The debt-equity ratio was 0.2 (0.3)

Non-current assets

The Group's non-current assets increased during the year by SEK 182 m, from SEK 4,341 m to SEK 4,523 m. Non-current assets consist primarily of goodwill, totalling SEK 1,759 m (1,613), and machinery and equipment, totalling SEK 1,710 m (1,670). Of total goodwill, SEK 1,265 m (1,205) consists of consolidated acquisition goodwill. Total capital expenditures by the Group amounted to SEK 932 m (993). Of these, SEK 175 m (70) pertained to investments in businesses, SEK 386 m (468) to investments in retail operations, SEK 86 m (111) to investments in wholesale operations, and SEK 211 m (239) to investments in IT development.

Working capital

Of current assets, inventories make up the single largest item, totalling SEK 1,932 m (1,916). Inventories consist of finished retail goods 51% (51%), and wholesale goods 49% (49%). Trade accounts receivable make up the largest item in current liabilities, SEK 2,359 m (2,273).

Shareholders' equity and liabilities

Shareholders' equity amounted to SEK 3,502 m (3,237), including SEK 28 m (-) in non-controlling interests, representing a net increase of SEK 265 m. During the year, SEK 630 m (630) was paid out in dividends to the Company's shareholders.

Provisions for pensions and similar obligations pertain primarily to liabilities in the FPG/PRI system. Interest-bearing liabilities excluding interest-bearing pension provisions decreased from SEK 678 m to SEK 429 m. Interest-bearing net debt decreased from SEK 725 m as per 31 December 2011 to SEK 261 m as per 31 December 2012.

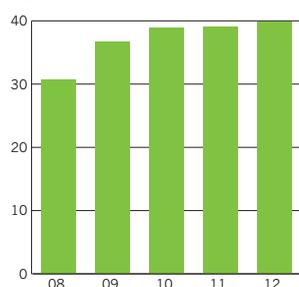
Change in interest-bearing net debt for the group	31/12/2011	Cash flow	Change in borrowings	Other changes	31/12/2012
Cash and cash equivalents	317	204			521
Non-current interest-bearing liabilities	-45			-18	-63
Current interest-bearing liabilities	-633		265	2	-366
Interest-bearing pensions	-364			11	-353
Interest-bearing net debt	-725	204	265	-5	-261

Statement of financial position, Group

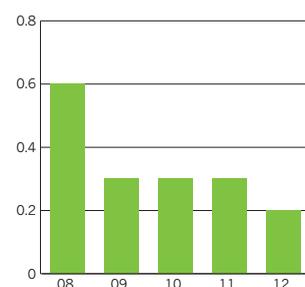
SEK m	Note	31/12/2012	31/12/2011
ASSETS			
Non-current assets			
Intangible assets			
	17		
Goodwill		1,759	1,613
Other intangible assets		883	848
		2,642	2,461
Property, plant and equipment			
	18, 20		
Land and buildings		57	58
Equipment, tools and fixtures		1,710	1,670
Construction in progress		53	73
		1,820	1,801
Financial assets			
	23, 28		
Participations in associated companies	22	3	3
Other long-term securities holdings	23, 28	29	29
Other non-current receivables	24	13	12
		45	44
Deferred tax assets	15	16	35
Total non-current assets		4,523	4,341
Current assets			
Inventories			
Finished products and goods for resale		1,932	1,916
		1,932	1,916
Current receivables			
	28		
Accounts receivable – trade	25	867	639
Current tax assets		2	104
Other current receivables	24	83	139
Prepaid expenses and accrued income	26	870	822
		1,822	1,704
Cash and cash equivalents			
	28		
Cash and bank balances		521	317
		521	317
Total current assets		4,275	3,937
TOTAL ASSETS		8,798	8,278

SEK m	Note	31/12/2012	31/12/2011
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	32		
Share capital		262	262
Other capital contribution		496	496
Reserves		7	7
Profit brought forward		1,814	1,581
Profit for the year		895	891
		3,474	3,237
Non-controlling interests		28	-
		3,502	3,237
Non-current liabilities	20, 28, 29		
Provisions for pensions and similar obligations	27	353	364
Other interest-bearing liabilities		63	45
Deferred tax liability	15	310	308
Other non-current liabilities		2	0
		728	717
Current liabilities	28, 29		
Liabilities to credit institutions		329	603
Other interest-bearing liabilities		37	30
Accounts payable – trade		2,359	2,273
Liabilities to associated companies		0	0
Other current liabilities		157	130
Accrued expenses and deferred income	19, 30	1,686	1,288
		4,568	4,324
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		8,798	8,278
CONTINGENT ASSETS, PLEDGED ASSETS AND CONTINGENT LIABILITIES	31		
Pledged assets		29	3
Contingent liabilities		32	20

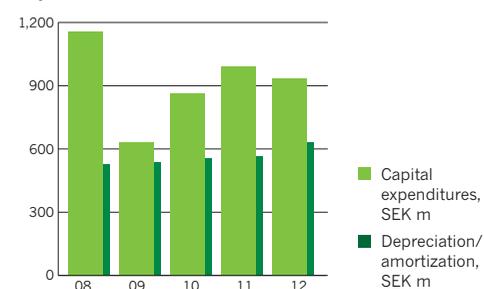
Equity ratio, %



Debt-equity ratio, multiple



Capital expenditures/ depreciation & amortization



Statement of cash flows, Group

Amounts in SEK m	Note	2012	2011
Operating activities			
Profit before financial items		1,192	1,250
Depreciation/amortization charged against profit		613	566
Interest paid		-27	-25
Interest received		7	6
Adjustments for non-cash items		24	-20
Paid tax		-135	-323
Cash flow from operating activities before changes in working capital		1,674	1,454
Cash flow from changes in working capital			
Change in inventories		-9	-93
Change in current receivables		-212	-37
Change in current liabilities		462	60
Cash flow from operating activities		1,915	1,384
Investing activities			
Acquisitions of intangible assets		-211	-240
Acquisitions of property, plant and equipment		-508	-652
Acquisitions of operations	3	-130	-69
Sales of operations	4	17	1
Sales of property, plant and equipment		16	19
Change in other financial assets		0	0
Cash flow from investing activities		-816	-941
Financing activities			
Acquisitions of non-controlling interests		-	-1
New loans raised		324	310
Amortization of debt		-589	-120
Dividend paid out		-630	-630
Cash flow from financing activities		-895	-441
CASH FLOW FOR THE YEAR		204	2
Cash and cash equivalents at start of year		317	315
Cash and cash equivalents at year-end		521	317

Adjustments for non-cash items amounted to 24 (-20), net, and mainly pertained to disposals and impairment charges.

Statement of changes in equity, Group

Amounts in SEK m	Equity attributable to owners of the parent						Non-controlling interests	Total shareholders' equity
	Share capital	Other capital contributions	Fair value reserve	Hedging reserve	Profit brought forward	Total		
Opening shareholders' equity 2011	262	496	3	0	2,211	2,972	0	2,972
Profit for the year	–	–	–	0	891	891	–	891
Other comprehensive income for the year	–	–	4	0	0	4	–	4
Shareholder dividend	–	–	–	–	–630	–630	–	–630
Closing shareholder' equity 2011	262	496	7	0	2,472	3,237	0	3,237
Profit for the year	–	–	–	–	895	895	–	895
Other comprehensive income for the year	–	–	0	0	0	0	–	0
Shareholder dividend	–	–	–	–	–630	–630	–	–630
Acquisition of non-controlling interests	–	–	–	–	–28	–28	28	0
Closing shareholders' equity 2012	262	496	7	0	2,709	3,474	28	3,502

The share capital as per 31/12/2012 amounted to SEK 262,338,390 (262,338,390), distributed among 52,467,678 shares (52,467,678). There is only one class of share. The share quota value is SEK 5. The Board of Directors proposes a dividend of SEK 12 per share (12).

In 2012 Axfood acquired 50% of the operations of Hall Miba AB, see Note 3. Shareholders' equity attributable to non-controlling interests amounted to SEK 28 m as per 31/12/2012.

Profit for the year attributable to non-controlling interests amounted to KSEK 28 (247).

Fair value reserve

The fair value reserve includes the accumulated net change in the fair value of available-for-sale financial assets until such time the asset is eliminated from the statement of financial position. The change in the fair value reserve pertains to the change in fair value of available-for-sale financial assets, totalling SEK 0 m (5), and deferred tax, totalling SEK 0 m (–1).

Hedging reserve

The hedging reserve includes the effective portion of the accumulated net change in the fair value of cash flow hedge instruments attributable to hedge transactions that have not yet been carried out. The change in the hedging reserve pertains to the change in the fair value of forward contracts, totalling SEK 0 m (0), and deferred tax, totalling SEK 0 m (0). A compilation of the change in value of the hedging reserve during the year is provided in Note 32.

Comments on the statement of cash flows and the statement of changes in equity

Group cash flow from operating activities

The Group's cash flow from operating activities before changes in working capital increased by SEK 220 m, to SEK 1,674 m (1,454), and consisted mainly of the net amount of purchases and sales of food retail products. Excluding SEK –135 m (–323) in paid tax, cash flow from operating activities before changes in working capital increased by SEK 32 m. Reversed depreciation has been adjusted for the portion that pertains to leased assets, totalling SEK 23 m (22). Adjustment for non-cash items amounted to SEK 24 m, net (–20) and pertained mainly to disposals and impairment charges. Interest received during the year amounted to SEK 7 m (6), and interest paid amounted to SEK 27 m (25).

Capital expenditures and divestments

The Group's total capital expenditures amounted to SEK 932 m (993) and pertained primarily to investments of SEK 545 m (682) in machinery and equipment. Investments in businesses amounted to SEK 175 m (70), and investments in IT development amounted to SEK 211 m (239). Of total capital expenditures, SEK 849 m (961) affected the Group's cash flow. In cash flow, capital expenditures have been adjusted in the amount of SEK –38 m (–32) for finance leases.

Financing activities

The Group's change in interest-bearing liabilities affected cash flow by SEK –265 m (190). During the year, new loans of SEK 324 m (310) were raised, and SEK 589 m (120) in previously raised loans was

amortized. The dividend paid out amounted to SEK 630 m (630), corresponding to SEK 12.00 (12.00) per share.

Comments on shareholders' equity and capital management

The Group's shareholders' equity, which is defined as total reported shareholders' equity, amounted to SEK 3,502 m (3,237) at year-end, including SEK 28 m (0) in non-controlling interests. Return on shareholders' equity was 26.7% (28.7%).

According to Axfood's finance policy, the foundation of the Axfood Group's financial strategy is to create sound financial conditions for the Group's operations and development. Of major importance is that the Group's equity ratio target of a minimum level of 25% is maintained so that the Group's refinancing risk does not jeopardize the Group's current or planned operations. At year-end 2012 the equity ratio was 39.8% (39.1%). Axfood does not have any externally assigned capital requirement.

Axfood's dividend policy calls for a minimum dividend payout of 50% of profit after tax. During the last five years, the ordinary dividend has averaged 69.7% of profit after tax. In addition to the ordinary dividend, the Group has paid extra dividends on three occasions, for the 2004, 2005 and 2006 financial years. The Board of Directors has proposed an ordinary dividend for 2012 of SEK 12 (12) per share. Based 52,467,678 shares, the dividend will amount to SEK 630 m.

During the year, no changes were made in the Group's principles for capital management.

Income statement and balance sheet, Parent Company

INCOME STATEMENT, PARENT COMPANY

Amounts in SEK m	Note	2012	2011
Selling expenses		-1	-1
Administrative expenses	8	-283	-251
Other operating income	7	184	178
Operating result		-100	-74
Interest income and similar profit/loss items	13	19	16
Interest expense and similar profit/loss items	13	-22	-21
Group contributions received and rendered	13	1,261	1,182
Profit after financial items		1,158	1,103
Appropriations	14	-288	-274
Profit before tax		870	829
Current tax	15	-229	-216
Deferred tax	15	-3	-1
Profit for the year		638	612

Profit for the year corresponds to comprehensive income for the year.

BALANCE SHEET, PARENT COMPANY

Amounts in SEK m	Note	31/12/2012	31/12/2010
ASSETS			
Property, plant and equipment			
Equipment, tools and fixtures	18	2	2
Construction in progress		3	0
		5	2
Financial assets	23, 28		
Participations in Group companies	21, 23	3,573	3,452
Other long-term securities holdings	23, 28	3	3
Deferred tax assets	15	7	9
Other non-current receivables	24	2	3
		3,585	3,467
Total non-current assets		3,590	3,469
Current assets			
Current receivables			
Accounts receivable – trade		0	0
Receivables from Group companies		2,213	2,103
Current tax assets	15	-	57
Other current receivables	24	0	0
Prepaid expenses and accrued income	26	13	10
		2,226	2,170
Cash and cash equivalents	28		
Cash and bank balances		0	0
Total current assets		2,226	2,170
TOTAL ASSETS		5,816	5,639

BALANCE SHEET, PARENT COMPANY

Amounts in SEK m	Note	31/12/2012	31/12/2010
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Restricted shareholders' equity			
Share capital		262	262
Revaluation reserve		25	-
		287	262
Unrestricted shareholders' equity			
Profit brought forward		2,754	2,772
Profit for the year		638	612
		3,392	3,384
Total shareholders' equity		3,679	3,646
Untaxed reserves	14	563	275
Provisions			
Provisions for pensions and similar obligations	27	28	31
Non-current liabilities	28, 29		
Other non-current liabilities		3	4
Current liabilities	28, 29		
Liabilities to credit institutions		314	603
Accounts payable – trade		19	14
Liabilities to Group companies		1,155	1,047
Current tax liability		26	-
Other current liabilities		1	0
Accrued expenses and deferred income	19, 30	28	19
		1,543	1,683
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		5,816	5,639
CONTINGENT ASSETS, PLEDGED ASSETS AND CONTINGENT LIABILITIES			
Contingent liabilities	31	360	382

Cash flow statement and shareholders' equity, Parent Company

CASH FLOW STATEMENT, PARENT COMPANY

Amounts in SEK m	Note	2012	2011
Operating activities			
Result after financial items		-100	-74
Interest paid		-22	-20
Interest received		19	16
Group contributions received/rendered, net		1,182	1,192
Depreciation/amortization charged against the result		1	2
Adjustments for non-cash items		15	8
Paid tax		-146	-314
Cash flow from operating activities before changes in working capital		949	810
Cash flow from changes in working capital			
Change in current receivables		-34	-22
Change in current liabilities		103	-382
Cash flow from operating activities		1,018	406
Investing activities			
Acquisitions of property, plant and equipment		-3	0
Acquisitions of subsidiaries		-96	-
Sales of businesses		-	28
Cash flow from investing activities		-99	28
Financing activities			
Newly raised loans		300	346
Amortization of debt		-589	-150
Dividend paid out		-630	-630
Cash flow from financing activities		-919	-434
CASH FLOW FOR THE YEAR		0	0
Cash and cash equivalents at start of year		0	0
Cash and cash equivalents at year-end		0	0

SHAREHOLDERS' EQUITY, PARENT COMPANY

Amounts in SEK m	Restricted shareholders' equity		Unrestricted shareholders' equity	Total shareholders' equity
	Share capital	Revaluation reserve	Profit brought forward	Total
Opening shareholders' equity 2011	262	-	3,402	3,664
Profit for the year	-	-	612	612
Dividend paid out	-	-	-630	-630
Closing shareholders' equity 2011	262	-	3,384	3,646
Revaluation of financial assets	-	25	-	25
Profit for the year	-	-	638	638
Dividend paid out	-	-	-630	-630
Closing shareholders' equity 2012	262	25	3,392	3,679

Profit for the year corresponds to comprehensive income for the year. Regarding the revaluation reserve, see note 23.



