Axfood Annual Report 2001

axfood

The year in figures

Amounts in SEK million

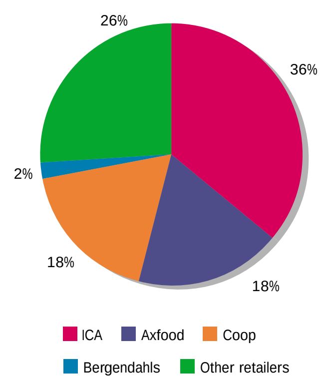
	2001	2000
Sales	32,428	30,230
Operating profit	653	112
Operating margin	2.0 %	0.4 %
Profit after financial items	527	0
Profit after tax	328	-34
Earnings per share	6.16	-0.64
Average number of employees	8,514	8,146

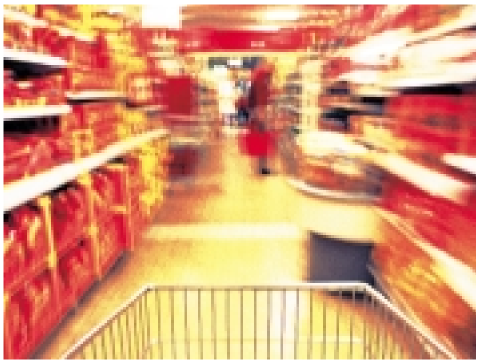
Contents

The year at a glance

- The three discount chains Willys, Exet/Matex and HP Billigt & Nära were combined in one company. The new, joint name is Willys.
- 12,800 sq.m. of new sales area were established.
- Approximately 150 private grocers joined Axfood's new Spar concept.
- Spar Finland turned a loss into profit.
- Axfood increased its holding in Spar Finland, bringing its ownership at year-end to 69.3% of the capital and 75.3% of the votes.
- The e-commerce operation was discontinued.
- Axfood terminated its total involvement in Baltic Food.
- The decision was made to sell the company's own real estate holdings in the coming years.
- The Group discontinued its new-lending activities to private grocers.
- The Group's store network was restructured at a cost of SEK 27 m.

MARKET SHARES IN SWEDEN





About Axfood

Axfood's business mission is to create, develop and run successful grocery store chains – wholly-owned or in franchise form. Axfood seeks to challenge the Nordic retail food market through distinct and unique customer offerings.

Operations are conducted in Sweden and in Finland through the listed subsidiary Spar Finland. Operations in Sweden comprise Dagab and Axfood Närlivs (wholesaling), and the wholly owned store chains Willys and Hemköp. The Axfood Group also works in close cooperation with independent grocers in Sweden through the established Spar and Tempo franchise store concepts. Other private grocers – including those working in the Vivo chain – are customers of Axfood's wholesaling operation, Dagab.

The Axfood Group had approximately 8,500 employees at year-end 2001.

Axfood's brand strategy is based on well defined store concepts. Willys is the leading discount chain in Sweden, with 62 stores. Hemköp, with 106 stores in Sweden, has a distinct focus on quality, health and the environment. The Spar chain consists of traditional grocery stores with a focus on fresh products. At year-end 2001 the chain comprised 106 stores, and by year-end 2002 it will have grown to include some 160 units. The Tempo chain consists of approximately 105 mini-markets.

Axfood's wholesaling unit, Dagab, serves as a hub by taking responsibility for the main flow of goods within the Group.

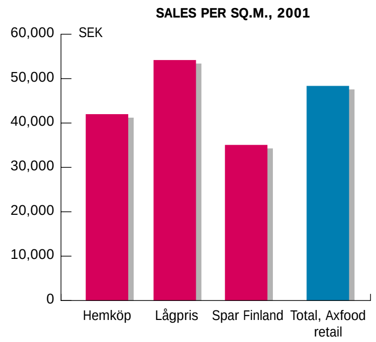
Dagab also handles production of meat and processed meat products, which are marketed under the Hildebrands and Ingmar Johansson brands. In addition, Axfood develops its own private label products for the major store chains.

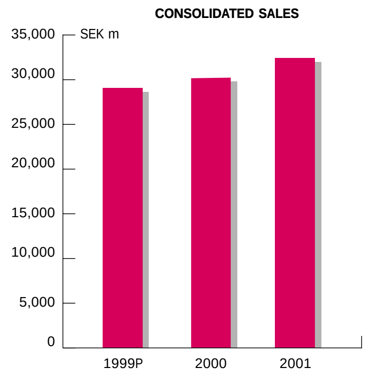
In 1997, companies within the current Axfood Group began conducting e-commerce activities in Stockholm and Gothenburg. This business was discontinued in 2001 due to weak customer interest. Axfood is now taking stock of the software and accumulated know-how from this operation in order to enable a swift re-entry to online retailing if the market recovers.

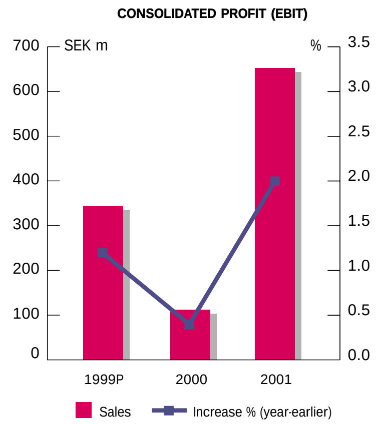
Axfood continues to develop new store concepts to meet emerging customer needs and ensure growth. For Hemköp, a new concept entailing units larger than 2,500 sq.m. is currently being developed for large cities. The aim is to combine Hemköp's core values of the environment, health and quality with hypermarket efficiency and price levels.

In the discount segment, Axfood introduced a new concept in February 2002, "Willys Hemma," with a base of 30 stores located primarly in residental areas and targeted at small households. The "Willys Hemma" concept is based on a carefully selected product offering of some 2,000 articles and an accent on fresh products and a price profile that is among the lowest in the market. Willys Hemma will be established nationwide by 2005.

An organisational chart is provided on p. 55.







Total sales area as per December 2001	
Hemköp	155,725
Axfood Lågpris	153,010
Spar Finland	58,473
Total, Axfood retail	367,208

An intensive, successful year

The retail food industry is a multi-faceted business. Prospering in this business, with its narrow and delicate operating margins, requires a good measure of perseverance and persistent attention to detail. For those of us working in a food company, it is precisely this that gives the business its charm – the opportunity to meet customers and test our competitive ability, 7 days a week, 365 days a year.

2001 was the Axfood Group's first full year of operation. It was an intensive and successful year in which we boosted our adjusted operating margin to 2.3%. After posting a break-even result for 2000, we set off well aware of our strengths and weaknesses. Therefore, the past year was characterised by work on systematically building up Axfood – organisationally, strategically and operationally.

Our chief objectives for 2001 were:

- To secure the effects of the restructuring programme that was carried out in 2000, entailing annual savings of SEK 150 m
- To create growth and profitability in the chain store operations in Sweden and Finland
- To establish a central purchasing function and thereby set the stage for improved purchasing terms
- To continue improving the efficiency of our wholesaling operations in Dagab and Axfood Närlivs

Operations during the year

The restructuring programme we carried out during the year, resulting in the departure of 300 people from the Group, had full effect. Loss-generating stores were closed or converted to other concepts, leading to tangible earnings improvements.

Undoubtedly, Axfood Lågpris and Spar Finland were the bright spots in our store operations during the year. The latter of these, Axfood's discount chain, operated under three brands in 2001 and recorded impressive volume growth of 49% for the year. We are now preparing for a nationwide conversion of all the discount stores to the Willys name, starting in the first quarter of 2002.

Spar Finland, in turn, turned a loss (EBIT) of SEK -25 m in 2000 into a profit of SEK 37 m in 2001. The company is currently in the midst of an extensive cost-cutting programme and is coordinating its purchasing and marketing. Further streamlining of Spar Finland's store network is planned for the year ahead.

Hemköp experienced a negative trend during 2001. Operations in the chain are currently being optimised in order to more effectively capitalise on the benefits of the chain structure. The aim of this work is to cut costs and thereby create a competitive advantage. In addition, Hemköp's store structure needs to be renewed. During the fourth quarter of 2002 we should begin seeing the effects of the extensive action programme that is being carried out.

Our e-commerce operation was a disappointment – a disappointment because at Axfood we believed strongly in this new and attractive way of grocery shopping. However, the customer flow was too low, and we saw no signs of a significant recovery. During the fourth quarter we decided to shut down our e-commerce operation, taking wind-up costs of SEK 28 m. Our total investment in e-commerce amounted to approximately SEK 100 m over a three-year period.