NOTE 1. ACCOUNTING AND VALUATION POLICIES

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), as endorsed by the EU Commission for application within the EU. In addition, Swedish Financial Reporting Board recommendation RFR 1 (June 2011), Supplementary Reporting Rules for Groups, is applied.

The Parent Company applies the same accounting policies as the Group, except in the cases indicated below under the section "Parent Company accounting policies".

The Annual Report and consolidated financial statements were approved for publication by the Board of Directors on 6 February 2013. The Group's statement of comprehensive income and statement of financial position, and the Parent Company's income statement and balance sheet, are subject to adoption by the Annual General Meeting on 13 March 2013.

Conditions for preparation for the Parent Company's and Group's financial statements

Basis of measurement applied in preparation of the financial statements
Assets and liabilities are stated at historical cost, except for certain financial assets and liabilities, which are stated at fair value. Financial assets and liabilities stated at fair value consist of derivative instruments and available-for-sale financial assets.

Functional currency and presentation currency

The Parent Company's functional currency is Swedish kronor (SEK), which is also the presentation currency for the Parent Company and Group. Financial statements are thus presented in Swedish kronor. All amounts are rounded off to the nearest million kronor (SEK m), unless stated otherwise.

Estimations and assumptions in the financial statements

In order to prepare the financial statements in accordance with IFRS, the Board and the Executive Committee make estimations and assumptions that affect the Company's result and position as well as other disclosures in general. These estimations and assumptions are based on historical experience and are reviewed on a regular basis. Estimations made by the Executive Committee in the application of IFRS that have a material impact on the financial statements, and estimations made that can entail material adjustments in subsequent years' financial statements, are described in more detail in Note 33.

Significant accounting policies applied

The accounting policies presented below are applied consistently in the Company's published financial statements, unless stated otherwise.

Changed accounting policies 2012

Following is a description of changed accounting policies that the Group applies as from 1 January 2012. Other IFRS changes that apply as from 2012 have not had any material impact on the Group's accounting.

Effective 1 January 2013, the corporate tax rate in Sweden has been lowered from 26.3% to 22%. Deferred tax assets and liabilities have been recalculated in the 2012 annual accounts. Effective 1 January 2012, the Group applies the Amended IFRS 7 Financial Instruments: Disclosures regarding new disclosure requirements for transferred financial assets.

In addition, a number of changes have been made in IFRS within the framework of the IASB's annual Improvement Project. None of these changes have affected the consolidated financial statements.

Changed accounting policies 2013 and later

A number of new or amended IFRSs and interpretations take effect in 2013 and later, and have not been prospectively applied in the preparation of these financial statements. New IFRSs and interpretations or amendments that are applicable as from the financial years after 2013 and later are not planned to be prospectively applied. To the extent that anticipated effects on the financial statements of the application of the following new or amended IFRSs and interpretations are not described below, Axfood has not made any assessment of their effects.

Effective 1 January 2013, the Group applies IFRS 13 Fair Value Measurement, a new, uniform method of measuring fair value along with improved disclosure requirements.

Effective 1 January 2013, the Group applies the Amended IAS 19 Employee Benefits: Changed Reporting of Actuarial Gains and Losses. Starting on 1 January 2013 the Group will change over from reporting actuarial gains and losses in accordance with the corridor method to reporting them in their entirety in other comprehensive income in the period in which they arise. This provides relevant information mainly in the statement of financial position, since after the change, reported pension obligations will indicate a value that better reflects the Group's actual net obligation.

UFR 9 Reporting of policyholder tax. In September 2012 the Swedish Financial Reporting Board issued a pronouncement regarding the reporting of the so-called policyholder tax (*avkastningskatt*). The board is of the opinion that the policyholder tax that is charged on pension contributions should be reported on a regular basis as an expense under profit. The pronouncement is to be applied in conjunction with the first time application of the Amended IAS 19 Employee Benefits.

The Group also applies amendments to IAS 1 Presentation of Financial Statements: Reporting of Items in Other Comprehensive Income. The effect of the changed policy is shown in Note 27.

Classification of current and non-current items

In the Axfood Group's accounting, assets and liabilities are broken down into current and non-current. Non-current receivables and liabilities consist in all essential respects of amounts that are expected to fall due for payment after one year from the end of the reporting period. Current receivables and liabilities fall due for payment within one year from the end of the reporting period.

Operating segment reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur

expenses and for which discrete financial information is available. Operating segments are reported in a manner that is in agreement with the internal reporting that is presented to the chief operating decision-maker at Axfood. The chief operating decision-maker has been identified as the Group's Executive Committee, which evaluates the results and allocates resources to the operating segments. For more information on operating segments, see Note 2, Operating segments.

PRINCIPLES OF CONSOLIDATION

General

The consolidated financial statements cover, in addition to the Parent Company, all companies in which the Parent Company directly or indirectly has control. Control entails a direct or indirect right to formulate the company's financial and operative strategies in the aim of obtaining financial benefit.

Axfood AB is a subsidiary of Ax Retail AB, reg. no. 556039-2226, with domicile in Stockholm. Ax Retail AB, in turn, is a wholly owned subsidiary of Axel Johnson Holding AB, reg. no. 556245-2549, with domicile in Stockholm, which prepares consolidated financial statements for the largest group.

In the preparation of the consolidated financial statements, the purchase method has been used, with the exception of the 2000 merger of Hemköp and Axfood Sverige (formerly D&D Dagligvaror), which is accounted for using the pooling of interests method, whereby no surplus values are reported.

An acquisition of a subsidiary is regarded as a transaction in which the Group indirectly acquires the subsidiary's assets and takes over its liabilities. Through purchase price allocation (PPA) of the business acquisition, the fair value is determined of acquired identifiable assets and liabilities taken over on the acquisition date, as well as of any non-controlling interests. Transaction costs that arise are recognized directly in profit or loss for the year.

In business combinations in which the consideration paid, any non-controlling interests and the fair value of previously owned interests (for business combinations achieved in stages) exceed the fair value of separately reported acquired assets and liabilities taken over, the difference is reported as goodwill. When the difference is negative – a so-called bargain purchase – this is recognized directly in profit or loss for the year.

Consideration transferred in connection with the acquisition does not include payments that pertain to settlement of previous business relations. This type of settlement is recognized in profit or loss.

Contingent consideration/earn-out payments are measured at fair value at the date of the acquisition. In cases where the contingent consideration is classified as an equity instrument, no remeasurement is done, and settlement is done in equity. Other contingent consideration is remeasured at every reporting date, and the change is recognized in profit or loss for the year.

Acquisitions from non-controlling interests are reported as a transaction within equity, i.e., between the Parent Company's owners (within retained profits) and non-controlling interests. As a result, no goodwill arises in such transactions. The change in non-controlling interests is based on its proportional share of net assets.

In cases where the subsidiary's accounting policies are not compatible with the Group's accounting policies, adjustments are made to the Group's accounting policies.

Goodwill is not amortized, but is tested annually for impairment, see Note 17.

Subsidiaries' financial statements are included in the consolidated financial statements starting on the date of acquisition until the date that control ceases.

Intra-Group assets and liabilities, income and expenses, and unrealized gains and losses between companies in the Group, are eliminated.

Associated companies

Companies in which Group companies have a significant influence but not control are classified as associated companies and are reported in accordance with the equity method. The holding amounts to 20%–50% of the number of votes. The equity method entails that the Group's share of the associated company's shareholders' equity, including Group goodwill and remaining Group surplus and deficit values, is reported as shares and participations in associated companies. The increase or decrease of the associated company's book value that arises through application of the equity method increases/decreases the Group's profit brought forward. Dividends received from associated companies decrease the reported value of shares and participations in associated companies. When the Group's share of reported losses in the associated company exceeds the reported value of the participations in the Group, the value of the participations is reduced to zero. Deduction for losses is also made from long-term financial dealings without collateral, which in an economical sense constitutes the owning company's net investment in the associated company.

The Group's share of the associated company's net profit/loss including depreciation/amortization, impairment charges and dissolution of any surplus and deficit values reported in connection with the acquisition is reported in consolidated profit. The equity method is applied starting at the point in time at which control arose and until the point in time that control ceases.

Unrealized gains that arise between wholly owned companies and associated companies in the Group are eliminated to the extent that they correspond to the Group's ownership stake in the associated company.

Any difference at the time of acquisition between the cost of the holding and the acquirer's share of net fair value of the associated company's identifiable assets and liabilities is reported in accordance with the same principles that apply for acquisitions of subsidiaries. Contingent consideration/earn-out payments are measured at fair value at the date of acquisition. In cases where contingent consideration is classified as an equity instrument, no remeasurement is done, and settlement is done in equity. Other contingent consideration is remeasured at every reporting date, and the change is recognized in profit or loss for the year.

Principles for internal pricing

For internal sales of goods between companies in the Axfood Group, prices are set on an arm's length basis. This means that internal customers are not treated in another manner than external customers.



In certain cases the supplier's general profit margin is lower for internal sales. The main explanation for this is that the general risk level in these cases is lower.

The price models used for pricing towards external and internal customers are not different.

Decisions about which prices shall apply, internally as well as externally, are made by Axfood's Executive Committee.

INCOME

Sales are reported net after VAT and discounts. Income from sales of products is recognized in profit or loss when the material risks and rewards have been transferred to the buyer. Bonuses earned by customers on sales to customers with loyalty cards are expensed in pace with their earning and at the same time reduce net sales. Consolidated net sales pertain primarily to store sales. Approximately 0.2% of net sales consist of franchise fees from collaborating chain stores. Intra-Group sales are eliminated in the consolidated financial statements, as are intra-Group profits on goods that remain in inventory as per the end of the reporting period.

Franchise fees

Axfood has agreements with a number of independent grocers on cooperation under the Hemköp, Tempo and Handlar'n brands. The grocers pay an annual sales-based fee to Axfood for participation in marketing programmes, purchasing coordination and support in such areas as technical support, administration and store operations. Franchise revenues (store fees) are recognized in profit or loss as they are earned. During each financial year, preliminary franchise fees are invoiced on a continuing basis, and a definitive reconciliation is made during the following financial year.

Rental income

Axfood sublets store premises. Rents from this activity are reported in a linear manner over the term of the rental agreement. Similarly, rental costs are reported over the term of the rental agreement.

Commission income

Axfood acts as an agent for a number of companies and receives commission income for services performed, such as betting/lottery transactions and administration of products, such as bus and train tickets. Commission income received is reported among other operating income.

Government support

Government support is reported when the Company meets the conditions associated with grants and when it can be ascertained with certainty that the grants will be received. Paid-in grants are allocated systematically over time to profit in the same way and over the same periods as the costs that the grants are intended to compensate. Government support is recognized in profit or loss as a decrease in corresponding costs. Axfood receives government grants mainly in the form of labour market policy measures.

Insurance indemnification

Upon the theft or damage to any of the Group's assets, insurance indemnification may be received, normally less a set deductible. In cases of loss or damage to property, plant or equipment, claims for compensation from another party caused by such and the subsequent

purchase or restoration of a replacement asset are reported separately. The same applies for other costs that are not capitalized in the statement of financial position. Insurance indemnification is reported as other operating income, while deductibles are recognized in profit or loss as other administrative expense. Insurance indemnification that has been granted but not paid out as per the end of the reporting period is reported as a pending receivable.

EXPENSES

Operating expenses

By operating expenses is meant primarily cost of goods, payroll costs and rental costs.

Operating leases

Costs for operating leases are recognized in profit for the year on a linear basis over the period of the lease. Benefits received in connection with the signing of a contract are recognized in profit for the year as a reduction of leasing fees on a linear basis over the term of the lease. Variable fees are expensed in the periods in which they are incurred.

Finance leases

Minimum lease payments are allocated among interest expense and amortization of the outstanding liability. The interest expense is apportioned over the lease period so that every accounting period is charged with an amount that corresponds to a fixed interest rate for the liability during the respective periods.

FINANCIAL INCOME AND EXPENSES

Financial income consists of interest income from financial investments, dividend income and gains on sales of available-for-sale financial assets. Interest income from financial instruments is reported using the effective interest method. Dividend income is reported when the right to receive the dividend has been determined. Gains from sales of financial instruments are reported when the risks and rewards associated with ownership of the instrument in question are transferred to the buyer and the Group no longer has control over the instrument.

Financial expenses consist of interest expenses on loans, pension liabilities, trade accounts payable and other financial expenses. Borrowing costs are recognized in profit or loss using the effective interest method, except to the extent that they are directly attributable to the purchase, construction or production of a qualified asset, when they are included in the asset's cost. Other financial expenses include bank fees.

Foreign exchange gains and losses are reported net.

Effective interest is the interest that discounts the estimated future cash flows during a financial instrument's expected term to the financial asset's or liability's net carrying amount.

Receivables and liabilities in foreign currency

Business-related receivables and liabilities in foreign currency are recalculated to the exchange rate in effect at the end of the reporting period, and foreign exchange differences are recognized in operating profit. For reporting of forward exchange contracts used to hedge payments in foreign currency, see the heading Financial instruments.

TAXES

The Group's total taxes consist of current tax and deferred tax. Taxes are recognized in profit or loss for the year except for when the underlying transaction is recognized in other comprehensive income or reported against shareholders' equity, whereby the associated tax effect is recognized in other comprehensive income or shareholders' equity. Current tax is tax that is to be paid or received in the current year. This also includes adjustments of current tax pertaining to earlier periods. Deferred tax is calculated in accordance with the balance sheet method and is based on the temporary difference between the reported and taxable value of assets and liabilities. These amounts are calculated based on how the temporary differences are expected to be smoothed and using the tax rates and tax rules that have been decided on or notified as per the end of the reporting period.

Temporary differences are not taken into account in consolidated goodwill, nor in differences attributable to participations in subsidiaries or associated companies that are not expected to be taxed in the foreseeable future.

Deferred tax assets in deductible temporary differences and tax-loss carryforwards are reported only to the extent it is probable that they will entail lower tax payments in the future.

INTANGIBLE ASSETS

Goodwill

In connection with business combinations, goodwill is reported in the statement of financial position in cases where the consideration paid, any non-controlling interests and the fair value of previously owned interests (for business combinations achieved in stages) exceed the fair value of separately reported acquired assets and liabilities taken over. With respect to goodwill attributable to acquisitions that took place before 1 January 2004, the Group has not applied IFRS retrospectively, which means that the reported value of goodwill as per 1 January 2004 will continue to constitute the Group's cost after testing for impairment, see Note 17.

Goodwill is valued at cost less any accumulated impairment. Goodwill is broken down into cash-generating units and is not amortized, but is instead tested annually for impairment, see the heading Impairment.

Other intangible assets

Other intangible assets consist of development costs, trademarks, leaseholds and customer relationships.

Direct external and internal costs for software development for internal use are reported as an asset in the statement of financial position, under the condition that future efficiency improvement gains are probable and will exceed incurred costs. Costs for pre-studies, training and continuing maintenance are expensed as incurred. Development costs, customer relationships and leaseholds reported in the statement of financial position are carried at cost less accumulated depreciation and any impairment.

Trademarks are carried at cost less any impairment charges and are tested at least once a year for impairment, see the heading Impairment.

Borrowing costs that are attributable to the preparation of qualifying assets are capitalized as a part of the qualifying asset's cost. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. For Axfood, borrowing costs are capitalized with respect to retained development costs for software development.

Amortization of intangible assets

Amortization of intangible assets is based on the estimated useful life of the assets. Amortization is done on a straight-line basis over the estimated useful life of the assets. Eligible intangible assets are amortized from the date they are put in use. The following percentages have been applied:

IT projects	10–20
Leaseholds	Remaining lease period
Customer relationships	Length of customer relationship/ agreement
Other intangible assets	20–33

Goodwill and trademarks are not amortized, but are tested for impairment annually, or more frequently if factors indicate that the asset in question has decreased in value.

Useful life is reassessed every year.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are reported as an asset in the statement of financial position if it is likely that the Company will experience future economic benefit and the cost of the asset can be calculated in a reliable manner.

Property, plant and equipment are reported at cost after deducting scheduled depreciation and any impairment. Cost includes the purchase price plus direct costs associated with bringing the asset to place and in condition to be used in the operations.

Gains or losses that arise upon the sale or disposal of property, plant and equipment consist of the difference between the sales price and the reported value less direct costs associated with the sale. This profit/loss item is reported among Other operating income/expenses.

Leased assets

Leases are classified as finance or operating leases. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. An operating lease is a lease other than a finance lease. Finance leases are reported as a non-current asset in the Group's statement of financial position and are initially stated at the lower of the leased asset's fair value or the present value of the minimum lease payments upon inception of the contract. The corresponding obligation to pay future leasing fees is reported as a current or non-current liability. The leased assets are depreciated over the respective asset's useful life, while the lease payments are reported as interest and amortization of the liability. In the case of operational leasing, the lease payments are expensed over the term of the lease based on use.

Depreciation of property, plant and equipment

Depreciation of property, plant and equipment is based on the estimated useful life of the assets. Depreciation is done on a straight-line basis over the estimated useful life of the assets. The following percentages have been applied:

Equipment, tools, fixtures and fittings	10–33
Store equipment	15
Buildings	2.5–5
Land improvements	5
Improvement expenses for another party's property	Remaining lease period



Axfood applies component depreciation for some store equipment. Component depreciation entails that, where necessary, large machinery is broken down into sub-components with different useful lives and thus different depreciation schedules. In the event of disposals and exchanges, any residual value is recognized in profit or loss and is replaced by the new sub-component's cost.

The depreciation methods used and the useful life of assets are reassessed at the end of each year.

FINANCIAL INSTRUMENTS

Financial instruments reported in the statement of financial position include – on the assets side – interest-bearing receivables, other receivables, trade accounts receivable, and cash and cash equivalents. Trade accounts payable and loan liabilities are reported on the liabilities side. Currency derivatives are reported either as an asset or liability, depending on whether the fair value is positive or negative.

Reporting of financial assets and liabilities

A financial asset or liability is reported in the statement of financial position when the Company becomes party to the instrument's contractual terms and conditions. A receivable is recorded when the Company has delivered a product or service and a contractual obligation exists for the counterparty to pay, even when an invoice has not yet been sent. Trade accounts receivable are recorded in the statement of financial position when an invoice has been sent. A liability is recorded when the counterparty has delivered a product or service and a contractual obligation to pay exists, even if an invoice has not yet been received. Trade accounts payable are recorded when an invoice has been received.

A financial asset is derecognized from the statement of financial position when the rights to the agreement are realized, mature, or the Company loses control over it. The same applies for a part of a financial asset.

A financial liability is derecognized from the statement of financial position when the obligation in the agreement is fulfilled or becomes extinguished in some other way. The same applies for a part of a financial liability. Purchases and sales of derivative instruments are reported on the transaction date.

Classification and valuation

Financial instruments are initially stated at cost, corresponding to the instrument's fair value plus transaction costs, except for derivative instruments, for which transaction costs are expensed immediately. A financial instrument is classified on the initial reporting occasion based on – among other things – the purpose for which the instrument was acquired. All financial assets and liabilities are classified in the following categories:

- Financial assets and liabilities carried at fair value through profit or loss. Axfood has no financial instruments classified in this category.
- Held-to-maturity investments. Axfood has no financial instruments classified in this category.

- Loan receivables and trade accounts receivable. Axfood's trade accounts receivable, other receivables, and cash and cash equivalents are included in this category.
- Available-for-sale financial assets. This category consists of financial assets that are not classified in any other category, such as shares and participations in both listed and unlisted companies. Axfood's ownership of tenant-owner rights is included in this category.
- Financial liabilities carried at amortized cost. Axfood's trade accounts payable and borrowings are included in this category.

Loan receivables and trade accounts receivable

Loan receivables and trade accounts receivable are financial assets that are not derivatives, which have set payments or payments that can be set and are not quoted in an active market. Such assets are carried at amortized cost. On each reporting occasion, Axfood evaluates if there are objective indications that a loan receivable is in need of impairment. Loan receivables are assessed individually. Impairment of loan receivables is recognized among other operating expenses.

Trade accounts receivable are reported in the amount at which they are expected to be received, less a deduction for doubtful debts, which are assessed individually. A provision for decreases in the value of trade accounts receivable is made when there is objective proof that the Group will not receive all amounts that are due according to the original terms of the receivable. If, in connection with the quarterly review of undertakings, it is ascertained that a customer, due to insolvency, has not been able to pay a debt or is judged on good grounds to not be able to meet its liabilities within three months, a provision shall be made for the entire confirmed or possible loss. A provision for probable doubtful debts is made based on an individual assessment of each customer based on the customer's ability to pay, anticipated future risk and the value of collateral received. The anticipated duration of the trade account receivable is short, which is why the value is reported at nominal amount without discounting. When a trade account receivable cannot be recovered, it is written off against a depreciation account for trade accounts receivable. Write-downs of trade accounts receivable are reported as a selling expense. Recoveries of amounts that have been previously written off reduce selling expenses in profit or loss.

Cash and cash equivalents

Cash and cash equivalents held by the Parent Company and Group include the Group's balances in Group accounts and other bank accounts, including currency accounts and pending payments. Cash and cash equivalents are carried at amortized cost.

This means that the Group's holdings of cash and cash equivalents are exposed only to a negligible risk for value fluctuations.

Available-for-sale financial assets

The category "available-for-sale financial assets" includes financial assets that cannot be classified in any other category. Holdings of tenant-owner rights are reported here. Assets in this category are reported

on a continuing basis at fair value with changes in value reported in other comprehensive income and the accumulated changes in value as a special component of shareholders' equity, however, not such changes in value that are due to impairment, interest on receivable instruments, dividend income and exchange rate differences on monetary items recognized in profit or loss. Upon the sale of the asset, the accumulated profit/loss that was previously recognized in other comprehensive income is reported in profit or loss for the year. On each reporting occasion Axfood evaluates whether there is objective proof that a financial asset is in need of impairment. Assets are assessed individually. Objective proof consists of observable conditions that have occurred and which have a negative impact on the opportunity to recover the cost, as well as of material or prolonged decreases in the fair value of a financial investment that is classified as an available-for-sale financial asset. A need to recognize permanent impairment arises when the decrease in value exceeds 20% and when a decrease in value lasts at least nine months. Impairment of the asset is reported among other operating expenses.

Financial liabilities carried at amortized cost

Trade accounts payable and loan liabilities are classified in the category "other financial liabilities". Trade accounts payable have a short anticipated duration and are valued without discounting to their nominal amount. Loan liabilities are classified as other financial liabilities, which entails that they are stated at amortized cost in accordance with the effective interest method.

Derivatives and hedge accounting

Derivative instruments consist of forward exchange contracts that are used to cover risks for fluctuations in exchange rates and are reported in accordance with the rules for cash flow hedging.

Axfood's transaction exposure in foreign currency arises in connection with the import of goods paid for in foreign currency. All of these exposures are hedged to 100% through forward exchange contracts. Axfood applies hedge accounting of contracted purchases. For all orders, hedges are taken out directly after the order is placed with the supplier. This is documented by entering the exchange rate for each order in Axfood's import system, and for each hedge, there is underlying documentation. This documentation ensures that the Group has effectively hedged the item and that it has the option to measure and conduct follow-ups.

Forward exchange contracts are stated at fair value in the statement of financial position. Since all forward exchange contracts are used for hedging purposes, changes in the fair value of forward exchange contracts are reported, via other comprehensive income, in the hedging reserve in shareholders' equity until the hedged flow is reported as inventory in the statement of financial position, under the condition that the hedge is effective. When delivering goods that have been hedged for currency risk through a cash flow hedge, a transfer is made of the accumulated change in value of hedge instruments from the hedge reserve to the delivered goods. The goods are thus valued at the hedged price. Both hedged inventory items and therewith attributable changes in

value of hedge instruments are reported as cost of goods sold when the goods are sold or are used in some other way. The currency exposure that arises from delivery of a cash flow-hedged inventory to the date for settlement of the forward contracts is recognized continuously in profit or loss as other operating income or other operating expense. Changes in value of trade accounts payable are offset by changes in the value of forward exchange contracts in profit or loss.

INVENTORIES

Inventories are stated at the lower of cost or net sales value.

Cost consists of the purchase price less supplier discounts attributable to articles in stock. In addition to the purchase price, the cost also includes other costs for bringing the products to their current location and condition. Cost is calculated through application of the first-in first-out (FIFO) principle. Net sales value consists of the anticipated sales price in the continuing operations less selling costs.

Inventory includes only marketable products.

IMPAIRMENT

The carrying amount of the Group's assets, excluding inventories and deferred tax assets, is tested at the end of each reporting period to determine any need to recognize impairment. The carrying amount is also tested when an indication of a decrease in value has been identified. IAS 36 Impairment of Assets is used to determine any need to recognize impairment. The need to recognize impairment of financial assets is tested using IAS 39 Financial Instruments: Recognition and Measurement (see the section Financial instruments). An impairment loss is to be recognized for an asset if its carrying amount exceeds its recoverable amount, where the recoverable amount is defined as the higher of the asset's net sales value and its value in use. In calculating value in use, future cash flows that the asset is expected to generate are discounted using an interest rate that corresponds to Axfood's weighted cost of capital. A separate asset is attributed to the smallest cash-generating unit in which independent cash flows can be determined. Impairment is recognized in profit or loss. Impairment of assets pertaining to a cash-generating unit is applied primarily to goodwill. Thereafter, a proportional write-down is made of other assets included in the unit.

The carrying amount of inventories and deferred tax assets is tested in accordance with the respective standards.

For further information on cash-generating units and the carrying amount of goodwill and other intangible assets, see Note 17.

PROVISIONS

Provisions differ from other liabilities in that there is uncertainty surrounding the date of payment or the amount needed to settle the obligation. Provisions are reported in the statement of financial position when Axfood has a legal or constructive obligation as a result of a past event and when it is probable that an outflow of resources will be required to settle the obligation and that it is possible to make a reliable estimation of the amount. The provision is reported in an amount that corresponds to the best estimate of the payment required to set-



tle the obligation. When the outflow of resources is expected to take place a long time in the future, the anticipated future cash flow is discounted, and the provision is reported at present value. The discount rate corresponds to the market rate of interest before tax and the risks associated with the liability. Provisions are reported in the statement of financial position under other current and non-current liabilities.

EMPLOYEE BENEFITS

Short-term compensation

Short-term compensation paid to employees is calculated without discounting and is reported as an expense when the related services were received. A provision for estimated bonus payments is reported when the Group has a legal or constructive obligation to make such payments due to the fact that the services in question have been received from the employees and the provision amount can be estimated in a reliable manner.

Post-employment compensation

Axfood has both defined contribution and defined benefit pension plans. Defined contribution pension plans are classified as plans in which Axfood's obligation is limited to the contributions that the Company has undertaken to pay. The service cost of defined contribution plans is charged against profit in pace with employees' performance of their services. Obligations are calculated without discounting, since payment for all of these plans falls due within 12 months.

The service cost for defined benefit pension plans is calculated using the Projected Unit Credit (PUC) method, which in short sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation at the end of the reporting period. The obligation is discounted to present value at the end of the reporting period, from which the fair value of any plan assets is deducted. Further, the calculations are affected by actuarial assumptions, such as longevity, future rates of employee retirement and future salary levels. Actuarial gains and losses arise either when an assumption changes or when the actual outcome deviates from underlying assumptions. The net value of actuarial gains and losses affects earnings to the extent these fall outside a corridor of 10%. The limit of the corridor consists of 10% of the larger of the present value of the defined benefit obligation and the fair value of the plan assets. The net amount of the actuarial gains and losses that exceeds the corridor limit is apportioned over the employees' average remaining service period, beginning with the year after the current financial year. Calculations of defined benefit pension plans are performed by an independent external actuary.

When there is a difference between how the service cost is established for legal entities and groups, a provision or receivable is reported with respect to the special employer's payroll tax based on this difference. The provision or receivable is not discounted.

Alecta

Retirement pension and family pension obligations for employees in Sweden are funded partly through insurance with Alecta. According to pronouncement UFR 3 issued by the Swedish Financial Reporting Board (RFR), this is classified as a multi-employer defined benefit plan. For the 2012 financial year Axfood did not have access to such information that makes it possible to report this plan as a defined benefit plan. The ITP pension plan that is funded through insurance with Alecta is therefore reported as a defined contribution plan. See also Note 27.

Termination pay

A provision is reported in connection with termination of employees only if the Company is demonstrably obligated to end an employee's employment before the normal time or when compensation is paid as an offer to encourage voluntary departure. In cases where the Company gives notice to employees, a detailed plan is drawn up which includes, as a minimum, information on the workplace, positions and approximate number of employees as well as compensation for each employee category or position and the time of the plan's implementation. When compensation is paid as part of an offer to encourage voluntary departures, an expense and provision are booked if it is probable that the offer will be accepted and the number of employees who will accept the offer can be reliably estimated.

CONTINGENT LIABILITIES/FINANCIAL GUARANTEES

A contingent liability is reported when there is a possible obligation that stems from an event that has occurred and whose occurrence is confirmed only by one or more uncertain future events or when there is an obligation that is not reported as a liability or provision because it is not likely that an outflow of resources will be required.

The Group's financial guarantees consist mainly of guarantee commitments primarily to proprietor-run franchise stores. Financial guarantees are reported initially at fair value, i.e., normally the amount that the issuer has received as compensation for the issued guarantee. In the subsequent valuation, the liability is dissolved and recognized in profit or loss as earned, inasmuch as it is not likely that the issuer is forced to release its payment responsibility under the guarantee. In such case, this amount is reported as a provision. Axfood charges stores fees for guarantees that have been issued on a regular basis, which is why the guarantees have not been expensed until an outflow of resources is likely. The fees charged are in line with the going rate in the market.

PARENT COMPANY ACCOUNTING POLICIES

The Parent Company complies with the Swedish Annual Accounts Act and Swedish Financial Reporting Board recommendation RFR 2 (September 2012) Reporting for Legal Entities. Application of RFR 2 entails that the Parent Company, in the annual report for the legal entity, shall

comply with all EU-endorsed IFRSs and pronouncements as far as possible within the framework of the Annual Accounts Act, the Pension Obligations Vesting Act (*Tryggandelagen*), and taking into account the connection between reporting and taxation. The recommendation indicates which exceptions from and amendments to IFRS are to be made. The differences between the Parent Company's and Group's accounting policies are described below.

Changed accounting policies 2012

Unless indicated otherwise, the Parent Company's accounting policies in 2012 have been changed in accordance with what applies for the Group.

Classification and presentation format

For the Parent Company, an income statement and a comprehensive statement of income are presented, whereas for the Group, both of these financial statements form a comprehensive statement of income. In addition, for the Parent Company, the titles balance sheet and cash flow statement are used for the financial statements which in the Group are titled statement of financial position and statement of cash flows, respectively.

The Parent Company's income statement and balance sheet are presented in accordance with the format prescribed in the Annual Accounts Act, while the statement of comprehensive income, statement of changes in equity and cash flow statement are based on IAS 1 Presentation of Financial Statements and IAS 7 Statement of Cash Flows. The differences in the Parent Company's income statement and balance sheet compared with the Group's financial statements consist mainly of the reporting of equity and the presentation of provisions as a separate heading in the balance sheet.

Subsidiaries and associated companies

Participations in subsidiaries and associated companies are reported in the Parent Company in accordance with the purchase method. Contingent consideration is measured according to the probability that the payment will be made. Any changes in the provision/receivable is added to/reduces the reported cost. In the consolidated financial statements, contingent consideration is measured at fair value with changes in value recognized in profit or loss for the year.