Our wholesaling operation, Dagab, serves as a vital hub in Axfood's business. Dagab had a very strong year in 2001, and in terms of earnings it made the greatest contribution to the Group. Although our margins improved as a result of a price adjustment at the start of the year, our greatest profitability improvement was achieved through continuous work on improving the efficiency of Dagab's operations. Of Dagab's sales, about half come from Axfood's wholly owned stores and half from the private grocers that Axfood cooperates with.

Axfood Närlivs – our wholesaling arm for business customers – posted a strong year. Sweeping structural changes entailing fewer distribution outlets and offices, combined with favourable volume development, gave the company a significant earnings lift during the year.

Strategic matters for the Group

Without a doubt, the most important joint matter within the Group has been the centralisation of our purchasing and product assortment work, where the gains are enormous. We are achieving better terms and securing lower purchasing prices by taking advantage of our aggregate purchasing power, to the tune of nearly 20 billion kronor. Having a central purchasing function also ensures food quality and origination. The revenues gained through the improved terms are being split between the Group and the store chains.

The development of our private label product lines is another high priority measure on our agenda. The Hemköp, Willys and Spar chains will all have their own, unique product lines as a central part of their customer offerings. Added to these will be additional private label brands that will be shared by the entire Group. Our goal is that private label products will account for 15% of sales by 2005. All of Axfood's store chains will be introducing their private labels in 2002.

Nordic expansion

Axfood's long-term goal is to continue its expansion in the Nordic region and to achieve significant market positions in Sweden, Norway, Denmark and Finland by 2005.

Spar Finland, which today has an approximate 9% share of the Finnish market, is our initial springboard for this strategy. In October Axfood directed an offer to the other shareholders of Spar Finland in an attempt to acquire all the shares outstanding. By year-end Axfood owned 69.3% of the shares and 75.3% of the votes. We remain committed to acquiring all of the shares in order to gain maximal synergies with Spar Finland.

As a result of our objective of concentrating operations in the four Nordic countries, we terminated our entire involvement in Baltic Food during the year, taking a one-time charge of SEK 46 m.

Future outlook

The Group's organisational structure has now been laid and established. Axfood's strategy is sound, and we are pursuing it bit by bit. We are now starting a new phase in order to inch even closer to our long-term goal of a 3% operating margin. This work can be summarised in the following main areas:

• Distinct customer offerings

Axfood's long-term success depends on how well we manage and develop our store chains. Our strategy is to have complementary formats that appeal to varying customer needs. In 2002 we will be evaluating and testing concepts for a first-class, "super-store" concept based on Hemköp's core values. Our new discount chain, "Willys Hemma," will be launched in 2002 and established nationwide by 2005 at the latest. This concept is based on ultra-efficient operation and a painstakingly selected assortment of products, and it represents a revival of the neighbourhood grocer with a price profile that is among the lowest in the market. It is our answer to the growing presence of hard discount stores in the market.

• Cost-effective, joint processes

We have already begun several projects that take advantage of economies of scale within the Group. These include a Group-wide structure in our financial administration, which is estimated to generate savings of SEK 10-20 m by 2003. The Group's new needs for joint IT development entail yearly expenditures in the range of SEK 50 m.

A review of the product flow process is giving us the opportunity to lower our costs by identifying quality deficiencies and inefficient operating solutions.

• Growth

Axfood's long-term goal is to achieve average annual growth of 8%. A large part of this will take place organically within our existing store operations. But we will also be accelerating the pace with which we acquire individual stores or small chains in 2002. New establishment is a third priority area in which we have already intensified our work. Conversions to other concepts will also enhance our growth.

Stay tuned to our continued growth in 2002!

Mats Jansson
President and Chief Executive Officer
Axfood AB

Eventful year for the Swedish retail food industry

THE INDUSTRY

While the ownership structure of the major retail food companies has changed, the market in Sweden has remained stable. The consolidation that has been taking place throughout most of Europe has also spread to Scandinavia. Ahold's acquisition of 50% of ICA and the creation of Axfood have accelerated the expansion plans of companies in the domestic market.

2001 was an eventful year for Sweden's retail food industry. The major events during the year can be summarised by four points:

- Continued diversification and convergence
- Continued Nordic expansion
- Utilisation of synergies
- Brand strategies and development

The winners in the Swedish and Nordic retail food markets will be the players who have the best ability to implement their strategies.

Diversification and convergence

Several major players are opting to diversify their offerings by seeking out and developing peripheral services, especially in the financial sector. In 2001, for example, a couple of retailers started niche banks, using their respective customer cards as a platform to tie-in customers by attaching more and more services to their respective brands. Axfood is the only retailer that has chosen to clearly concentrate and develop its core business, grocery stores, instead of developing other offerings.

Nordic expansion

Nordic expansion is high on the agenda for all three of Sweden's food retailers. The formation of COOP Norden during the year was the Swedish cooperative movement's first step toward working on a pan-Nordic basis. ICA, in turn, extended its Nordic footprint by entering into a joint venture with Dansk Supermarket. Axfood, whose Nordic strategy is to establish a strong market position in each Nordic country by 2005, strengthened its ownership in Spar Finland in 2001.

Utilisation of synergies

Competition in the Swedish and Nordic markets has intensified as all the players are seeking to minimise their costs by coordinating central purchasing and overseeing their product flows.

The development of private label product lines is yet another example of how the major retail groups are coordinating and maximising their potential based on an overriding chain structure for their stores. Axfood has implemented a central purchasing structure in a short time. Through its integrated organisation, comprising a wholesale operation working in collaboration with the Group's wholly owned store chains, Axfood has very good opportunities to steer its business toward better coordination and utilise economies of scale within the Group.

Brand strategy

A common thread tying the three major blocs together is their efforts to reduce the number of store names. The main reasons for this are the difficulties in presenting a clear picture to consumers and the high marketing costs required to maintain awareness and offerings. Axfood has sharply reduced the multitude of store names within the Group and now has two wholly owned chains and collaborates with private grocers under three concepts.

New establishment and expansion during the year took place primarily in the hypermarket segment.

THE CONSUMERS

Sweden has undergone a profound socio-demographic change in

In recent decades Sweden has been undergoing a major socio-demographic change. This is a trend that affects the basic conditions for doing business in the retail food industry.

recent decades. For example, the portion of single-person households has doubled since 1975. This means that 47%, or 2 million of Sweden's some 4.3 million households, consist of people living alone. Factoring in the number of homes with single parents, the number of households in which there is only one adult rises to 2.3 million. One-third of retirees in Sweden live alone. Households with four people today account for 11% of the total in Sweden. People born outside Sweden make up an equally large group, 11%. If we add people born in Sweden with at least one non-native Swedish parent, this group increases to 20% of Sweden's population.

In addition, the population is continuing its migration from rural areas toward the three major metropolitan areas. Today only 1.8 million people of Sweden's population live north of the Dala River. And like the rest of the Western world, Sweden's population is also ageing, with one of the world's oldest populations.

A basic condition for being able to meet consumers' needs is understanding who they are. It is the consumers' choice that decides if a store will be successful or not, and Sweden does not look the same as it did only 15 years ago.

Major changes have also taken place with respect to lifestyle patterns and values.

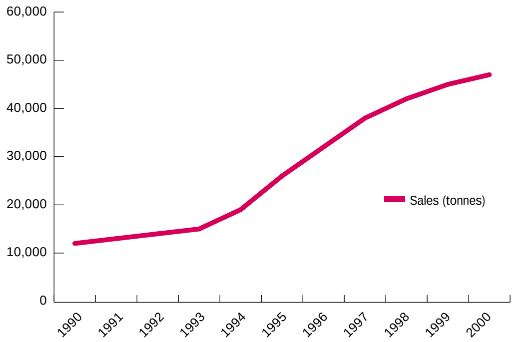
Weight problems and obesity are a growing problem worldwide. One in five people in the industrialised world is overweight. As a direct consequence of this, lifestyle diseases like diabetes and heart and lung disease have increased, but so has awareness about health and wellness. For food stores there are great opportunities to adapt and offer solutions to this growing group of consumers who want to live well but eat heartily.

To a great extent, the world has transformed from a 9-5 to a 24-hour society. More and more of people's daily affairs can be conducted at practically any time of the day – or night. We do not need to plan like before. Time constraints have also increased as the vast majority of men as well as women are in the workplace. As a result, Swedish households are spending less and less time in the kitchen. In 2000 the average time spent cooking was 11 minutes a day, compared with 2.5 hours during the Sixties and 55 minutes in the early Eighties. This has created a need for stores that offer a broader range of food solutions – everything from basic ingredients to semi-prepared and complete meals.