Employee benefits/defined benefit pension plans

For calculations of defined benefit pension plans, the Parent Company adheres to the provisions of the Pension Obligations Vesting Act (*Tryggandelagen*) and the Financial Supervisory Authority's directions, since this is a prerequisite for the right to deduct taxes. The most significant differences compared with the rules in IAS 19 concern how the discount rate is determined, that calculation of the defined benefit obligation is done based on current salary levels without assumptions on future salary increases, and that all actuarial gains and losses are recognized in profit or loss as they are incurred.

Financial guarantees

The Parent Company applies the relief rule in RFR 2, which entails that legal entities are not required to apply the rule in IAS 39 pertaining to the reporting of guarantee agreements for the benefit of subsidiaries and associated companies. In these cases, the rules of IAS 37, points 14 and 36, are applied, which entail that financial guarantee agreements are to be reported as a provision in the balance sheet when Axfood has a legal or constructive obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation. In addition, it must be possible to make a reliable estimate of the amount of the obligation.

Leased assets

In the Parent Company, all leases are reported in accordance with the rules for operating leases.

Taxes

In the Parent Company, untaxed reserves are reported inclusive of deferred tax liabilities. In the consolidated financial statements, however, untaxed reserves are broken down into deferred tax liability and shareholders' equity.

Group contributions and shareholder contributions

The Parent Company reports Group contributions received in accordance with the same principle as for customary dividends, i.e., as financial income. Group contributions rendered are applied directly to shareholders' equity by the receiver and are capitalized in the shares and participations by the giver, to the extent that there is no need to recognize impairment.

Mergers

Mergers are reported in accordance with Swedish Accounting Standards Board general recommendation BFAR 1999:1 Mergers of Wholly Owned Stock Companies. The so-called consolidated value method has been applied, which means that the assets and liabilities of the merged subsidiaries have been reported in the respective companies' parent companies at the values these had in the consolidated accounts. During the year, two mergers took place within the Group; the mergers did not take place with Axfood AB.

Changed accounting policies 2013 and later

See the changed accounting policies for the Group above.



NOTE 2. OPERATING SEGMENTS

Axfood's operating segments have been determined based on the information considered by the Executive Committee and which is used to evaluate the result of operations and allocate resources to the segments. The Group's operations are organized in the manner in which the Executive Committee follows up sales and operating profit per business area. Since the Executive Committee follows up the result of operations and decides on resource allocation based on these business areas, these make up the Group's operating segments.

External sales pertain exclusively to sales of products, and all sales take place in Sweden. In 2012, impairment losses of SEK 55 m (1) were recognized for non-current assets, while reversals of impairment losses amounted to SEK – m (1). No significant items not affecting cash flow other than depreciation and impairment of non-current assets were booked in 2012 and 2011.

Axfood's operating segments have been identified as follows:

Willys. Sales of food retail products at discount prices.

Hemköp. Sales of food retail products with a broad product offering and high level of service.

PrisXtra. Sales of food retail products in a segment between Willys and Hemköp.

Dagab. Wholesaling business, with approximately 80% of sales to Group-owned stores.

Axfood Närlivs. Wholesaling and cash and carry business; sales primarily to retailers, convenience store operators, and restaurants and foodservice operators.

Other. Pertains to Group-wide support functions such as purchasing coordination, IT and corporate offices.

No individual customer accounts for more than 10% of consolidated sales, and thus no major customer is considered to exist.

Per operating segment	Willys		Hemköp		PrisXtra		Axfood Närlivs ²⁾		Dagab ²⁾		Other ³⁾		Eliminations		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Result of operations																
External net sales	19,407	18,904	5,082	4,787	502	549	6,328	5,505	4,799	4,859	188	191			36,306	34,795
Internal net sales							8	11	19,835	19,436	4,333	3,965	-24,176	-23,412	–	–
Net sales	19,407	18,904	5,082	4,787	502	549	6,336	5,516	24,634	24,295	4,521	4,156	-24,176	-23,412	36,306	34,795
Depreciation/amortization	-235	-213	-87	-87	-8	-11	-53	-45	-53	-51	-201	-181			-637	-588
Share of profit in associated companies				0			0	0							0	0
Operating profit	796	775	133	94	16	15	113	110	163	192	-29	64			1,192	1,250
Financial items, net															-38	-36
Consolidated profit before tax															1,154	1,214
Other disclosures																
Investments in non-current assets ¹⁾	271	338	114	85	2	3	36	56	49	55	286	345			758	789

¹⁾ Tangible and intangible non-current assets.

²⁾ The operations of Dagab, Axfood Närlivs and Axfood Sverige were legally combined as per 1 January 2012. Comparative figures have been adjusted to reflect the new legal structure.

³⁾ For 2012, "Other" includes an impairment charge of SEK 55 m for the PrisXtra brand.

NOTE 3. ACQUIRED OPERATIONS

In 2012 ten stores and two in-store service counters were acquired. One store was converted to Willys Hemma and nine were converted to Hemköp. In addition, Axfood acquired 50% of the operations of Hall Miba AB, in which Axfood has control through shareholder agreements and board dominance.

Combined consideration for acquisitions in 2012 was SEK 165 m. Acquisition-related expenses attributable to acquisitions for the year totalled SEK 0 m. Acquired assets and liabilities are carried in Axfood's statement of financial position at fair value.

The following assets and liabilities were acquired in 2012:

	Fair value reported in Group
Intangible assets	21
Property, plant and equipment	8
Financial assets	3
Current assets	29
Other current liabilities	-42
Total identified net assets	19
Goodwill	146
Consideration paid	165
Cash and cash equivalents in acquired companies	-7
Consideration not yet paid out	-28
Impact of acquisitions of companies on cash and cash equivalents since the start of the year	130

Identified goodwill is entirely attributable to the synergies that will become available in connection with acquisitions. Additional adjustments of carrying amounts to fair value in accordance with IFRS have not been necessary. Acquired goodwill amounted to SEK 146 m in 2012. Axfood's share of ownership in stores and in-store service counters amounts to 100% after the acquisitions, except for the Hemköp store in Anderstorp, where Axfood's share of ownership is 91%.

In the months following the acquisitions of operations, the acquired operations contributed SEK –5 m to consolidated profit after tax. The operations have combined annual sales of approximately SEK 900 m. If the acquisitions had been made as per 1 January 2012, the Group's income would have been approximately SEK 142 m higher, i.e., a total of approximately SEK 36,448 m. The profit/loss effect from 1 January 2012 until the date of acquisition is difficult to estimate since the stores were initially charged with one-time costs.

Acquisitions of non-controlling interests

In January 2012 Axfood acquired 50% of Hall Miba AB for SEK 57.6 m, of which SEK 27.6 m consists of contingent consideration. The acquisition was paid in cash. The Group reports, within shareholders' equity, an increase in non-controlling interests of SEK 28 m and a decrease in retained profits of SEK 28 m.

Note 3 continued from preceding page

Effects of ownership changes on Axfood's holding in Hall Miba AB:

Axfood's holding at start of year	–
Effect of increased holding	30
Share of profit for the year	0
Axfood's holding at year-end	30

Events after the balance sheet date

No acquisitions have been made after the balance sheet date.

For information on the year's change in consolidated goodwill in general, see Note 17.

Acquisitions in preceding year

In the preceding year, seven stores and six in-store service counters were acquired. Three stores were converted to Willys Hemma, two were converted to Willys, and two were converted to Hemköp.

The combined consideration for acquisitions in 2011 was SEK 71 m. Payment was made in cash, and SEK 2 m of the consideration remains to be paid. Acquisition-related expenses attributable to the acquisitions amounted to SEK 0 m. Acquired assets and liabilities are carried in Axfood's statement of financial position at fair value.

The following assets and liabilities were acquired in 2011

	Fair value reported in Group
Property, plant and equipment	21
Current assets	9
Other current liabilities	–5
Total identified net assets	25
Goodwill	46
Consideration	71
Settlement of consideration for previous years' acquisitions	–2
Impact of acquisitions of companies on cash and cash equivalents since the start of the year	69

Identified goodwill is entirely attributable to the synergies that became available in connection with acquisitions. Additional adjustments of carrying amounts to fair value in accordance with IFRS were not necessary. Acquired goodwill amounted to SEK 46 m in 2011. Axfood's share of ownership in stores and in-store service counters amounts to 100% after the acquisitions.

In the months following the acquisitions of operations, the acquired operations contributed SEK –21 m to consolidated profit after tax. The operations have combined annual sales of approximately SEK 407 m. If the acquisitions had been made as per 1 January 2011, the Group's income in 2011 would have been approximately SEK 258 m higher, i.e., a total of approximately SEK 35,053 m. The profit/loss effect from 1 January 2011 until the date of acquisition is difficult to estimate since the stores were initially charged with one-time costs.

In December 2011, Axfood acquired an additional 10% of Falkenberg Seafood AB for SEK 1.1 m. Payment was made in cash and increased Axfood's ownership from 90% to 100%. The carrying amount of Falkenberg Seafood in the consolidated accounts at the time of acquisition was SEK 2.6 m. The Group reports a decrease in non-controlling interests of SEK 0 m and a decrease in retained profits of SEK 0 m.

Parent Company

During the year, the Parent Company increased the value of its participations in Group companies by SEK 121 m (12). The increase is attributable to intra-Group transactions.

NOTE 4. DISCONTINUED OPERATIONS

Sold operations

The e-commerce business in Netxtra was sold during the year to MatHem i Sverige AB. Also during the year, five store operations were sold; all of these were sales of operating assets and liabilities. One operation was sold during the preceding year, which was also a sale of operating assets and liabilities. The sales during the year were not of such size that they needed to be reported separately as discontinued operations in the statement of comprehensive income and statement of financial position.

Impact on cash flow of closed/sold operations

Cash flow from sales of operations during the year is shown in the following table:

	Group	
	2012	2011
Cash flow from sales of operating assets and liabilities	17	1
Total cash flow from sales of operations	17	1

	Parent Company	
	2012	2011
Cash flow from sales of operating assets and liabilities	0	28
Total cash flow from sales of operations	0	28

All consideration for the sales during the year has been settled. The sale made by the Parent Company in 2011 pertained to intra-Group restructuring.

NOTE 5. BREAKDOWN OF INCOME

Group	2012	2011
Net sales:		
Sales of products	36,040	34,551
Other sales	266	244
Total net sales	36,306	34,795
Other operating income	304	253
Total	36,610	35,048

NOTE 6. BREAKDOWN OF EXPENSES

Group	2012	2011
Cost of goods for resale	26,598	25,727
Payroll costs	4,154	3,899
Depreciation/amortization	637	588
Other	4,029	3,584
Total	35,418	33,798

NOTE 7. INFORMATION ON INTRA-GROUP INCOME AND EXPENSES

The Parent Company's income from Group companies amounted to SEK 183 m (175). The Parent Company's expenses from Group companies amounted to SEK 96 m (77). The Parent Company's sales to Group companies consisted mainly of compensation to cover shared costs for rents, central administration and shared systems. The Parent Company's compensation to Group companies consists mainly of compensation for system support.



NOTE 8. INFORMATION ON EMPLOYEES; COMPENSATION OF DIRECTORS, THE CEO AND OTHER SENIOR EXECUTIVES

Average number of employees¹⁾

	2012		2011	
		Of whom, men		Of whom, men
Parent Company				
Average number of employees	98	26	101	27
Subsidiaries				
Average number of employees	7,156	3,315	6,961	3,241
Total, Group	7,254	3,341	7,062	3,268

¹⁾ In calculating the number of hours worked per year, 1,920 hours has been used (1,920).

Wages, salaries and other remuneration, and social security charges

	2012			2011		
	Wages, salaries and other remuneration	Social security charges	Of which, pension costs	Wages, salaries and other remuneration	Social security charges	Of which, pension costs
Parent Company	67	34	13	62	31	12
Subsidiaries	2,832	964	227	2,660	948	194
Total, Group	2,899	998	240	2,722	979	206

Gender breakdown, Group, number

	Board of Directors		Other senior executives	
	2012	2011	2012	2011
	Men	29	29	48
Women	12	13	15	13
Total	41	42	63	66

Gender breakdown, Parent Company, number

	Board of Directors		Other senior executives	
	2012	2011	2012	2011
	Men	3	3	8
Women	4	4	3	3
Total	7	7	11	11

Wages, salaries and other remuneration, broken down by senior executives and other employees

	2012		2011	
	Boards, presidents and other senior executives	Other employees	Boards, presidents and other senior executives	Other employees
Parent Company ¹⁾	38	47	33	47
Subsidiaries	58	2,756	55	2,587
Total, Group	96	2,803	88	2,634

¹⁾ Of the Parent Company's salaries and other remuneration to senior executives, SEK 19 m (19) pertains to compensation from other Group companies.

Fees and other benefits paid to the Board of Directors, KSEK

	2012		2011	
	Directors' fees	Other compensation	Directors' fees	Other compensation
Parent Company				
Chairman of the Board ¹⁾	525	-	525	-
Vice Chairman of the Board ²⁾	375	-	375	-
Other board members				
Antonia Ax:son Johnson	300	-	300	-
Peggy Bruzelius	300	-	300	-
Maria Curman	300	-	300	-
Odd Reitan	300	-	300	-
Annika Åhnberg	300	-	300	-
Michael Sjören ³⁾	-	-	-	-
Ulla-May Iwahr Rydén ³⁾	-	-	-	-
Lars Östberg ³⁾	-	-	-	-
Inger Sjöstrand ³⁾	-	-	-	-
Total	2,400	-	2,400	-

¹⁾ Fredrik Persson is Chairman of the Board.

²⁾ Marcus Storch is Vice Chairman of the Board.

³⁾ Employee representatives. Lars Östberg was an employee representative through 30 June 2012, and Inger Sjöstrand for the time thereafter.

Salaries and other benefits paid to other senior executives, KSEK

	2012					Total
	Base salary	Variable compensation	Other benefits	Pension cost	Other compensation	
CEO ¹⁾	5,500	3,259	345	2,348	-	11,452
Other senior executives, Parent Company ^{2, 3)}	19,738	6,832	1,060	7,477	54	35,161
Total	25,238	10,091	1,405	9,825	54	46,613
Other senior executives, subsidiaries	51,026	6,215	1,987	16,052	301	75,581
TOTAL, GROUP	76,264	16,306	3,392	25,877	355	122,194
	2011					
CEO ¹⁾	5,284	1,163	304	2,196	-	8,947
Other senior executives, Parent Company ^{2, 3)}	20,503	4,231	839	7,598	81	33,252
Total	25,787	5,394	1,143	9,794	81	42,199
Other senior executives, subsidiaries	49,478	4,794	1,892	15,131	623	71,918
TOTAL, GROUP	75,265	10,188	3,035	24,925	704	114,117

¹⁾ Anders Strålmán is CEO of the Parent Company.

²⁾ The Axfood Group's Executive Committee in 2012 (excluding the CEO) consisted of Karin Hygrel-Jonsson, Hans Holmstedt, Anders Quist, Louise Ring, Jan Lindmark, Anders Agerberg, Nicholas Pettersson, Thomas Evertsson, Anne Rhenman Eklund and Thomas Gäreskog.

³⁾ Of base salary, variable compensation and other remuneration paid out by the Parent Company, KSEK 18,659 (18,789) pertains to remuneration that the senior executives received from other Group companies. Of the Parent Company's other benefits, KSEK 749 (561) pertains to remuneration from other Group companies.

⁴⁾ The Axfood Group's Executive Committee in 2011 (excluding the CEO) consisted of Karin Hygrel-Jonsson, Anders Quist, Louise Ring, Jan Lindmark, Anders Agerberg, Thomas Evertsson, Nicholas Pettersson, Ola Andersson, Anne Rhenman Eklund and Hans Holmstedt.

COMMENTS, NOTE 8

Board of Directors

A fee is payable to the Chairman of the Board and the directors in accordance with a decision made by the Annual General Meeting. No separate fee is paid for committee work. Employee representatives do not receive any directors' fees. According to a decision by the 2012 Annual General Meeting, the annual fee payable to directors was set at KSEK 2,400 (2,400), of which KSEK 525 (525) is payable to the Chairman. Seventy-five per cent of the fee was paid out in 2012, with the remainder being paid out after year-end. Expensed compensation paid to the board members is shown in the table.

CEO

Axfood's CEO, Anders Strålmán, received SEK 8.8 m (6.4) in contractual salary and other benefits in 2012, including SEK 3.3 m (1.2) in variable compensation. The CEO's variable compensation is based on the performance and development of the business. His variable compensation can amount to a maximum of 70% of his yearly salary. Fifty per cent of the set variable compensation is paid out after the Annual General Meeting in the year following the year in which it was earned. The remaining 50% will be paid out after the 2014 Annual General Meeting, provided he is still employed.

In addition, the CEO has a taxable housing and travel benefit, a car benefit and private healthcare insurance. The CEO is entitled to retirement pension from 65 years of age, and a right to pension provisions corresponding to 35% of his yearly cash salary. The provision as per 31 December 2012 amounted to SEK 10.3 m (8.6). In the event Axfood serves notice, the CEO is entitled to a 12-month notice period plus severance pay corresponding to 12 months' salary, on account. In the event the CEO gives notice, the notice period is six months.

Other senior executives

Salary and other benefits paid to other senior executives of the Parent Company amounted to SEK 26.6 m (24.7), including SEK 6.8 m (4.2) in variable compensation. By other senior executives is meant the ten persons who together with the CEO form the Axfood Group's Executive Committee. See pages 56–57 for the composition of the Executive Committee. Variable compensation is mostly based on the Group's earnings and sales performance, and partly on personal targets. Variable compensation can amount to a maximum of 55% of the executives' yearly salary. Other senior executives have customary terms of employment and are entitled to salary during the notice period plus severance pay corresponding to 12 months' salary, on account. The notice period is between six and 12 months if the Company serves notice, and six months if the employee gives notice. The retirement age has been set at 65 years. The ITP plan serves as the main cost framework, with the addition of a defined contribution pension amounting to 25% of salary amounts between 30–50 times the Price Base Amount. The Board's compensation committee makes decisions on salary and other terms of employment for members of the Executive Committee (except for the CEO, for whom the Board in its entirety sets the level of compensation and other terms of employment), according to the principles decided on by the Annual General Meeting.

NOTE 9. AUDITORS' FEES

	Group		Parent Company	
	2012	2011	2012	2011
KPMG				
Auditing fees	4	5	1	1
Auditing activities in addition to the audit assignment	0	1	0	0
Tax consulting	1	0	0	0
Other services	0	0	0	0
Total	5	6	1	1

NOTE 10. DEPRECIATION AND AMORTIZATION

Group	Other intangible assets		Land and buildings		Equipment, tools, fixtures and fittings		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
Cost of goods sold	143	126	1	1	402	374	546	501
Selling expenses	0	0	–	–	38	35	38	35
Administrative expenses	1	0	–	–	52	52	53	52
Total depreciation/amortization	144	126	1	1	492	461	637	588

The Parent Company's depreciation of SEK 1 m (2) pertains to equipment, tools, fixtures and fittings and is reported under administrative expenses.

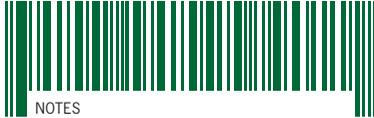
The impairment loss of SEK 55 m in 2012 is included in other operating expenses.

NOTE 11. OPERATING LEASES

	Group		Parent Company	
	2012	2011	2012	2011
Minimum lease payments during the financial year	1,224	1,198	31	30
Variable charges	10	11	–	–
Total leasing costs during the financial year¹⁾	1,234	1,209	31	30
Leasing income pertaining to sublet premises	108	102	21	22
Contracted future minimum lease payments				
Within one year	1,175	1,103	25	25
Between one and five years	2,436	2,519	102	24
Longer than five years	1,037	796	147	25
Total future lease payments	4,648	4,418	274	74

¹⁾ Of which, rents for premises SEK 1,180 m (1,162) for the Group and SEK 30 m (29) for the Parent Company.

Axfood rents warehouse and store premises. Premises are rented from outside parties, while premises are sublet mainly to Group companies and to franchisees. The terms of rental agreements are in line with the going rate in the market with respect to price as well as duration. The variable charge consists of an arrangement whereby certain rental agreements have minimum rents plus a sales-based portion.



NOTE 12. RELATED PARTY TRANSACTIONS

The Axfood Group's transactions with related parties, aside from those covered by the consolidated accounting, consist of transactions with associated companies and with subsidiaries of the Axel Johnson Group. All prices are set at arm's length. During the year, no purchases were made from associated companies. In the preceding year, purchases from associated companies totalled SEK 3 m. Nor were any sales made to associated companies during the year. In the preceding year, sales to associated companies totalled SEK 1 m. Axfood AB is 50.1%-owned by Axel Johnson AB.

Martin & Servera AB, a subsidiary of Axel Johnson AB, delivers foodservice supplies to Axfood companies. Purchases in 2012 from Martin & Servera amounted to SEK 42 m (26). Axfood's sales to Martin & Servera in 2012 amounted to SEK 16 m (14). As per 31 December 2012, the Axfood Group's current liabilities to Martin & Servera amounted to SEK 1 m (1), and current receivables totalled SEK 1 m (1). All prices are set at arm's length.

AxFast AB, a company in the Axel Johnson Group, leases property to companies in the Axfood Group. During the year Axfood's profit was charged with SEK 41 m (45) in rents to AxFast AB. All rents have been set at arm's length. As per 31 December 2012, the Axfood Group's current liabilities to AxFast AB amounted to SEK 13 m (14).

Axstores AB, a subsidiary of Axel Johnson AB, runs department stores and boutiques. The Axfood Group leases premises from Axstores, among others. During the year, Axfood's profit was charged with SEK 30 m (8) for in rents for premises. As per 31 December 2012, the Axfood Group's current liabilities to Axstores amounted to SEK 9 m (8).

Axfood's associated companies owned no shares in Axfood AB as per 31 December 2012.

NOTE 13. NET FINANCIAL ITEMS

	Group		Parent Company	
	2012	2011	2012	2011
Interest income from bank deposits	0	0	0	0
Interest income from non-impaired loan receivables and trade accounts receivable ¹⁾	7	6	19	16
Interest income from impaired loan receivables and trade accounts receivable	0	0	0	0
Exchange rate movements	0	0	0	0
Other financial income	0	0	0	-
Group contributions received	-	-	1,291	1,212
Total financial income	7	6	1,310	1,228
Interest expenses on financial liabilities carried at amortized cost				
Borrowings (bank loans and bank lines of credit) ²⁾	-18	-16	-18	-16
Trade accounts receivable and other current liabilities	-4	-5	0	0
Pension liability	-18	-17	0	-1
Other financial expenses	-5	-4	-4	-4
Group contribution rendered	-	-	-30	-30
Total financial expenses	-45	-42	-52	-51
Net financial items	-38	-36	1,258	1,177

¹⁾ Interest income in the Parent Company from Group companies amounted to SEK 19 m (16).

²⁾ Interest expense in the Parent Company to Group companies amounted to - (-).

All interest income pertains to financial items that are not stated at fair value through profit or loss.

NOTE 14. APPROPRIATIONS AND UNTAXED RESERVES

	Parent Company	
	2012	2011
Appropriations		
Change in tax allocation reserve	-289	-274
Change in accumulated excess depreciation	1	0
Total	-288	-274
Untaxed reserves		
Tax allocation reserve	563	274
Accumulated excess depreciation	0	1
Total	563	275

NOTE 15. TAXES

	Group		Parent Company	
	2012	2011	2012	2011
Current tax				
Current tax on profit for the year	-243	-223	-229	-217
Adjustment of current tax from previous years	0	0	0	1
	-243	-223	-229	-216
Deferred tax				
Deferred tax pertaining to temporary differences	-66	-100	-1	-1
Adjustment of deferred tax pertaining to previous years	0	0	-	-
Recalculation of deferred tax ¹⁾	50	-	-2	-
	-16	-100	-3	-1
Total reported tax charge	-259	-323	-232	-217

Group – reconciliation of applicable tax rate and effective tax rate

	2012	%	2011	%
Reported profit before tax	1,154		1,214	
Tax based on applicable tax rate for Parent Company	-303	-26.3	-319	-26.3
Tax effect of:				
Other non-deductible expenses	-6	-0.5	-5	-0.4
Other tax-exempt revenues	2	0.2	1	0.1
Adjustments of current tax pertaining to previous years	-2	-0.2	0	0.0
Adjustments of deferred tax pertaining to previous years	0	0.0	0	0.0
Recalculation of deferred tax ¹⁾	50	4.4	-	-
Reported tax charge/effective tax rate	-259	-22.4	-323	-26.6
Current and deferred tax items reported directly against shareholders' equity via other comprehensive income	0		-1	

Parent Company – reconciliation of current tax rate and effective tax rate

	2012	%	2011	%
Reported profit before tax	870		829	
Tax based on applicable tax rate for Parent Company	-229	-26.3	-218	-26.3
Tax effect of:				
Other non-deductible expenses	-1	0.0	0	0.0
Other tax-exempt revenues	0	0.0	0	0.0
Adjustments of current tax attributable to previous years	0	0.0	1	0.1
Recalculation of deferred tax ¹⁾	-2	-0.2	-	-
Reported tax charge/effective tax rate	-232	-26.5	-217	-26.2
Current and deferred tax items reported directly against shareholders' equity	-		-	

¹⁾ Effective 1 January 2013, the corporate tax rate is 22.0%. Closing deferred tax has been recalculated to reflect the change in the tax rate from 26.3% to 22.0%.

Note 15, continued from preceding page

Reported deferred tax assets and tax liabilities

	Group		Parent Company	
	2012	2011	2012	2011
Intangible assets	-62	-82	-	-
Land and buildings	-1	-2	-	-
Equipment, tools, fixtures and fittings	1	12	-	-
Other receivables	6	7	-	-
Untaxed reserves	-241	-211	-	-
Provisions	1	1	7	9
Other liabilities	2	2	0	0
Total deferred tax asset (+)/ deferred tax liability (-), net	-294	-273	7	9
Deferred tax asset	16	35	7	9
Deferred tax liability	-310	-308	-	-

The Group has no unreported deferred tax assets or tax liabilities pertaining to temporary differences.

Change in deferred tax in temporary differences during the year, Group

	Amount at start of year	Recognized in profit for the year	Added from acquired companies	Amount at end of year
Intangible assets	-82	26	-6	-62
Land and buildings	-2	1	-	-1
Equipment, tools, fixtures and fittings	12	-11	-	1
Other receivables	7	-1	0	6
Untaxed reserves	-211	-30	-	-241
Provisions	1	-1	1	1
Other liabilities	2	0	-	2
Total	-273	-16	-5	-294

NOTE 16. EARNINGS PER SHARE

Earnings per share were SEK 17.06 (16.99).

Since Axfood does not have, nor has had any outstanding convertible or stock option programmes during the year, there is no dilutive result in calculations of earnings per share.

The number of shares outstanding was 52,467,678 (52,467,678), and the average number of shares outstanding was 52,467,678 (52,467,678).

NOTE 17. INTANGIBLE ASSETS

Group	Goodwill		Intangible assets in progress		Other intangible assets ¹⁾	
	31/12/12	31/12/11	31/12/12	31/12/11	31/12/12	31/12/11
Opening cost	1,613	1,567	237	199	1,131	929
Investments	146	46	212	239	22	1
(of which, internally developed)	-	-	(26)	(37)	-	-
Sales and disposals	-	-	-	-	0	0
Reclassifications	-	-	-292	-201	292	201
(of which, internally developed)	-	-	(-50)	(-33)	(50)	(33)
Closing accumulated cost	1,759	1,613	157	237	1,445	1,131
Opening amortization	-	-	-	-	-520	-394
Sales and disposals	-	-	-	-	0	0
Amortization for the year	-	-	-	-	-144	-126
Closing accumulated amortization	-	-	-	-	-664	-520
Impairment for the year	-	-	-	-	-55	-
Closing accumulated impairment	-	-	-	-	-55	-
Closing planned residual value	1,759	1,613	157	237	726	611

¹⁾ Of other intangible assets, SEK 31 m (80) pertains to trademarks, SEK 3 m (7) to leaseholds, and SEK 34 m (28) to customer relationships.

Goodwill

The Group's reported goodwill is broken down per segment as follows:

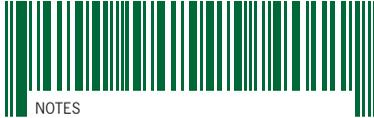
	31/12/12	31/12/11
Hemköp	347	248
Willys	500	499
PrisXtra	270	270
Axfood Närlivs	125	79
Dagab	517	517
Total	1,759	1,613

Intangible assets in progress and other intangible assets

The Group's intangible assets in progress consist exclusively of capitalized costs for IT development. Other intangible assets consist of IT development, trademarks, customer relationships and leaseholds. Of other intangible assets, closing planned residual value pertaining to IT development accounts for SEK 658 m (495). Capitalized IT costs are amortized on a straight-line basis according to the estimated useful life of the assets, which is five to ten years. The remaining amortization period for capitalized IT costs is seven years (seven).

The useful life of all intangible assets except for goodwill and trademarks is limited and is described in Note 1.

Amortization of other intangible assets is broken down in the statement of comprehensive income in accordance with Note 10.



Note 17, continued from preceding page

Impairment testing of intangible assets

Estimations of the value of the Group's goodwill items and other intangible assets have been made based on the cash-generating units' benefit in use. Benefit in use is based on the cash flows after tax that are estimated to be generated during the remaining useful life of the units, with an assumption of perpetual useful life.

For the first year, the future cash flows that have been used in calculation of the respective units' benefit in use are based on the business plan for 2013 for the respective units. Thereafter, the cash flows are based on assumed annual growth of 1.5% (2%). The forecast cash flows have been discounted to present value using a discount rate of 7.4% after tax (7.3%), which corresponds to a discount rate before tax of 9.5% (9.0%). The discount rate corresponds to Axfood's estimated average cost of capital, i.e., the weighted sum of the required rate of return on equity and the cost of externally borrowed capital. The required rate of return on equity is based on an assumption of risk-free interest of 3.5% (4.0%), a going-rate risk premium of 5.1% (4.5%), and a beta coefficient of 0.8 (0.8). The beta coefficient shows the relationship between the price of Axfood's shares and changes in a benchmark index. With a discounting factor of 7.4% (7.3%), benefit in use exceeds the carrying amount for all tested units. Thus there is no need to recognize impairment as per 31 December 2012.

Future cash flows for all units are based on the same assumptions. Important assumptions, i.e., assumptions that have a large effect on cash flows in the event of changes, include assumptions on future price and volume developments. In the 2013 business plan, which forms the basis for cash flow calculations, the Executive Committee has made an assumption on price and volume growth of approximately 1% (1%), which is based on estimates performed both by the Executive Committee and external parties of the price and volume trend in Sweden for food retail products in Axfood's product offering. This estimate is based on previous years' experience and on the anticipated competitive situation in the industry. In the opinion of the Executive Committee, reasonable, possible changes in the variables (assumptions) used in these calculations would not have such large effects that they would individually reduce the recoverable value to a value that is lower than the carrying amount.