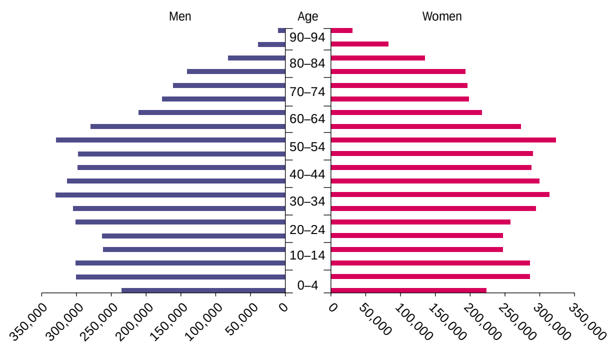
Growing numbers of consumers are gravitating towards fresher, convenient and nutritional foods. Also, the intensifying debate in recent years on food quality, origin and transports has put consumers more in tune with ethical issues. High demands are being made on traceability, quality assurance and environmental concerns.

In summary, today's consumers have widely diverging tastes and preferences. Each and every one of us has at least three or four different kinds of needs – needs that must be met and where the store's location, price profile, offering and meal solutions are all key factors for success.

Data in this article are based on reports from Statistics Sweden (SCB), Livsmedelsekonomiska Institutet, the National (Swedish) Food Administration, and trade journals.



Sales of ready-made food in Swedish stores
Source: Branschorganisationen Djupfrysningsbyrån



Sweden's population at 31 December 2000 by age and gender.
Source: Statistics Sweden

At Dagab's warehouse in Jordbro, south of Stockholm, 60 employees per shift make sure the right products are delivered to the right place at the right time.

Streamlined operation led to strong year

Dagab is Axfood's wholesaling operation for large stores. Its business concept is to optimise and refine the flow of goods, information and capital between suppliers and retailers. Dagab distributes everything except fruits, vegetables and bread, from full-assortment warehouses in Jordbro, Gothenburg, and Borlänge. Fresh-product warehouses operate out of Jönköping and Kristianstad. Dagab also runs a warehouse for Axfood Närlivs in Tyringe (Hässleholm), and includes the company Ingmar Johansson AB, which handles the production of meats and processed meats. Altogether Dagab has 100,000 sq.m. of warehouse space.

Roughly half of Dagab's sales are derived from Axfood's wholly owned stores and roughly half from private grocers, comprising about 800 stores in all. Dagab supplies about half of its customers' total volume.

Dagab plays a central role in the value chain between supplier and store. Major investments are being made to renew and optimise the flow of orders, invoicing and deliveries.

Dagab has 1,290 employees.

Competition and market

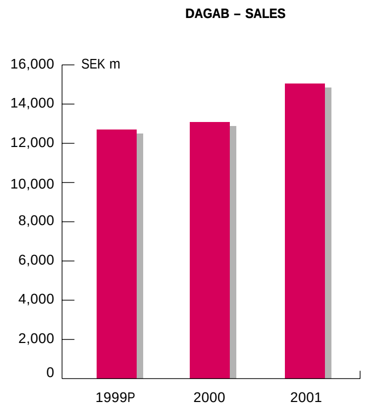
The two other major players in the market, ICA and KF, have their own wholesaling systems. An additional wholesaler, Bergendahls, operates in southern Sweden. A considerable portion of the stores' volume also comes from direct import or via smaller wholesalers.

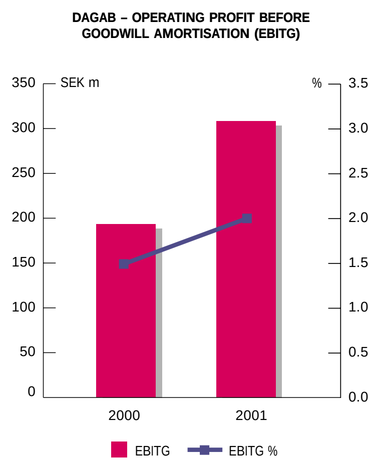
Important events during the year

- A price adjustment was effected in January for all stores, which strengthened Dagab's margins.
- Dagab's subsidiary structure was streamlined. Ostmognadsbolaget (cheese) was sold, and the meat and processed meats company Hildebrands was merged with Ingmar Johansson AB. Two plants were closed, and logistics and administration were coordinated. The merger has contributed to improved profitability in the meat and processed meats operation.
- Coordination was conducted of various Axfood units with own warehouses, resulting in the closure of several small warehouses.
- A new cheese and dairy warehouse began operating in Backa, Gothenburg.
- Concentration of Dagab's and Axfood Närlivs' operations in Skåne was begun at a unit in Tyringe (Hässleholm).

Sales and earnings

The structural changes and efficiency-improvement measures





In Dagab's cold storage warehouses, which maintain a constant temperature of –26ºC, employees are limited to two-hour shifts.

carried out by Dagab had a favourable effect on earnings for the year. In addition, positive growth for Willys resulted in greater volumes, entailing improved efficiency in the wholesaling operations.

Dagab's sales for the full year totalled SEK 15,054 m (13,078). Operating profit before goodwill amortisation (EBITG) was SEK 308 m (193). The operating margin before goodwill amortisation was 2.0% (1.5).

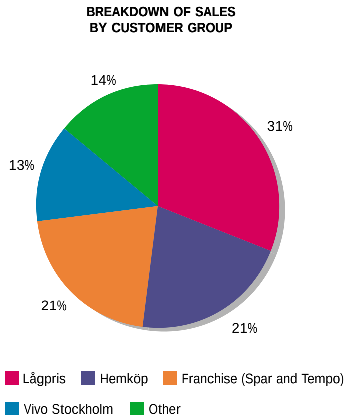
Future outlook

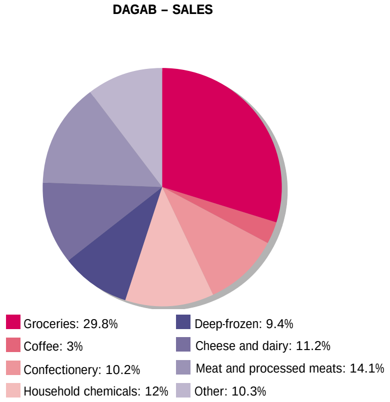
Continued efficiency improvement in the meat and processed meats operations, among other areas, will further strengthen Dagab's profitability in 2002.

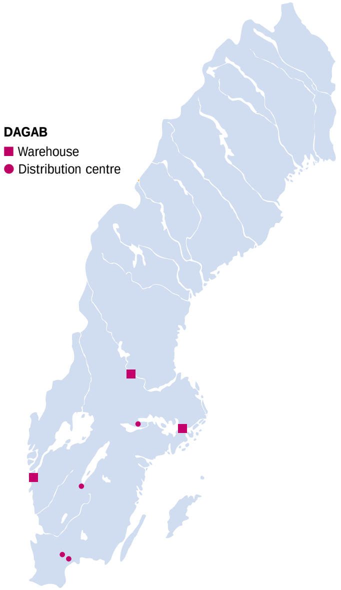
The implementation of geographically steered distribution will be another key undertaking. Today distribution is customer-steered. This changeover will lead to an improvement in route planning and better capacity utilisation of delivery vehicles. The savings achieved by these measures is estimated to be approximately SEK 20 m.