NOTE 18. PROPERTY, PLANT AND EQUIPMENT

Group	Land and buildings ¹⁾		Equipment, tools, fixtures and fittings		Construction in progress	
	31/12/12	31/12/11	31/12/12	31/12/11	31/12/12	31/12/11
Opening cost	67	67	5,423	4,919	73	44
Investments	1	0	494	589	54	94
Increases through acquisitions	-	-	5	21	-	-
Sales and disposals	-1	-	-289	-171	0	0
Reclassifications	-	-	74	65	-74	-65
Closing accumulated cost	67	67	5,707	5,423	53	73
Opening depreciation	-9	-8	-3,738	-3,419	-	-
Increases through acquisitions	-	-	0	0	-	-
Sales and disposals	0	-	248	142	-	-
Depreciation for the year	-1	-1	-492	-461	-	-
Closing accumulated depreciation	-10	-9	-3,982	-3,738	-	-
Opening impairment	-	-	-15	-15	-	-
Impairment for the year	-	-	-	-1	-	-
Reversal of impairment	-	-	-	1	-	-
Closing accumulated impairment	-	-	-15	-15	-	-
CLOSING PLANNED RESIDUAL VALUE	57	58	1,710	1,670	53	73

¹⁾ The cost of land was SEK 10 m (10).

Parent Company	Equipment, tools, fixtures and fittings		Construction in progress	
	31/12/12	31/12/11	31/12/12	31/12/11
Opening cost	44	44	-	-
Investments	1	0	3	0
Closing accumulated cost	45	44	3	0
Opening depreciation	-42	-40	-	-
Depreciation for the year	-1	-2	-	-
Closing accumulated depreciation	-43	-42	-	-
CLOSING PLANNED RESIDUAL VALUE	2	2	3	0

NOTE 19. GOVERNMENT SUPPORT

Government support in the form of labour market policy grants amounted to SEK 2 m (1) in the statement of financial position (reported under prepaid income) and SEK 43 m (43) in the statement of comprehensive income, which reduced payroll costs.

No other unfulfilled conditions or contingent liabilities exist.

NOTE 20. FINANCE LEASES

Group	Equipment, tools, fixtures and fittings	
	31/12/12	31/12/11
Opening cost	126	119
Investments	38	49
Sales and disposals	-39	-42
Closing accumulated cost	125	126
Opening depreciation	-51	-53
Sales and disposals	24	24
Depreciation for the year	-23	-22
Closing accumulated depreciation	-50	-51
CLOSING PLANNED RESIDUAL VALUE	75	75

Minimum lease payments

Finance lease liabilities falling due for payment:	2012	2011
Within 1 year	37	30
Between 1 and 5 years	38	45
Total current and non-current liability	75	75

In the Group, no properties with finance leases have been sublet.

In addition, there were no variable fees in profit for the period.

NOTE 21. PARTICIPATIONS IN GROUP COMPANIES

2012 Parent Company	Reg. no.	Registered office	Number of shares	Share of capital, %	Book value
Hemköpskedjan AB	556113-8826	Solna	100,000	100	356
Axfood Sverige AB	556004-7903	Solna	3,434,656	100	2,129
Willys AB	556163-2232	Gothenburg	1,000	100	336
Axfood IT AB	556035-6163	Solna	1,000	100	2
Dagab AB	556070-3166	Solna	28,000,000	100	350
PrisXtra AB	556460-9542	Solna	500	100	400
Total, Group companies					3,573

2011 Parent Company	Reg. no.	Registered office	Number of shares	Share of capital, %	Book value
Hemköpskedjan AB	556113-8826	Solna	100,000	100	260
Axfood Sverige AB	556004-7903	Solna	3,434,656	100	1,548
Willys AB	556163-2232	Gothenburg	1,000	100	337
Axfood IT AB	556035-6163	Solna	1,000	100	2
Dagab AB	556070-3166	Solna	28,000,000	100	905
PrisXtra AB	556460-9542	Solna	500	100	400
Total, Group companies					3,452

NOTE 22. PARTICIPATIONS IN ASSOCIATED COMPANIES

Group	2012	2011
Opening cost	2	2
Divestments	-	0
Closing cost	2	2
Adjustments of shareholders' equity pertaining to investments in associated companies		
Opening carrying amount	1	1
Share in profit before tax	0	0
Divestments and other changes	0	0
Closing carrying amount	1	1
Total	3	3

2012 Group	Reg. no.	Registered office	Number of shares	Share of votes, %	Book value	Share of capital
United Nordic Inc AB	556043-4606	Solna	250	25	0	0
Direktbuti-kerna Scandina AB	556535-8826	Stockholm	105,360	50	2	1
Total					2	1

2011 Group	Reg. no.	Registered office	Number of shares	Share of votes, %	Book value	Share of capital
United Nordic Inc AB	556043-4606	Solna	250	25	0	0
Direktbuti-kerna Scandina AB	556535-8826	Stockholm	105,360	50	2	1
Total					2	1

NOTE 23. FINANCIAL ASSETS

	Participations in Group companies, Parent Company	Participations in associated companies, Group	Other long-term securities holdings, Group	Other non-current receivables, Group
2012				
Opening cost	3,452	3	29	12
Acquisitions during the year	96	-	-	-
Additional receivables	-	-	-	1
Disposals/amortization	0	-	-	-
Share in associated company profits	-	0	-	-
Revaluation	25	-	-	-
Reclassifications	-	-	-	0
Closing accumulated book value	3,573	3	29	13

	Participations in Group companies, Parent Company	Participations in associated companies, Group	Other long-term securities holdings, Group	Other non-current receivables, Group
2011				
Opening cost	3,468	3	23	6
Acquisitions during the year	12	-	-	-
Additional receivables	-	-	1	2
Measurement at fair value	-	-	5	-
Disposals/amortization	-28	0	-	-
Share in associated company profits	-	0	-	-
Reclassifications	-	-	-	4
Closing accumulated book value	3,452	3	29	12

NOTE 24. NON-CURRENT AND CURRENT RECEIVABLES

	Group		Parent Company	
	31/12/12	31/12/11	31/12/12	31/12/11
Non-current noninterest-bearing receivables	13	12	2	3
Total other non-current receivables	13	12	2	3
Other noninterest-bearing receivables	83	139	0	0
Total other current receivables	83	139	0	0



NOTE 25. ACCOUNTS RECEIVABLE – TRADE

Accounts receivable – trade	31/12/12	31/12/11
Trade accounts receivable, gross	893	667
Provision for impaired receivable	-26	-28
Trade accounts receivable, net	867	639
Provision account for loan losses	31/12/12	31/12/11
Provision at start of year	-28	-23
Provision for possible losses	0	-10
Confirmed losses	2	5
Provision at year-end	-26	-28

Age analysis of trade accounts receivable	31/12/12	31/12/11
Trade accounts receivable not due	597	540
Trade accounts receivable past due 0-30 days	234	80
Trade accounts receivable past due >30-90 days	12	15
Trade accounts receivable past due >90-180 days	5	8
Trade accounts receivable past due >180-360 days	27	10
Trade accounts receivable past due >360 days	18	14
Total	893	667

To limit the maximum credit risk associated with trade accounts receivable, Axfood has accepted security which, as per the end of the reporting period, covers SEK 61 m (51) of outstanding trade accounts receivable. Accepted security consists mainly of chattel mortgages, bank guarantees and guarantees. In 2012 a total of SEK 1 m (5) of accepted security was utilized to settle unpaid trade accounts receivable.

NOTE 26. PREPAID EXPENSES AND ACCRUED INCOME

	Group		Parent Company	
	31/12/12	31/12/11	31/12/12	31/12/11
Prepaid rents	282	263	8	8
Accrued bonuses and similar	430	442	-	-
Delivered, uninvoiced	7	15	-	-
Other prepaid expenses	97	82	5	2
Other accrued income	54	20	-	0
Total	870	822	13	10

NOTE 27. PROVISION FOR PENSIONS AND SIMILAR OBLIGATIONS

Defined benefit pension plans	Group	
	2012	2011
Present value of funded obligations	10	10
Present value of unfunded obligations	430	460
Total present value of obligations	440	470
Fair value of plan assets	-8	-8
Present value of net obligations	432	462
Unreported actuarial losses	-79	-98
Net liability in statement of financial position	353	364
Amounts reported in statement of financial position		
• provisions	353	364
• assets	-	-
Net liability in statement of financial position	353	364

Of Axfood's net liability for defined benefit pension plans, SEK 319 m (329) consists of obligations within the FPG/PRI system. Of these obligations, SEK 319 m (222) are locked, which for Axfood's part entails that all new earning now takes place in the Alecta system. Obligations in the FPG/PRI system are unfunded pension plans, which is why these are reported in their entirety as Provision for pensions.

In addition to unfunded pension plans, Axfood has an individually funded pension plan that is managed by the Axel Johnson pension foundation. Axfood is entitled to benefits from the foundation in maximum amounts corresponding to the pension obligation, which entails that the pension plan will not at any time give rise to a net asset on Axfood's statement of financial position. The obligation is reported net and amounted to SEK 1 m (1) on 31 December 2012. The actual return on plan assets was SEK 1 m (0), which corresponded to the anticipated return. No fees were paid in to the foundation during the year. During the year, SEK 1 m (1) was received in compensation from the foundation.

Changes in the present value of defined benefit obligations	2012	2011
Obligations for defined benefit plans as per 1 January	470	439
Benefits paid	-29	-27
Current service cost	1	7
Benefits earned in previous periods, vested	-11	0
Interest expense	18	17
Actuarial gains and losses	-9	34
Obligations for defined benefit plans as per 31 December	440	470

Costs recognized in profit for the year	2012	2011
<i>Defined benefit pension plans</i>		
Benefits earned during the year	1	7
Interest expense	18	17
Actual return on plan assets	0	0
Benefits earned in previous periods, vested	-11	0
Net actuarial gains/losses reported for the year	9	3
Total	17	27

<i>Defined contribution pension plans</i>	2012	2011
Costs during the period ¹⁾	238	194
Total pension cost	255	221

¹⁾ Pension insurance contributions made during the year to Alecta for pension insurance under the ITP plan amounted to SEK 50 m (40). Alecta's surplus can be apportioned among the policyholders and/or the insureds. As per 30 September 2012, Alecta's surplus in the form of its collective funding ratio was 123%. The collective funding ratio consists of the market value of Alecta's assets measured as a percentage of the insurance obligations calculated using Alecta's actuarial computation assumptions, which is not compatible with IAS 19. At the time of this annual report's publication, Alecta had not published its collective funding ratio as per December 2012.

Pension costs are broken down per function in profit for the year as follows	2012	2011
Cost of goods sold	136	117
Selling expenses	55	46
Administrative expenses	48	41
Interest expense	16	17
Total	255	221

Change in net liability during the year	2012	2011
Net liability at start of year	364	362
Compensation from pension foundation	1	1
Defined benefit direct pensions	0	1
Net expense in profit for the year	17	27
Pension disbursements	-29	-27
Net liability at end of year	353	364

The following actuarial assumptions have been made in calculating the present value of defined benefit obligations:

	2012	2011	2010	2009	2008
Discount rate	3.5%	4.0%	4.0%	4.0%	4.5%
Future annual salary increases ¹⁾	0.0%	3.0%	3.0%	3.0%	3.0%
Future annual pension increases	1.5%	2.0%	2.0%	2.0%	2.0%
Employee attrition rate ¹⁾	0.0%	3.8%	3.8%	3.8%	3.6%

¹⁾ Since the Axfood Group funds benefits through insurance with Alecta, this assumption is not used as from 2012.

Note 27 continued from preceding page

Historical information	2012	2011	2010	2009	2008
Present value of defined benefit obligations	440	470	439	440	432
Fair value of plan assets	-8	-8	-9	-9	-9
Deficit in plan	432	462	430	431	423
Experience-based adjustment pertaining to defined benefit obligations	-10	-1	-3	7	2

The Group estimates that approximately SEK 29 m will be paid to defined benefit pension plans in 2013.

Parent Company

The Parent Company's reported pension liability amounted to SEK 28 m (31) and pertains to obligations to the current and former CEOs. All pension obligations to the current and former CEOs are reported on the balance sheet. The Parent Company does not have any special, detachable assets linked to its pension obligations, which is why the entire present value is reported on the balance sheet. The change in the capital value is shown below.

Reported capital value of pension obligations	2012	2011
Reported capital value on 1 January	31	32
Benefits paid out	-5	-5
Defined benefit direct pensions	1	2
Cost excluding interest expense	1	1
Interest expense	0	1
Reported capital value of pension obligations on 31 December	28	31

Of the Parent Company's reported pension liability, SEK 26 m (29) is covered by credit insurance via FPG.

Pension costs	2012	2011
<i>Own undertakings</i>		
Liability revaluation of undertakings	2	1
Interest expense	0	1
Total	2	2
<i>Undertakings through insurance</i>		
Insurance premiums ¹⁾	9	8
Special employer's payroll tax on pension costs	2	2
Cost of credit insurance premiums	0	0
Total	11	10
Pension costs for the year	13	12

¹⁾ Of which, contributions paid to Alecta for pension insurance according to the ITP plan, totalling SEK 5 m (3).

Assumptions for defined benefit obligations

The terms of the pension agreements entered into by the Parent Company entail that the value of the obligations is adjusted upward each year by an average of approximately 0% (0%).

It is estimated that approximately SEK 5 m will be paid out in pension payments from the Parent Company in 2013.

Changed accounting policy 2013

Effective 1 January 2013, Axfood applies the amended IAS 19. The effect of the changed accounting policy is shown in the table below.

The Group will apply IAS 1 in its presentation of financial statements and the Swedish Financial Reporting Board's pronouncement in UFR 9 in the reporting of the policyholder tax, see note 1.

Effect on shareholders' equity of changed accounting policy and changed tax rate – marginal effect only of change in policy, Group	Adjusted opening balance 01/01/2012	Adjusted profit 2012	Changed tax rate reported in equity	Adjusted closing balance 31/12/2012
Effect on balance sheet				
Provision for pensions and other obligations	98	-19		79
Other non-current liabilities	24	-5		19
Deferred tax assets	-32	5	5	-22
Shareholders' equity	-90	19	-5	-76
Effect on income statement				
Operating profit		8		
Deferred tax		-1		
Profit for the year		7		
Other comprehensive income		16		
Tax attributable to other comprehensive income		-4		
Comprehensive income for the year		19		

NOTE 28. FINANCIAL ASSETS AND LIABILITIES

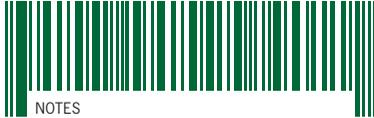
The tables below provide disclosures on how fair value has been determined for the financial instruments that are measured at fair value in the statement of financial position.

The breakdown of how fair value is determined is done according to three levels:

Level 1: according to prices in an active market for the same instrument. Axfood has no financial instruments at this level.

Level 2: based on direct or indirect observable market data that is not included in level 1. Level 2 includes derivatives used in hedge accounting and available-for-sale financial assets.

Level 3: based on input data that is not observable in the market. Axfood has no financial instruments at this level.



Note 28 continued from preceding page

Group 2012	Derivatives used in hedge accounting	Trade accounts receivable and loan receivables	Available-for-sale financial assets	Other financial liabilities	Total carrying amount		Non-financial assets and liabilities	Total statement of financial position
						Fair value		
Other long-term securities holdings			29		29	29		29
Other non-current receivables		13			13	13		13
Accounts receivable – trade		867			867	867		867
Other current receivables							83	83
Cash and bank balances		521			521	521		521
Total financial assets	-	1,401	29	-	1,430	1,430	83	1,513
Other non-current interest-bearing liabilities				63	63	63		63
Current liabilities to credit institutions				329	329	331		329
Other current interest-bearing liabilities				37	37	37		37
Other current liabilities	1				1	1	156	157
Accounts payable – trade				2,359	2,359	2,359		2,359
Total financial liabilities	1	-	-	2,788	2,789	2,791	156	2,945

Group 2011	Derivatives used in hedge accounting	Trade accounts receivable and loan receivables	Available-for-sale financial assets	Other financial liabilities	Total carrying amount		Non-financial assets and liabilities	Total statement of financial position
						Fair value		
Other long-term securities holdings			29		29	29		29
Other non-current receivables		12			12	12		12
Accounts receivable – trade		639			639	639		639
Other current receivables							139	139
Cash and bank balances		317			317	317		317
Total financial assets	-	968	29	-	997	997	139	1,136
Other non-current interest-bearing liabilities				45	45	45		45
Current liabilities to credit institutions				603	603	603		603
Other current interest-bearing liabilities				30	30	30		30
Other current liabilities	3				3	3	127	130
Accounts payable - trade				2,273	2,273	2,273		2,273
Total financial liabilities	3	-	-	2,951	2,954	2,954	127	3,081

Parent Company 2012	Trade accounts receivable and loan receivables	Available-for-sale financial assets	Other financial liabilities	Total carrying amount		Non-financial assets and liabilities	Total balance sheet
					Fair value		
Other long-term securities holdings		3		3	6		3
Other non-current receivables	2			2	2		2
Accounts receivable – trade	0			0	0		0
Receivable from Group companies	920			920	920	1,293	2,213
Other current receivables	0			0	0		0
Cash and bank balances	0			0	0		0
Total financial assets	922	3	-	925	928	1,293	2,218
Current liabilities to credit institutions			314	314	316		314
Accounts payable – trade			19	19	19		19
Liabilities to Group companies			1,110	1,110	1,110	45	1,155
Total financial liabilities	-	-	1,443	1,443	1,445	45	1,488

Parent Company 2011	Trade accounts receivable and loan receivables	Available-for-sale financial assets	Other financial liabilities	Total carrying amount		Non-financial assets and liabilities	Total balance sheet
					Fair value		
Other long-term securities holdings		3		3	6		3
Other non-current receivables	3			3	3		3
Accounts receivable - trade	0			0	0		0
Receivable from Group companies	888			888	888	1,215	2,103
Other current receivables	0			0	0		0
Cash and bank balances	0			0	0		0
Total financial assets	891	3	-	894	897	1,215	2,109
Current liabilities to credit institutions			603	603	603		603
Accounts payable - trade			14	14	14		14
Liabilities to Group companies			1,003	1,003	1,003	44	1,047
Total financial liabilities	-	-	1,620	1,620	1,620	44	1,664

Note 28 continued from preceding page

Fair value of financial instruments

The carrying amount of interest-bearing assets and liabilities in the statement of financial position can deviate from their fair value due to changes in market interest rates, among other things. To establish the fair value of financial assets and liabilities, the market value has been used for assets and liabilities as far as possible. Axfood's holdings of tenant-owner rights are stated at market value. Interest-bearing financial assets and liabilities that are not derivative instruments are calculated based on future cash flows of capital amounts and interest, discounted to the current market interest rate while taking into account the risk-free interest rate and risk premium for Axfood at the end of the reporting period (the effective interest method). For current financial assets and liabilities with variable interest rates, the fair value is considered to be the same as the carrying amount.

Interest rates used to determine fair value

Axfood used the market interest rate in effect on 31 December 2012 (31 December 2011) plus a relevant interest rate spread to discount financial instruments. The interest rates used are provided below.

	2012	2011
Interest-bearing liabilities	2.52%	3.42%

NOTE 29. NON-CURRENT AND CURRENT INTEREST-BEARING LIABILITIES

	Group		Parent Company	
	31/12/12	31/12/11	31/12/12	31/12/11
Committed credit lines				
Long-term committed credit lines	500	500	500	500
Short-term committed credit lines	300	-	300	-
Bank overdraft facilities	325	309	300	300
Total committed credit lines	1,125	809	1,100	800
Drawn long-term credit lines	-	-310	-	-310
Drawn short-term credit lines	-300	-	-300	-
Drawn bank overdraft facilities	-29	-293	-14	-293
Total drawn credit lines	-329	-603	-314	-603
Cash and bank balances	521	317	0	0
Total¹⁾	1,317	523	786	197

¹⁾ The Group's refinancing risk reserve, totalling SEK 806 m (216), consists of granted, undrawn credit facilities and bank overdraft facilities of credit totalling SEK 796 m (206) and disposable funds in bank accounts totalling SEK 10 m (10).

	Group		Parent Company	
	31/12/12	31/12/11	31/12/12	31/12/11
Non-current interest-bearing liabilities²⁾				
Finance leases	38	45	-	-
Other non-current interest-bearing liabilities	25	-	-	-
Total other non-current interest-bearing liabilities	63	45	-	-
Provisions for pensions and similar obligations	353	364	28	31
Total non-current interest-bearing liabilities	416	409	28	31
Current interest-bearing liabilities				
Liabilities to credit institutions	329	603	314	603
Finance leases	37	30	-	-
Liabilities to Group companies ³⁾	-	-	927	1,003
Total other current interest-bearing liabilities	37	30	-	-
Total current interest-bearing liabilities	366	633	1,241	1,606

²⁾ Of non-current interest-bearing liabilities, SEK - m (-) have a term exceeding five years.

³⁾ Reported in the Parent Company balance sheet as part of liabilities to Group companies.

Group	31/12/12	Effective interest rate	31/12/12	Effective interest rate
Interest exposure, liabilities				
Maturity less than 1 year	366	3.23%	633	3.19%
Maturity later than 1 year but less than 5 years	63	2.48%	45	3.49%
Maturity later than 5 years	-	-	-	-
Total interest-bearing liabilities	429	3.12%	678	3.21%

Parent Company	31/12/12	Effective interest rate	31/12/12	Effective interest rate
Interest exposure, liabilities				
Maturity less than 1 year	314	3.36%	603	3.17%
Total interest-bearing liabilities	314	3.36%	603	3.17%

NOTE 30. ACCRUED EXPENSES AND DEFERRED INCOME

	Group		Parent Company	
	31/12/12	31/12/11	31/12/12	31/12/11
Payroll-related items	844	768	27	18
Accrued bonuses and similar	63	48	-	-
Accrued real estate costs	48	40	-	-
Delivered, uninvoiced	521	262	-	-
Other accrued expenses	196	150	1	1
Other deferred income	14	20	-	-
Total	1,686	1,288	28	19

NOTE 31. CONTINGENT ASSETS, PLEDGED ASSETS AND CONTINGENT LIABILITIES

	Group		Parent Company	
	31/12/12	31/12/11	31/12/12	31/12/11
Pledged assets				
Chattel mortgages	28	2	-	-
Other pledged assets	1	1	-	-
Total	29	3	-	-

	Group		Parent Company	
	31/12/12	31/12/11	31/12/12	31/12/11
Contingent liabilities				
Guarantees for subsidiaries	-	-	360	382
Guarantees for others	14	9	0	0
FPG/PRI	7	7	0	0
Other contingent liabilities	11	4	0	0
Total	32	20	360	382

All pledged assets pertain to own provisions and liabilities. The increase in 2012 is attributable to assets pledged for companies acquired during the year.

Guarantees for others consist for the most part of guarantee commitments pertaining to bank financing and product deliveries for franchisees. In cases where there is a risk of loss, a provision has been made among possible loan losses. Other contingent liabilities consist primarily of counterbonds for bank guarantees that have been made for the Axfood Group.



NOTE 32. EXCHANGE RATE DIFFERENCES AND CURRENCY EXPOSURE

Exchange rate differences reported in operating profit amounted to SEK 0 million (0); exchange rate differences reported in financial items amounted to SEK 0 million (0).

Currency exposure	Estimated future net flow	Of which, contracted net flow	Amount hedged through forward exchange contracts	Estimated average forward rate	Outstanding currency risk
EUR	293	293	293	8.64	-
USD	30	30	30	6.59	-
DKK	3	3	3	1.15	-
NOK	3	3	3	1.17	-
Total outstanding currency risk	329	329	329	-	-

Maturity analysis of outstanding forward exchange contracts

Of outstanding forward exchange contracts on 31 December 2012, totalling SEK 329 m (292), contracts with a value of SEK 322 m (286) have a duration of up to 3 months and contracts with a value of SEK 7 m (6) have a maturity between 3 and 6 months.

Reported fair value of outstanding currency hedges	2012	2011
EUR	-1	-3
USD	0	0
Other	0	0
Total	-1	-3

The reported values of total hedge reserves are presented in the summary pertaining to changes in shareholders' equity. The change in value of the hedging reserve during the year was SEK -17 m (-5), and amounts transferred to inventories totalled SEK 17 m (5). The ineffective portion of cash flow hedges that has been recognized in profit for the year amounts to SEK - m (-).

Transaction exposure

The Group's transaction exposure during the respective full years is broken down into the following currencies:

Currency	2012	%	2011	%
EUR	1,967	91.1	1,927	91.1
USD	137	6.4	110	5.2
DKK	35	1.6	41	1.9
NOK	20	0.9	34	1.6
GBP	1	0.0	1	0.1
CAD	0	0.0	2	0.1
Total	2,160	100.0	2,115	100.0

NOTE 33. CRITICAL ASSESSMENTS AND ESTIMATIONS

Impairment testing of goodwill

In calculating cash-generating units' recoverable value in connection with the Company's estimation of any need to recognize goodwill impairment, several assumptions have been made about future conditions and estimations of parameters. An account of these can be found in Note 17. As understood in the description in Note 17, changes in 2013 of the underlying conditions for these assumptions and estimations could have a material effect on the value of goodwill. However, the Executive Committee is of the opinion that reasonable, possible changes in these variables (assumptions) in the calculations would not have such a large effect that they individually would reduce the recoverable value to a value that is lower than the carrying amount.

Assumptions for calculations of pension provisions

The actuarial computation of pension obligations and pension costs is based on actuarial assumptions, which are specified in Note 27. A change in any of these assumptions could have a material effect on calculated pension obligations and pension costs.

The discount rate is based on the return for long-term mortgage bonds with a term that corresponds to the Group's average remaining duration of its obligations, which in Axfood's case amounts to 22 years.

None of the assumptions described in Note 27 deviate materially from what can be regarded as standard practice in the Swedish market.

With respect to operational and financial risks, see the particular sections in the Administration Report, pp. 41-44.

Proposed disposition of the Company's profit

REG. NO. 556542-0824

The Board of Directors propose that the following retained profits, totalling KSEK 3,392,260, be distributed as follows:

Shareholder dividend

SEK 12.00 per share (52,467,678 x SEK 12.00), totalling	629,612
To be carried forward	2,762,648
KSEK	3,392,260

In reference to the above and to other information that has been brought to the Board's attention, the Board is of the opinion that a comprehensive assessment of the Company's and Group's financial position entails that the dividend is justified in view of the demands that the nature, scope and risks in the business place upon the size of the Company's and Group's equity and upon the Company's and Group's funding needs, liquidity and financial position in general.

The consolidated financial statements and Annual Report have been prepared in accordance with the International Financial Reporting Standards referred to in European Parliament and

Council of Europe Regulation (EC) No. 1606/2002 of 19 July 2002, on application of International Financial Reporting Standards and generally accepted accounting principles, and gives a fair overview of the Group's and Parent Company's financial position and results of operations.

The Administration Report for the Group and Parent Company gives a fair overview of the Group's and Parent Company's operations, financial position and results of operations, and describes significant risks and uncertainties that the Parent Company and companies included in the Group face.

The Annual Report and consolidated financial statements were, as stated above, approved for publication by the Board of Directors on 6 February 2013. The Group's statement of comprehensive income and statement of financial position, and the Parent Company's income statement and balance sheet, will be subject to approval by the Annual General Meeting on 13 March 2013.

Stockholm, Sweden, 6 February 2013

Fredrik Persson
*Chairman of the Board
Director*

Marcus Storch
*Vice Chairman of the Board
Director*

Antonia Ax:son Johnson
Director

Peggy Bruzelius
Director

Maria Curman
Director

Odd Reitan
Director

Annika Åhnberg
Director

Ulla-May Iwahr Rydén¹⁾

Michael Sjören¹⁾

Inger Sjöstrand¹⁾

Anders Strålmán
President and CEO

Our audit report was submitted on 6 February 2013
KPMG AB

Thomas Thiel
*Authorized Public
Accountant*

¹⁾ Employee representative



Auditor's report

To the annual meeting of the shareholders of Axfood AB (publ), corp. id. 556542-0824

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

We have audited the annual accounts and consolidated accounts of Axfood AB (publ) for the year 2012. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 38 – 87.

Responsibilities of the Board of Directors and the President for the annual accounts and consolidated accounts

The Board of Directors and the President are responsible for the preparation and fair presentation of these annual accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the President determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the President, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2012 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2012 and of their financial performance and cash flows for the year then ended in accordance

with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. A corporate governance statement has been prepared. The statutory administration report and the corporate governance statement are consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the statement of comprehensive income and statement of financial position for the group.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the President of Axfood AB (publ) for the year 2012.

Responsibilities of the Board of Directors and the President

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the President are responsible for administration under the Companies Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the President is liable to the company. We also examined whether any member of the Board of Directors 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the President be discharged from liability for the financial year.

Stockholm, 6 February 2013
KPMG AB

Thomas Thiel
Authorized Public Accountant



Several-year overview

Amounts in SEK m	2012	2011	2010	2009	2008
Result of operations					
Net sales	36,306	34,795	34,260	32,378	31,663
Operating profit	1,192	1,250	1,209	1,128	1,077
Profit after financial items	1,154	1,214	1,172	1,082	1,011
Profit attributable to non-controlling interests	0	0	0	0	-
Tax	-259	-323	-310	-289	-274
Net profit for the year	895	891	862	793	737
Financial position					
Intangible assets	2,642	2,461	2,301	2,143	2,032
Property, plant and equipment	1,820	1,801	1,588	1,476	1,541
Financial assets	45	44	32	30	33
Other non-current assets	16	35	42	38	35
Inventories	1,932	1,916	1,822	1,790	1,769
Other current assets	1,822	1,704	1,564	1,380	1,628
Cash and cash equivalents	521	317	315	316	312
Assets	8,798	8,278	7,664	7,173	7,350
Shareholders' equity	3,474	3,237	2,972	2,635	2,259
Non-controlling interests	28	-	0	0	-
Interest-bearing liabilities and provisions	782	1,042	840	848	1,394
Noninterest-bearing liabilities	4,514	3,999	3,852	3,690	3,697
Shareholders' equity and liabilities	8,798	8,278	7,664	7,173	7,350
Cash flow					
Cash flow from operating activities	1,915	1,384	1,365	1,558	1,152
Cash flow from investing activities	-816	-941	-831	-580	-1,098
Cash flow from financing activities	-895	-441	-535	-974	-213
Cash flow for the year	204	2	-1	4	-159

Amounts in SEK m	2012	2011	2010	2009	2008
Key ratios					
Operating margin, excluding impairment charges, capital gains and structural costs, %	3.4	3.6	3.5	3.5	3.4
Margin after financial items, %	3.2	3.5	3.4	3.3	3.2
Equity ratio, %	39.8	39.1	38.8	36.7	30.7
Net debt-equity ratio, multiple	0.1	0.2	0.2	0.2	0.5
Debt-equity ratio, multiple	0.2	0.3	0.3	0.3	0.6
Capital employed	4,285	4,279	3,812	3,483	3,653
Return on capital employed, %	28.0	31.0	33.2	31.8	32.0
Return on shareholders' equity, %	26.7	28.7	30.7	32.4	33.4
Interest coverage, multiple	26.6	29.9	31.1	22.2	14.7
Capital expenditures, SEK m	932	993	862	633	1,158
Earnings per share, SEK ¹⁾	17.06	16.99	16.42	15.13	14.05
Net asset value per share, SEK ¹⁾	66.21	61.70	56.64	50.22	43.06
Cash flow per share, SEK ¹⁾	3.9	0.0	0.0	0.08	-3.03
Cash flow from operating activities per average number of shares outstanding ¹⁾	36.5	26.4	26.0	29.7	22.0
Number of shares outstanding ¹⁾	52,467,678	52,467,678	52,467,678	52,467,678	52,467,678
Weighted average number of shares ¹⁾	52,467,678	52,467,678	52,467,678	52,467,678	52,467,678
Average number of employees during the year ²⁾	7,254	7,062	6,895	6,816	6,847
Ordinary dividend	12.00 ³⁾	12.00	12.00	10.00	8.00

¹⁾ Pertains to earnings/net asset value before and after dilution.