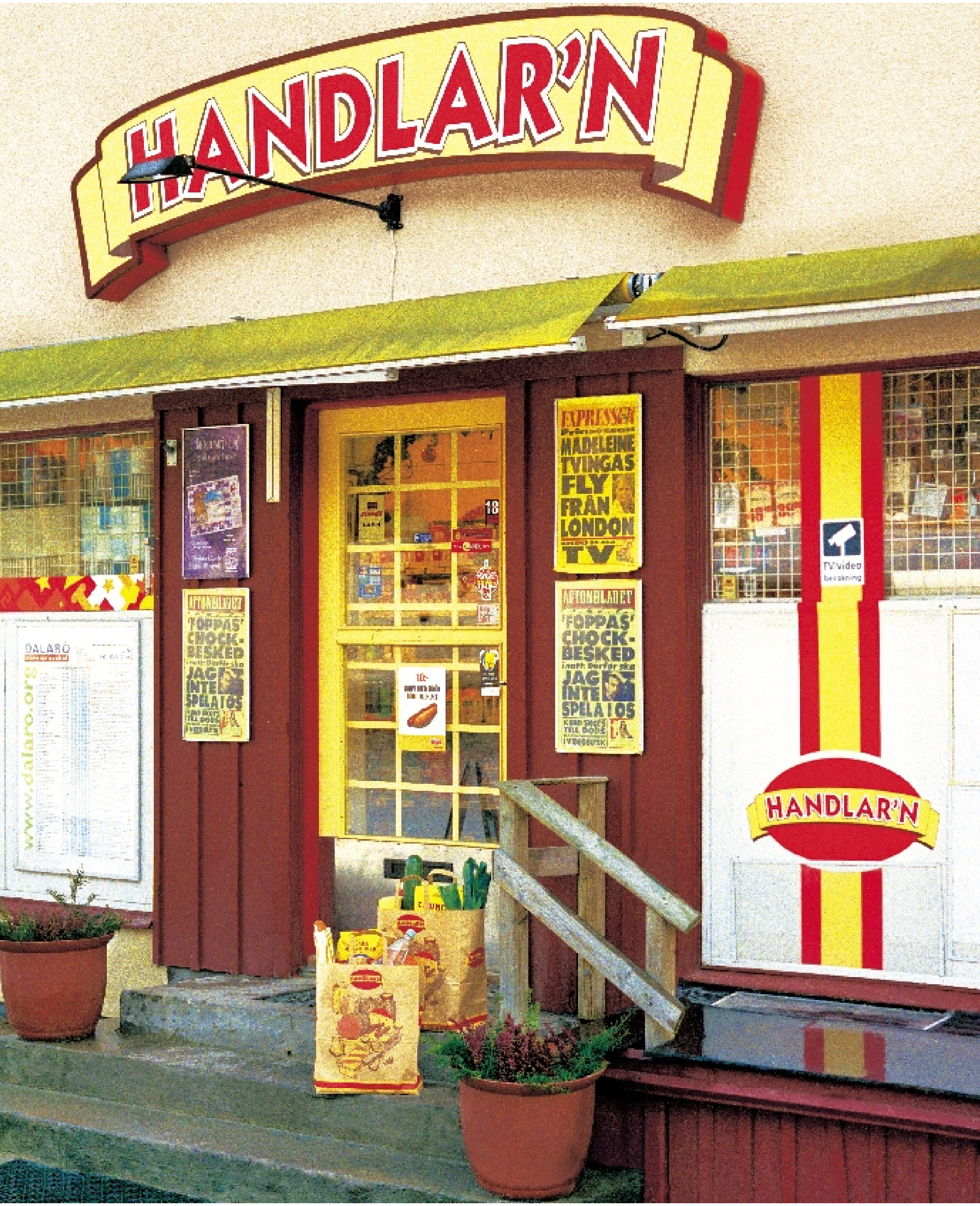
The "continuous improvement" concept is currently being implemented in the aim of improving internal efficiency, productivity and quality. Employees throughout the company will be affected by this. Streamlining the range of products in the Dagab system will be a priority project during the year. This project is being conducted in consultation with the store chains, entailing the elimination of odd products with low volume. The goal is to reduce the total product range by up to 15%.

Through these measures Dagab has established a solid foundation for further refining and optimising the flow between supplier and customer, with a slight improvement in profitability as a result.









Axfood Närlivs provides goods and support to private grocers throughout Sweden, such as this Handlar'n store on the island of Gålö in Stockholm's archipelago.

Favourable development with mounting competition

Axfood Närlivs is an open wholesaling operation for convenience stores. Its business concept is to offer a complete system of products as well as market and concept support to the wide range of customers in the convenience store sector. The company has three types of customers. The first consists of contracted customers such the OK/Q8, Shell and Preem service station chains, which account for slightly more than half of sales. The second customer category consists of small grocery store chains such as Handlar'n and Jourlivs, while small businesses and shops make up the third category. Axfood Närlivs also runs a cash-and-carry operation comprising 25 outlets, where convenience stores, restaurants, fast-food stands, offices, etc., can purchase goods.

Axfood Närlivs operates nationwide in Sweden, distributing wholesale goods from five main warehouses and two subcontracted wholesalers. The operation is characterised by customers with limited space, small inventories and uneven sales. Many have seasonal businesses, which puts high demands on flexible offerings and a high ability to deliver. About half of sales consist of confectioneries, beverages and snacks.

Axfood Närlivs has 840 employees.

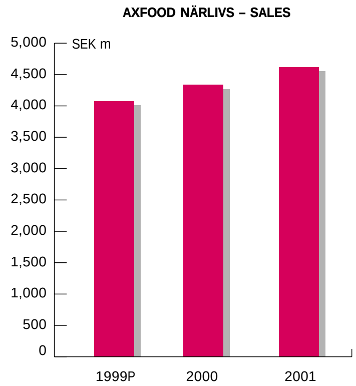
Competition and market

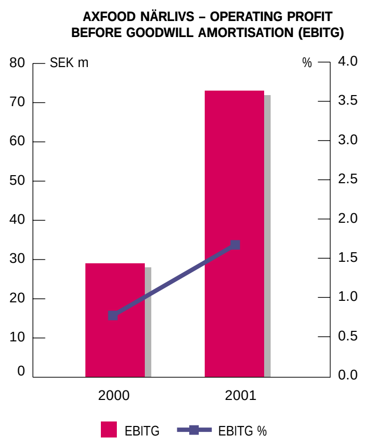
Axfood Närlivs has several types of competitors, including ICA-Meny, Privab and other local wholesalers. In certain geographical markets, discount retailers also compete with Axfood Närlivs. Competition is expected to intensify further, as customers are highly mobile and numerous alternatives exist in the market. In the future, the smallest customer groups could presumably choose the strongest discount chains over open wholesalers.

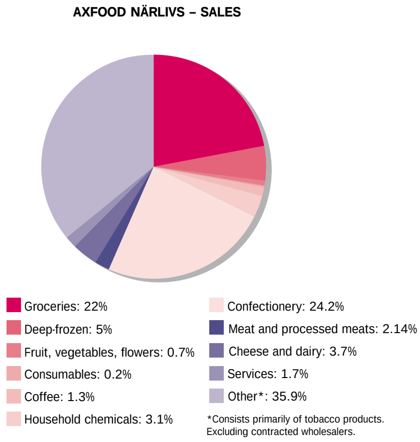
The convenience store market is worth approximately SEK 25 bn in retail sales. The wholesale segment has sales of approximately SEK 9 bn, of which Axfood Närlivs has an approximate 45% share and is thus a leading player. The closest competitor, ICA-Meny, has roughly 21% of the market.

Important events during the year

- The internal organisation was centralised and streamlined, with a positive earnings impact.
- New contracts were signed with Preem, SF Bio, and the confectionery chain Jam Jam.
- The wholesale company Ragnwalds AB was acquired. The company has previously had cooperation agreements with Axfood Närlivs. The acquisition strengthens Axfood Närlivs' delivery capacity.
- Two new cash-and-carry outlets were established, in Umeå and Sundsvall, respectively, which increased volumes.
- 64 Matnära stores were added to Axfood Närlivs.
- Streamlining of Axfood Närlivs' warehouse operations in southern Sweden was begun, with a concentration at a warehouse in Tyringe (Hässleholm).







Many of Axfood Närlivs' customers have seasonal sales and limited space, which puts high demands on the distributor's flexibility.

Sales and earnings

Axfood Närlivs reported a favourable sales and earnings trend in 2001. Sales for the year totalled SEK 4,618 m (4,335), and operating profit before goodwill amortisation (EBITG) was SEK 73 m (29). The operating margin before goodwill amortisation was 1.6% (0.7).

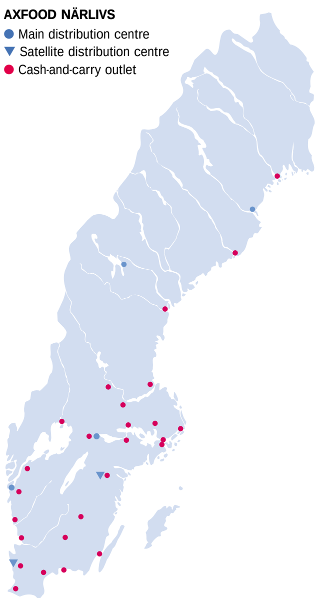
The year's favourable earnings trend can be credited to successful work on cutting internal costs and restructuring the operations, which has improved the company's delivery capacity and lowered logistics costs. The volume increase during the year was 4%.

Future outlook

Dagab's structure and product range are not suited for Axfood Närlivs' customers, which have considerably smaller volumes. To meet the needs of this segment, during the first quarter of 2002 Axfood Närlivs is establishing its own warehouse for meat and processed meats in Örebro.

Axfood Närlivs will continue overseeing its internal costs. The market and business systems will be centralised and improved.

Axfood Närlivs works with a heterogeneous customer structure. However, the convenience store segment is expected to experience continued growth in the years ahead. The company is therefore working to strengthen its position in 2002 through more targeted and intensified market penetration.



Service counters staffed by knowledgeable and committed employees set Hemköp apart from its competitors.

Strong action programme launched to boost competitive strength

Hemköp's business concept is to be recognized as the best food store in the areas in which it is located, with a distinctive quality profile. Hemköp's stores offer an extensive range of products encompassing nearly 15,000 items, including local product offerings supplied by local producers. Hemköp's stores offer personal service with staffed meat, fish and delicatessen counters. Knowledgeable and committed employees set Hemköp apart from its competitors.

Hemköp's "own farms" are just one example of the chain's quality profile. Meat-producing farms raise livestock according to Hemköp's stringent ecological demands and with higher standards of animal care than those required by Swedish agricultural laws. For instance, feed and transport conditions are inspected prior to slaughter. Moreover, Hemköp's stores sell eggs only from free-range hens. On top of this, Hemköp is the only chain of stores in Sweden with its own bakeries – 17 in all, which supply bread to all of Hemköp's stores across the country. All Hemköp bread is free of preservatives.

Hemköp is a nationwide chain comprising 106 stores. The chain also includes Billhälls, a store chain in Western Sweden with 12 units. Hemköp does not have any franchising business. The 106 Hemköp stores range in size from 600 to 3,000 sq.m., with annual sales ranging from SEK 50 m to SEK 200 m per store. Most Hemköp's stores are located in centrally located shopping centres and residential areas.

Hemköp has 3,070 employees.

Competition and market

During the 1980s and '90s Hemköp built up a unique position as a quality- and environmentally oriented store with high ethical standards. In recent years this concept has been copied by other chains and stores. The emergence of hypermarkets during the last five to six years has also entailed new competition, since Hemköp is not established in newly built shopping centres in the outskirts of urban areas.

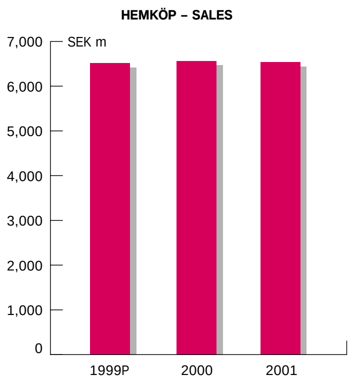
Hemköp has a strong local position in many of its established locations. However, the store structure as a whole is heterogeneous, and a refinement process was begun in 2001.

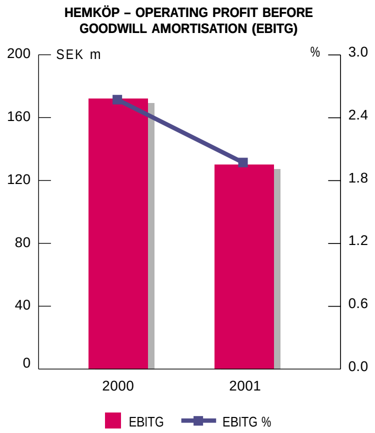
Important events during the year

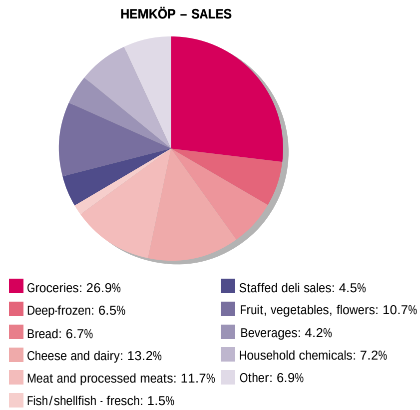
- New management was installed at Hemköp, which immediately launched an extensive process of change in the aim of cutting costs and enhancing synergies within the chain.
- Purchasing and assortment activities were centralised, from having previously been run to a high degree by each respective store. Logistics and negotiating strength are important factors in improving the profitability of product flows.
- Three stores in Gothenburg, with annual sales of roughly SEK 350 m, were acquired in October.

Sales and earnings

Hemköp had a weak earnings trend during the year. Sales totalled SEK 6,536 m (6,562). Operating profit before goodwill amortisation (EBITG) was SEK 130 m (172), entailing an operating margin before goodwill amortisation of 2.0% (2.6). The weak trend is attributable to greater competition and Hemköp's store structure, with a large number of small stores in small towns.







Hemköp is the only store chain in Sweden with its own bakeries – 17 in all.

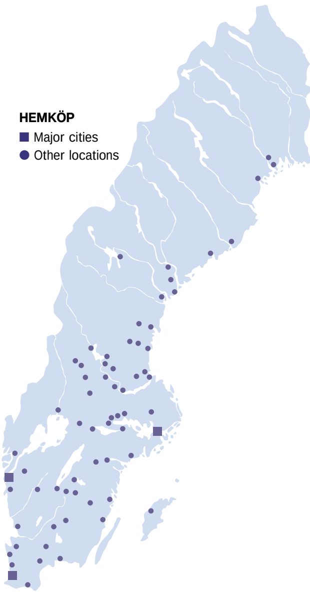
Future outlook

A strong action programme is being carried out at Hemköp to enhance the chain's competitive strength. By reviewing the product flows throughout the chain, costs can be cut and customer prices lowered.

Vårt Eget ("Our Own"), Hemköp's own private label, will also be renewed during the year. Product content and design is being revamped, and the line will be relaunched during the second half of the year.

A recovery of volume and earnings is expected by the fourth quarter of 2002.

In 2002 Hemköp will be evaluating a new "super-store" concept entailing units larger than 2,500 sq.m. The concept is being developed for large cities and is based on Hemköp's quality profile, combined with hypermarket efficiency and price levels.



WiLLY:S

Low prices are one of the main factors determining customers' choice of store. Willys aims to offer the lowest prices in Sweden.

Breakthrough in the discount segment

In 2001 Axfood conducted discount retailing under three brands: Willys, Exet/Matex, and HP Billigt & Nära, comprising 91 stores and 16 affiliated franchise stores. Operations are conducted within a single legal entity and will all undergo a name change in 2002 to Willys. The business concept is to offer Sweden's lowest grocery prices.

Willys stores range in size from 1,500-3,500 sq.m., with annual sales of between SEK 100 m and SEK 300 m per store. They are located primarily in the outskirts of urban areas. Of the some 5,500 items in the product range, about half are fresh products. The concept is based on generally low costs, an efficient and streamlined operation, and no staffed service counters.

Axfood Lågpris had 2,030 employees at year-end 2001.

Competition and market

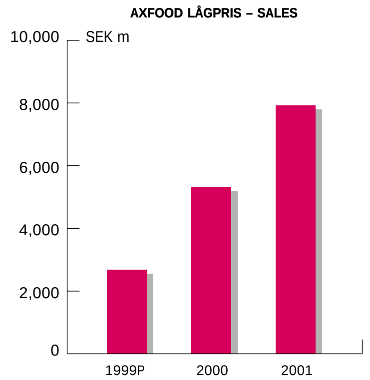
Axfood defines the discount segment according to a price index in which the value of the average store is 100, and discount stores between 80 and 90, which works out to a price range for the discount segment that is 15-20% lower than in traditional retail stores. According to this definition, the Willys chain is the leader in Sweden with a market share of approximately 49% (sales of wholly owned stores). Chief competitors in this segment consist of ICA's Rimi chain, and in certain locations also ICA Maxi and COOP Forum. City Gross is also a significant competitor in the few local markets in which it is established.

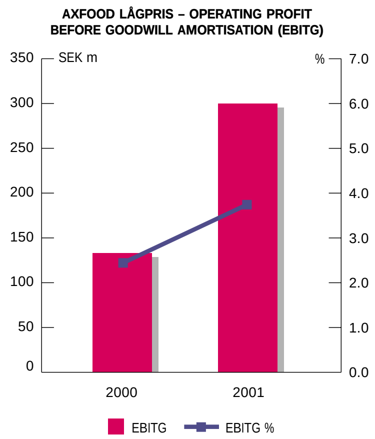
During the year the hard discount segment drew focus in Sweden. This segment is particularly strong in Germany, where the leading players in the market originated. Hard discount stores are small, ranging from 500-900 sq.m., with a slim product range of around 1,000 items, often consisting of private label and discount products. The price profile is always low, although it varies from market to market. Today the discount market is more firmly established in Sweden, and more consumers thus cite low prices as one of the three main reasons for their choice of grocery store.

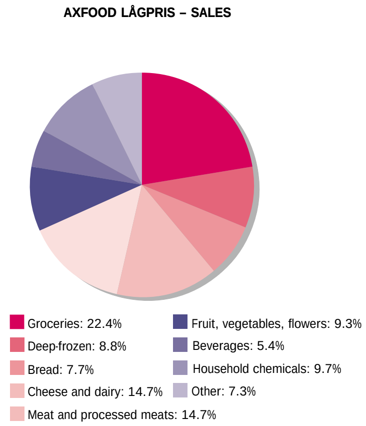
With the launch of the new Willys Hemma store chain, Axfood aims to head off new competition in the discount segment. (See "Future outlook" below.)

Important events during the year

- In January the Group's three discount chains were gathered into a single legal entity, Axfood Lågpris AB, with the aim of forming a nationwide chain.
- The decision was made to gather all of Axfood's discount stores under the Willys name.
- A new concept for the nationwide Willys chain was developed, encompassing product range, pricing and a line of Willys private label products.
- 35 stores were added to the Lågpris chain, including 5 stores that were converted from other concepts within the Group, 3 newly established units, 31 acquired stores (including HP Billigt & Nära), and 4 closed stores.