²⁾ In calculating the average number of employees, the normal number of hours worked is 1,920 hours.

³⁾ Proposed by the Board of Directors.

Axfood share data 2012

Axfood's shares have been listed since 1997 and have been traded since 2006 on Nasdaq OMX Stockholm, Large Cap list. Starting in February 2012 the shares have been included in the Consumer Services sector classification. Based on the last price paid on 28 December 2012, which was SEK 245.00, Axfood's market capitalization was SEK 12,855 m (13,306).

SHARE PERFORMANCE 2012

Axfood's share price decreased by 3.4% in 2012, while the Consumer Services sector index rose 0.7% and the total index, OMX Stockholm, rose 12.0%. The highest closing price quoted during the year was SEK 257.70, on 2 January, and the lowest closing price was SEK 219.00 on 4 June.

TRADING VOLUME

Since implementation of the EU's Markets in Financial Derivatives (MiFID) directive, equities can be traded in other marketplaces than the exchanges on which they are listed. In 2012, a total of 26.8 million (53.7) Axfood shares were traded in all marketplaces, and the average daily trading volume was 107,284 shares. Trading on Nasdaq OMX Stockholm accounted for 57% (61%) of total trading volume in Axfood shares.

Based on total trading volume in Axfood shares in all marketplaces, the turnover rate in 2012 decreased to 51% (102%). The average turnover rate for shares listed on Nasdaq OMX Stockholm decreased to 74% (96%), while the turnover rate for Axfood shares in Stockholm decreased to 29% (62%).

SHARE CAPITAL

At year-end 2012 Axfood's share capital amounted to SEK 262.3 m, divided among 52,467,678 shares. All shares have a share quota value of SEK 5 and carry equal entitlement to the Company's profit and equity.

OWNERSHIP STRUCTURE

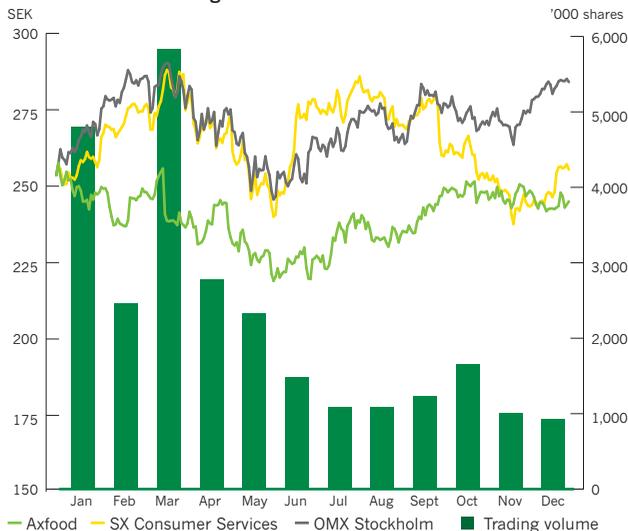
The number of shareholders increased in 2012 and was 15,363 (14,247) at year-end. Of Axfood's share capital, 72.8% (71.1%) is owned by Swedish investors and 27.2% (28.9%) is owned by foreign investors. Swedish ownership is dominated by private individuals and companies, with 60.9% (60.6%) of the capital, while mutual funds own 6.1% (5.8%) and institutions own 5.8% (4.7%). The holdings of the two largest owners were unchanged compared with at year-end 2011, while Swedish mutual funds and institutions increased their ownership in 2012. Norway, the USA and the UK continue to account for the largest share of foreign ownership.

DIVIDEND

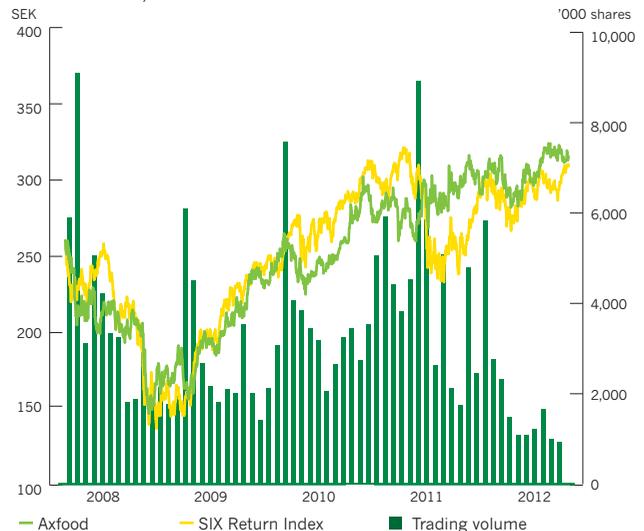
The Board of Directors has set a dividend policy that entails that at least 50% of profit after tax is to be paid out in dividends. For the 2012 financial year the Board has proposed a dividend of SEK 12.00 per share, corresponding to 70.3% of profit after tax. Based on the last price paid on 28 December 2012 (SEK 245), the proposed dividend represents a dividend yield of 4.9%.

Since 2008 Axfood has paid out an average of 69.7% of profit after tax in yearly dividends.

Price trend and trading volume 2012



Axfood shares, total return 2008–2012



Sources: SIX/Fidessa

Share data

All time high, 8 March 2007 (SEK)	295
Listing:	Nasdaq OMX Stockholm AB, Large Cap list
Sector classification:	Consumer Services
ISIN code:	SE0000635401
Trading unit:	1 share
Abbreviation:	AXFO

Ownership structure, 31 December 2012

Size class	No. share-holders	Share-holders, %	No. of shares	Share of capital and votes, %
1 – 500	13,383	87.1	1,628,006	3.1
501 – 1,000	1,002	6.5	861,545	1.7
1,001 – 2,000	436	2.8	701,581	1.3
2,001 – 5,000	265	1.7	901,389	1.7
5,001 – 10,000	93	0.6	718,388	1.4
10,001 – 20,000	57	0.4	808,266	1.5
20,001 – 50,000	58	0.4	1,813,660	3.5
50,001 – 100,000	32	0.2	2,377,733	4.5
100,001 –	37	0.3	42,657,110	81.3
Total	15,363	100.0	52,467,678	100.0

Financial calendar 2012

Event	Date
Annual General Meeting	14 March 2012
Interim report January–March	27 April 2012
Half-year interim report January–June	16 July 2012
Interim report January–September	23 October 2012

The 10 largest shareholders at 31 December 2012

Name	No. shares	Share of capital and votes, %
Antonia Ax:son Johnson (incl. family and companies)	26,270,066	50.1
Reitangruppen AS	8,185,817	15.6
Swedbank Robur funds	900,103	1.7
SEB funds	850,344	1.6
Norges Bank Investment Management	680,281	1.3
Fourth Swedish National Pension Fund	471,768	0.9
Göran Sax (incl. family and companies)	460,029	0.9
SHB funds	384,622	0.7
Nordea funds	332,721	0.6
Lannebo funds	296,989	0.6
Total	38,832,740	74.0
Others	13,634,938	26.0
Total	52,467,678	100.0

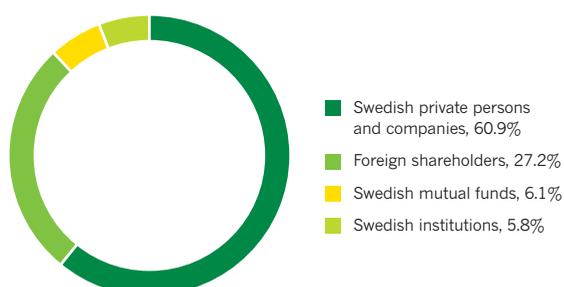
KEY DATA PER SHARE, SEK

	2012	2011	2010	2009	2008
Ordinary dividend	12.00 ¹⁾	12.00	12.00	10.00	8.00
Dividend as % of net profit	70.3	70.6	73.1	66.1	56.9
Number of shares outstanding	52,467,678	52,467,678	52,467,678	52,467,678	52,467,678
Share price at year-end	245.00	253.60	251.50	209.50	167.50
Market cap at year-end, SEK m	12,855	13,306	13,196	10,991	8,788
Highest/lowest price paid	257.70/219.00	254.30/211.90	259.90/192.00	219.50/140.25	262.50/135.75
Dividend yield, % ²⁾	4.9	4.7	4.8	4.8	4.8
Earnings per share	17.06	16.99	16.42	15.13	14.05
Net asset value per share	66.21	61.70	56.64	50.22	43.06
P/E multiple	14.4	14.9	15.3	13.8	11.9
Turnover rate, %	51	102	79	61	94
Number of shareholders	15,363	14,247	14,707	13,404	10,671

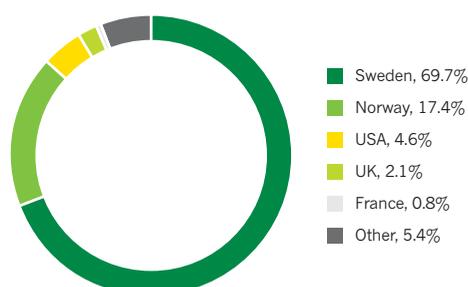
¹⁾ Proposed by the Board of Directors.

²⁾ Dividend per share divided by the share price at year-end.

Breakdown of ownership



Geographical distribution of shareholders



Annual General Meeting

ANNUAL GENERAL MEETING

The Annual General Meeting of the shareholders of Axfood AB (publ) will be held at 5 p.m. on Wednesday, 13 March 2013, at Cirkus, Stockholm. Registration will open at 4 p.m.

NOTIFICATION

Shareholders who wish to attend the Annual General Meeting must notify the Company of their intention not later than 4 p.m. on Thursday, 7 March 2013, at the following address: Axfood AGM, c/o Euroclear Sweden, Box 7841, SE-103 98 Stockholm, Sweden. Notification can also be made to the Company by phone, +46-8-402 90 51, between 9 a.m. and 4 p.m. (CET), or on Axfood's website: axfood.se. Notification must include the shareholder's name, address, personal identification number/company registration number, phone number (daytime), the number of shares held and the number of assistants attending (maximum of two). If participating by proxy, a proxy form must be sent to the Company, in original (along with any authorization documents, such as company certificates of registration), and be in Axfood's possession before the Annual General Meeting.

PARTICIPATION AT THE MEETING

To be entitled to participate at the Meeting, shareholders must be recorded in the register of shareholders maintained by Euroclear Sweden AB not later than Thursday, 7 March 2013, and notify the

Company of their intention to participate in the Meeting not later than 4 p.m. on Thursday, 7 March 2013 (CET). Shareholders whose shares are registered in the name of a nominee must temporarily re-register their shares in their own names with Euroclear Sweden AB to be entitled to vote at the Meeting. Shareholders must notify their nominees well in advance of Thursday, 7 March 2013.

PROPOSED DIVIDEND

The Board of Directors proposes a dividend of SEK 12.00 per share (12.00) for 2012.

- Final day of trading in Axfood shares including the right to the dividend: 13 March 2013
- Record date for payment of the dividend: 18 March 2013
- Payment date for the dividend: 21 March 2013

NOTICE OF ANNUAL GENERAL MEETING

Notice of the Annual General Meeting is made by letter to the shareholders as well as through advertisement in the Official Swedish Gazette (Post- och Inrikes Tidningar) and publication on the Company's website.

Documents that will be presented at the Annual General Meeting will be available on the Company's website at least three weeks prior to the meeting and on the day of the meeting.

Financial information and Investor Relations

Financial information

Interim report January–March 19 April 2013
 Interim report January–June 15 July 2013
 Interim report January–September 18 October 2013

Printed versions of the Annual Report are distributed to shareholders only upon request approximately one week before the Annual General Meeting.

Investor Relations

Axfood's Investor Relations department is responsible for providing relevant information to – and being available for talks and meetings with – shareholders, investors, analysts and the media.

During the year Axfood conducted a number of international road shows and participated in numerous capital market activities. The Company also held regular analyst meetings and spoke at shareholder meetings.

Analysts who continuously monitor Axfood

Company	Name
ABG Sundal Collier	Andreas Lundberg
Carnegie Investment Bank	Niklas Ekman
CA Chevreux Nordic	Björn Gustafsson
Den Danske Bank	Anders Hansson
Handelsbanken Capital Markets	Erik Sandstedt
Nordea	Stellan Hellström
SEB Enskilda	Stefan Nelson
Swedbank Markets	Christian Andersson



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Definitions and glossary

DEFINITIONS

Average number of employees during the year: Total number of hours worked divided by the number of hours worked per year (1,920 hours).

Capital employed: Total assets less noninterest-bearing liabilities and noninterest-bearing provisions. Average capital employed is calculated as capital employed at the start of the year plus capital employed at the end of the year, divided by two.

Cash flow per share: Cash flow for the year divided by a weighted average number of shares outstanding.

Debt-equity ratio: Interest-bearing liabilities divided by shareholders' equity including non-controlling interests.

Dividend yield: Dividend per share divided by the share price at year-end.

Earnings per share: Share of net profit for the year attributable to owners of the parent divided by a weighted average number of shares outstanding.

Employee turnover rate: Number of employment positions ended divided by the total number of employees.

Equity ratio: Shareholders' equity including non-controlling interests, as a percentage of total assets.

Interest cover ratio: Profit after financial items plus financial expenses, divided by financial expenses.

Inventory turnover rate: Cost of delivered products divided by average inventory value.

Margin after financial items: Profit after financial items as a percentage of net sales for the year.

Net asset value per share: Shareholders' equity attributable to owners of the parent divided by the number of shares outstanding.

Net debt: Cash and cash equivalents plus interest-bearing receivables less interest-bearing liabilities and provisions.

Net debt-equity ratio: Interest-bearing liabilities and provisions less cash and cash equivalents and interest-bearing receivables, divided by shareholders' equity including non-controlling interests.

Operating margin: Operating profit as a percentage of net sales for the year.

P/E multiple: Share price in relation to earnings per share.

Return on capital employed: Profit after financial items, plus financial expenses, as a percentage of average capital employed.

Return on shareholders' equity: Share of net profit for the year attributable to owners of the parent as a percentage of the average equity attributable to owners of the parent. Average shareholders' equity is calculated as shareholders' equity at the start of the year plus shareholders' equity at the end of the year, divided by two.

Share turnover rate: Number of shares traded during the year divided by the number of shares outstanding at year-end.

GLOSSARY

91/9 model: An agreement under which the majority of a store is owned by Axfood during the initial years, and subsequently becomes 99%-owned by the store proprietor and 1% by Axfood.

Autoorder: An automated store restocking system.

BSCI: Business Social Compliance Initiative.

Delivery reliability: The share of delivered goods in relation to the share of ordered goods.

Distributed sales: Volume distributed from Group-owned warehouses.

E-learning: An interactive training program.

EMAB: EMAB is collaborative organization for independent service station stores, with approximately 400 members within the Shell, Statoil 123, Hydro, Bilisten and Preem service station chains.

Fairtrade Certified: Label for products that are made with the aim of improving the working and living conditions for growers and employees in developing countries through certified fair trade practices. The label certifies that the product meets the criteria of the Fairtrade International organization.

GRI: Global Reporting Initiative

Like-for-like sales: Like-for-like sales refer to store sales reported on the basis of an entire comparison period, i.e., both years.

MSC: Marine Stewardship Council





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axfood

Hemköp

WILLY:S

WILLY:S Hemma

PrisXTRA

Dagab

 **Närlivs**

 **Snabbgross**





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