Sales and earnings

2001 was a successful year for Axfood's discount chains. Sales increased by 49% and amounted to SEK 7,924 m (5,333) at year-end for the wholly owned stores. Operating profit before goodwill amortisation (EBITG) was SEK 300 m (133). The like-for-like increase was 10%. The operating margin before goodwill amortisation was 3.8% (2.5).

Future outlook

Conversion of the Exet/Matex stores to the new Willys concept will begin during the first quarter of 2002. Of the approximately 30 stores, about half will be converted in 2002. Conversions are taking place gradually to ensure the sales and earnings of each respective unit. The 16 franchise stores that are currently tied to one of the discount chains have been offered to join the new concept in 2003.

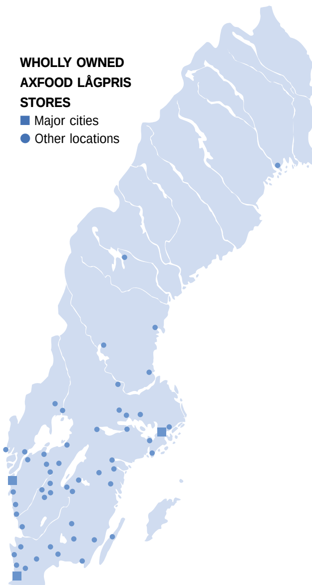
Willys will also grow through the addition of a number of newly established units during the year.

Willys will be introducing its own private label during the spring of 2002. By year-end the product line will include some 150 items. The goal is to gradually expand the private label offering to 750 items by 2005. Willys products are quality-assured and produced with care to put them on a level with the leading brands in each respective product category. In terms of price, however, they will be 10-15% lower than the market-leading brands.

Competition in the discount segment is expected to intensify further in 2002. The Willys chain is nevertheless expected to experience continued growth.

Willys Hemma will be established as an independent company within the Axfood Group in 2002. The chain's platform consists of the some 30 HP stores in western and central Sweden, which will be converted to the new concept. These small, neighbourhood stores will have a product offering that is twice as large as that offered by the international hard discount chains and very competitive prices. The target group is small households, for whom the stores can serve as their primary source of groceries, and families in need of complementary shopping. The goal is that the chain will have nationwide coverage by the end of 2005 and consist of approximately 120 units.

Willys Hemma, a new discount store chain, is being launched in 2002.



Tempo is synonymous with generous business hours and an attractive range of complementary products in a mini-market format.

Spar is one of the world's largest grocery store names with a presence in 33 countries. Axfood has the licence rights in Sweden.

Successful store conversions continue

Sweden has a large group of private grocers. Axfood Franchise's business concept is to develop, support and profile grocer-owned stores. This is pursued in two concepts: Spar and Tempo. Approximately 250 stores are covered by this cooperation arrangement, which is governed by agreements with the Axfood Group.

Spar is one of the world's largest names in food retailing, with a presence in 33 countries. Axfood has the licence rights in Sweden. The content of the Spar concept is determined by the respective licensees.

In 2001 nearly 150 Vivo grocers outside the greater Stockholm area reached an agreement to join the new, nationwide Spar chain. The cooperation covers the Spar concept and product content, purchasing cooperation and marketing programme. The grocers will also receive some operating assistance. The motto of the concept is "Matglada butiker" ("Festive Food Stores"), with an accent on sparkling stores and a wide array of fresh products. Spar stores have an average size of 700-800 sq.m., with annual sales ranging from SEK 20 m to SEK 80 m.

Conversion of Vivo stores to Spar units was begun during the year. By year-end 106 stores had been converted Eurospar units. The remaining Vivo stores covered by the agreement will be converted by June 30, 2002. The new Spar chain will have annual sales of approximately SEK 6 bn.

The Tempo chain consists of 105 stores throughout Sweden. Tempo is a mini-market concept with a basic range of groceries and fresh products. Tempo stores also offer store-baked bread and ready-made meals. The units have an average size of 400 sq.m., with annual sales ranging from SEK 8 m to SEK 20 m. Axfood's cooperation agreement covers the content of the concept, purchasing cooperation and marketing programme.

Axfood also cooperates with Vivo Stockholm, comprising 85 stores in the greater Stockholm area and on Gotland. The stores, which are run by an own economic association, are customers of Dagab, but are not tied to Axfood through franchise agreements. Vivo Stockholm has annual sales of approximately SEK 5.2 billion.

Axfood Franchise has 130 employees. All store staff are employed by the respective grocers.

Competition and market

Stores in the new Spar chain are often the main source of groceries in small towns and serve as traditional grocery stores. Their competitiveness often lies in being able to offer an attractive range of products at competitive prices. The segment is highly competitive, however, neighbourhood grocery stores with the right price profile have a given place in the market. Growth in the chain after conversions has been favourable.

Tempo's mini-market concept works in an extremely competitive segment. The smaller Tempo stores have been hit hardest by the

Spar works in the highly competitive yet important segment of neighbourhood stores offering an attractive price profile.

growing presence of hypermarkets and discount retailers. The chain's competition opportunities therefore lie in its ability to offer an attractive range of complementary products and ready-made meals.

Important events during the year

- Vivo grocers outside the Greater Stockholm area reached an agreement to be included in the new, nationwide Spar chain.
- New Spar stores improved the sales result after conversion by 2-5%.

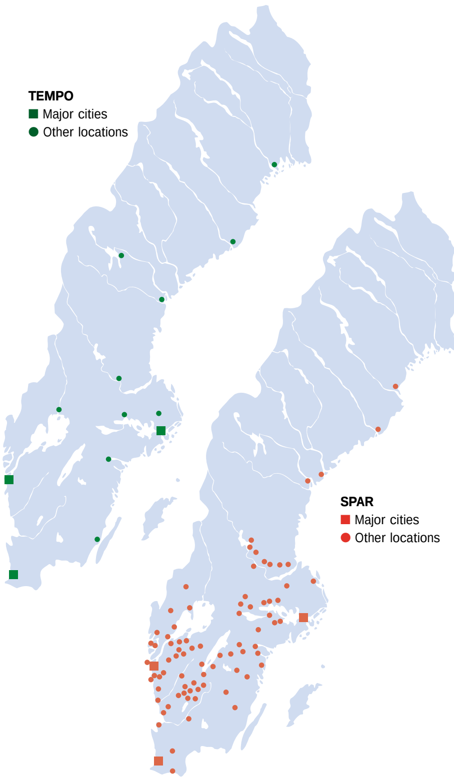
Sales and earnings

Axfood Franchise's reported earnings are based on licensing fees. Dagab accounts for roughly half of store volumes. Operating profit before goodwill amortisation (EBITG) was SEK 26 m (12).

Future outlook

Work in 2002 is being focused on successfully converting the remaining Vivo stores to the Spar concept. In pace with the establishment of the Spar chain, the franchising fee will be raised from 0.65% to 1.1% in 2002.

In 2001 the number of employees in Axfood Franchising decreased as a result of coordination within the Group. Work is continuing to keep administrative costs down.



Spar Finland

Through Axfood's presence in Finland, the Group stands well-prepared for a possible Swedish adoption the euro.

Strong trend in Finland

Spar Finland Apb consists of 77 wholly owned stores and 227 cooperating stores throughout Finland. The Spar Group has a 9.1% share of the Finnish market. In 2001 the company decided to consolidate from 5 store chains to 2: Spar (traditional grocery stores) and Eurospar (discount stores). Other chains – Superspar, Spar Express and Rabatti – are expected to be converted in 2002 and 2003.

Spar Finland is responsible for the flow of goods within the Spar Group. The company also provides support services to the Spar Group's private grocers. Spar Finland owns 35% of the logistics company Tuko Logistics Oy, which handles transport and logistics within the Spar Group.

Axfood AB is Spar Finland's largest owner. The company is listed on the Helsinki Stock Exchange.

In 2001 Axfood made a cash offer of EUR 27 per share for the remaining shares outstanding. At year-end Axfood owned 69.3% of the capital and 75.3% of the votes.

Spar Finland has 880 employees.

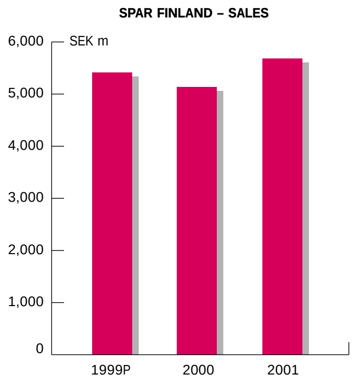
Important events during the year

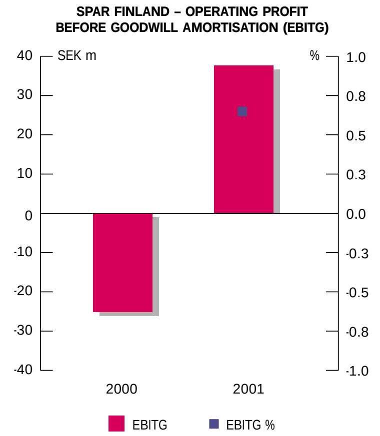
- Spar Finland reversed the preceding year's loss and reported a profit. The company strengthened its position by centralising purchasing and marketing, and through cost-cutting.
- The decision was made to reduce the number of store chains from 5 to 2.
- A review of the store structure was initiated, leading to the closure of 23 stores.
- Preparation work, including training, was conducted ahead of the introduction of the euro.

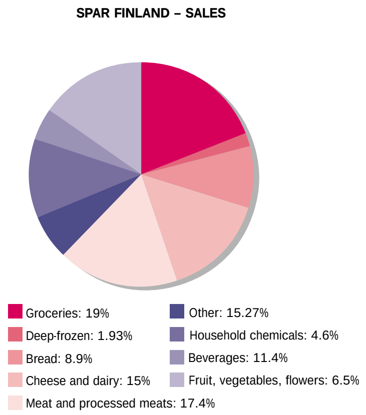
Competition and market

Of the two leading players in the Finnish market, Kesko and the S-Group, it was the latter that strengthened its position the most in 2001. The trend involving the further establishment of hypermarkets continued – a segment in which the S-Group has been particularly successful.

Spar Finland's store structure consists of small and medium-sized units. The Group is in need of further oversight of the number of stores and of finding more stores in the Greater Helsinki area. Nevertheless, Spar Finland's store structure has given it a relative advantage since only small stores are allowed to be open on Sundays in Finland, which has benefited the company's sales.







Only small stores are allowed to conduct business on Sundays in Finland. This has benefited Spar Finland's sales.

Sales and earnings

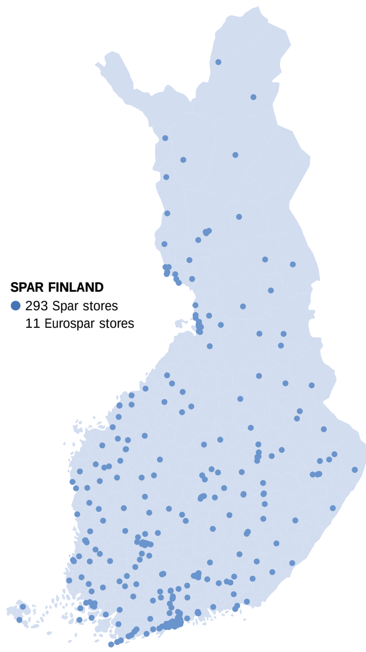
Sales for the year totalled SEK 5,683 m (5,139), an increase of 11%. Operating profit before goodwill amortisation (EBITG) improved to SEK 37 m (-25), and the operating margin before goodwill amortisation was 0.7% (neg.). The result improvement can be credited to a sweeping programme aimed at cutting costs and increasing volume.

Future outlook

The chief task in 2002 will be to successfully convert the remaining Rabatti and Spar Express stores to the Spar concept. This is expected to further enhance the Group's market position. Parallel with this work, a necessary oversight of the store structure will be conducted. The new, centralised structure is expected to lead to further synergies in 2002.

A number of initiatives have been taken by Spar Finland to improve efficiency and streamline flows and systems. This work will continue in 2002. The company has adopted a new human resources strategy, and considerable emphasis will be put on competence development in the coming year.

These measures are all expected to contribute to improved profitability in 2002.



Hemköp is the first grocery store chain in Sweden to be certified as a "Good Environmental choice," Skälby Gård, one of Hemköp's "own farms," is one example of Hemköp's quality profile.

Focus on corporate responsibility

Axfood is a newly formed corporation with a history rooted in numerous cultures and structures. We have a considerable task ahead of us in building and ensuring a company that is aware of its corporate responsibility – with one culture and one structure. Food affects all people. We need it to survive, and it is a central unifying factor in the social behaviour of all cultures. Our industry is encumbered by a number of important ethical matters that we have to take a position on, such as animal care, quality, and research surrounding genetically modified foods. Axfood's work involves not so much manufacturing, but more of choosing and providing food products. All stakeholders in the company – employees, customers and shareholders – must feel confident and secure about our way of handling this task.

Our employees

In 2001 the Axfood Group adopted an employee philosophy. It states that motivated and competent employees who create value-added for our customers are a prerequisite for the achievement of our long-term objectives.

This philosophy has been drawn up with the support of the management of all Axfood companies, and an action programme for implementing it has been initiated. An employee survey which will be conducted every 18 months has been started in an effort to shed knowledge on how we can achieve our employee objectives. These objectives have been formulated primarily on the basis of a work environment policy, an ethnic diversity policy, and an equal opportunity policy.

Of the Group's approximately 8,500 employees, the majority are women, while most management positions are held by men. Of the Group's various company management teams, 67 members are men and 5 women. Approximately 15% of store managers are women. For 2002 we've assigned priority to bringing about a better balance between men and women among our store managers.

Ensuring compliance with laws and regulations

Sweden has some of the world's most stringent legal requirements governing animal care and food safety. Axfood's store brands are based on well-defined retail concepts, with Willys serving the discount segment and Hemköp as a full-service concept. As a result, the Group's quality strategy is based primarily on ensuring and monitoring compliance by the store chains and our wholesaling operations with existing laws and regulations. By virtue of its business concept, Hemköp lives up to higher standards than those prescribed by the authorities.

Monitoring of these standards is conducted within the framework of Hemköp's own operations.

To ensure traceability, safety and proper labelling, in 2001 Axfood focused its work on the development of its private label products. In this area Axfood is responsible for products throughout the entire production chain. Using a proprietary quality assurance programme covering product safety, nutritional value, allergens and taste, Axfood can offer its customers products with a level of quality that is at least as high as that provided by the brand-name suppliers. In addition, Axfood was an initiative-taker behind the adoption of the BRC international food safety standard in Sweden.

To further strengthen its quality work, Axfood is also a participant in the international Global Food Safety Initiative.

Axfood has laid the foundation for a programme aimed at raising quality in the areas of hygiene, labelling, and the handling of frozen and refrigerated products. This programme is based on routines, quantifiable measures and the systematic follow-up of results.

By virtue of its business concept, Hemköp often has higher standards of animal care and food safety than the legal requirement.

The environment

In 2000 Axfood published an environmental report in accordance with the Dow Jones Sustainability Index. Follow-up of this report has unveiled certain quality deficiencies. For this reason, a new sustainability report was evaluated by the Hemköp chain during the year. The aim is to use this model throughout the entire Group.

In 2001 Hemköp was the first retail food chain to become certified as a “Good Environmental Choice” by the Swedish Society for Nature Conservation. Hemköp’s total assortment has been reviewed, and items that do not meet SSNC’s specifications have been removed. Hemköp’s stores had previously received the KRAV certification for organic products, and in 2001 slightly more than 10% of the chain’s sales of fresh produce were from KRAV-certified suppliers.

Important activities in 2002

- Improved routines for the handling of frozen and refrigerated products, labelling and hygiene
- Quality assurance of the basic assortment of private label products
- Carry out an ethical analysis of product supply
- Expand Axfood’s customer service function
- Prepare a quality-assured sustainability report

Axfood is a participant of the UN’s Global Compact, initiated by Kofi Annan in 1999. Through participation in the Global Compact, companies around the world are leading the path toward sustainable development. The Global Compact embodies the UN’s views on working conditions, human rights and responsible environmental work.

Axfood aims to instil confidence through its business approach.

Administration report

Reg. no. 556542-0824

The Board of Directors and President of Axfood AB (publ.) herewith submit their annual report and consolidated accounts for the 2001 financial year.

Operations

Axfood conducts food retail and wholesale trading operations in Sweden and Finland. The Axfood Group was formed in 2000, and the year was characterised by company acquisitions and restructuring. In 2001 the Group underwent consolidation, and the final steps in its restructuring programme from the preceding year have been carried out or are currently being carried out.

The discount chain HP Billigt & Nära, with 38 stores, was acquired at the end of December 2000. In 2001 additional shares in Spar Finland were acquired, and Axfood's ownership as per 31 December 2001 amounted to 69.3% of the capital and 75.3% of the votes. A number of small acquisitions were made during the year. The acquisition of Ekströms, with three stores and estimated sales of approximately SEK 300 m, was the single-largest. The net number of stores in Sweden increased by 29, while in Finland the net number of stores decreased by 9.

In December the decision was made to close Axfood Direkt, Axfood's e-commerce business. The wind-up costs are estimated to amount to SEK 28 m. Axfood has written off its entire holding in Baltic Food, taking a charge of SEK 46 m.

Net sales and earnings

Consolidated net sales of the Axfood Group rose 7.3%, to SEK 32,428 m (30,230). Sales in Sweden in own and collaborating stores amounted to SEK 35.0 bn, including VAT – an increase of 5.0% compared with the preceding year.

Operating profit was SEK 653 m (112), and the operating margin was 2.0% (0.4). Operating profit was charged with SEK 79 m in items affecting comparability (162), consisting primarily of wind-up costs for the closure of the Group's e-commerce business, totalling SEK 28 m, and write-downs of Axfood's involvement in Baltic Food, totalling SEK 46 m. Operating profit adjusted for items affecting comparability and restructuring costs in the store network, totalling SEK 27 m, was SEK 759 m (274). After net financial items, totalling SEK -126 m (-112), profit was SEK 527 m (0). A net profit of SEK 328 m (-34) was reported for the year after taxes totalling SEK -188 m (-24) and minority shares of SEK -11 m (-10).

Capital expenditures

Capital expenditures totalled SEK 561 m (996). Of these, company acquisitions in Sweden accounted for SEK 64 m (417), the additional purchase of shares in Spar Finland for SEK 93 m, investments in fixed assets in the wholesaling operations and store network in Sweden for SEK 333 m (438), and investments fixed assets in Finland for SEK 71 m (141).

Financial position

The Group's liquid assets amounted to SEK 406 m (278) at 31 December. Cash flow from continuing operations amounted to SEK 1,046 m (445).

Interest-bearing assets increased by SEK 3 m to SEK 764 m (761), and interest-bearing net debt decreased by SEK 537 m to SEK 1,669 m. Interest-bearing net debt includes SEK 365 m (357) in pension provisions.

The equity ratio was 17.0% (13.7), and the debt-equity ratio, net, was 1.3 (2.1).

Share repurchases

Share repurchases and transfers of own shares were carried out to complete the acquisition of the discount chain HP Billigt & Nära, in accordance with the Board's decision after authorisation from the Annual General Meeting. The 830.889 shares held at the start of the year were managed on behalf of the seller and were used to settle the debt that arose upon the acquisition on 31 December 2000. Acquired subsidiaries' holdings of 83.617 shares were sold during the year on the open market.

As per 31 December 2001 the Company had no holdings of own shares. For a more detailed description of the accounting of these holdings, see the accounting principles on page 38 and Note 23.

Composition and work of the Board of Directors

Axfood's board consists of nine members elected by the Annual General Meeting and three employee representatives with alternates. The members of the Board are presented on page 56. The Group CEO is a Board member.

According to the Board's work plan, the Board shall have at least five meetings a year. In 2001 the Board met 11 times. At each meeting the CEO presents, in connection with the quarterly report, an economic and financial report of operations. In addition, he furnishes the Board with a month-by-month report on significant events and summary financial information. Each year the Board discusses the auditors' report, which describes to what extent the Company's organisation is structured so as to ensure satisfactory control of bookkeeping, cash management and the Company's financial position. The Board has a compensation committee, which deals with matters concerning the employment and terms of retirement of senior executives. The members of this committee are Göran Ennerfelt, Antonia Ax:son Johnson, and Marcus Storch.

Axfood's main owners have appointed a nominating committee for the period up until the next Annual General Meeting. The nominating committee is responsible for presenting recommendations on the number of directors serving on the Company's board and the composition of the Board of Directors to the Annual General Meeting on 25 April 2002. The members of the nominating committee are Hans Dalborg (chairman), Claes Andersson, Antonia Ax:son Johnson and Lars Otterbeck. Axfood's chairman, Göran Ennerfelt, is a co-opted member of the nominating committee.

Environmental impact

No operations requiring a permit or notification in accordance with the environmental code are conducted by Axfood AB or within the Group. For other environmental information, see page 29.

Proposed disposition of earnings

Reg. no. 556542-0824

According to the consolidated balance sheet, unrestricted shareholders' equity amounted to SEK 353 m at 31 December 2001, of which SEK 328 m consists of the year's profit. No appropriation to restricted reserves is proposed.

The following profits are available for distribution by the Annual General Meeting:

Profit brought forward	356,217
Net loss for the year	-183,704
Total, SEK 000	172,513

The Board of Directors and President propose that the available profits be disposed of as follows:

Shareholder dividend of SEK 2.50 per share, totalling	133,073
To be carried forward	39,440
Total, SEK 000	172,513

Stockholm, Sweden, 22 February 2002

Göran Ennerfelt
Chairman

Marcus Storch
Vice Chairman

Antonia Ax:son Johnson

Sven-Erik Brandt

Peggy Bruzelius

Hans-Gunnar Johansson

Nils-Erik Johansson

Hans Järvmarker

Åke Pettersson

Gösta Törnroth

Annika Åhnberg

Mats Jansson
President and CEO

Our audit report was submitted on 25 February 2002

Caj Nackstad
Authorised Public Accountant

Per Bergman
Authorised Public Accountant

Profit and loss account

Amounts in SEK m	Note	Group 2001	Group 2000	Parent Company 2001	Parent Company 2000
Net sales	1	**32,428**	30,230	**–**	–
Cost of goods sold		**-28,425**	-27,159	**–**	–
Gross profit		**4,003**	3,071	**–**	–
Selling expenses		**-2,331**	-2,214	**–**	–
Administrative expenses		**-1,140**	-897	**-67**	-71
Items affecting comparability	2	**-79**	-162	**-54**	-4
Share of profits in associated companies		**21**	17	**–**	–
Other operating income		**179**	305	**26**	16
Other operating expenses		**–**	-8	**–**	–
Operating profit	3,4,5,6,7,29	**653**	112	**-95**	-59
Financial items					
Result from participations in Group companies	8	**–**	–	**-23**	25
Interest income and similar items	9	**15**	33	**56**	–
Interest expenses and similar items	10	**-141**	-145	**-83**	-11
Profit after financial items	29	**527**	0	**-145**	-45
Appropriations	11	**–**	–	**-99**	-1
Profit before tax		**527**	0	**-244**	-46
Tax on profit for the year	12	**-144**	-8	**46**	15
Deferred tax	12	**-44**	-16	**14**	–
Minority interests		**-11**	-10	**–**	–
Net profit/loss for the year		**328**	-34	**-184**	-31
Earnings per share (SEK)		**6.16**	-0.64	**–**	–
Earnings per share after dilution (SEK)	33	**6.07**	-0.64	**–**	–
Operating profit includes depreciation of		**518**	438	**1**	0

Balance sheet

Amounts in SEK m	Note	Group **31/12/2001**	Group *31/12/2000*	Parent Company **31/12/2001**	Parent Company *31/12/2000*
ASSETS					
Fixed assets					
Intangible assets	13				
Goodwill		**1,119**	1,195	**–**	–
Other intangible assets		**72**	63	**–**	–
		1,191	1,258	**–**	–
Tangible assets					
Land and buildings	14	**762**	775	**–**	–
Equipment, tools and fixtures	14	**1,442**	1,341	**3**	3
Construction in progress	15	**34**	27	**–**	–
	16	**2,238**	2,143	**3**	3
Financial assets					
Participations in Group companies	17	**–**	–	**2,468**	2,333
Receivables from Group companies		**–**	–	**–**	–
Participations in associated companies	18	**158**	186	**–**	18
Receivables from associated companies		**2**	3	**–**	–
Other long-term securities holdings		**15**	14	**–**	–
Deferred tax receivables	12	**24**	35	**14**	1
Other long-term receivables	19	**342**	478	**–**	–
		541	716	**2,482**	2,352
Total fixed assets		**3,970**	4,117	**2,485**	2,355
Current assets					
Inventories, etc.					
Finished products and goods for resale		**1,559**	1,518	**–**	–
		1,559	1,518	**–**	–
Current receivables					
Accounts receivable – trade		**991**	1,057	**–**	–
Receivables from Group companies		**–**	–	**1,099**	1,042
Receivables from associated companies		**12**	11	**–**	–
Actual tax receivables		**47**	6	**–**	1
Other current receivables	20	**142**	199	**1**	4
Prepaid expenses and accrued income	21	**640**	434	**1**	2
		1,832	1,707	**1,101**	1,049
Cash and bank balances		**406**	278	**0**	0
Total current assets		**3,797**	3,503	**1,101**	1,049
TOTAL ASSETS		**7,767**	7,620	**3,586**	3,404

Balance sheet

Amounts in SEK m	Note	Group ***31/12/2001***	*31/12/2000*	Parent Company ***31/12/2001***	*31/12/2000*
SHAREHOLDERS' EQUITY AND LIABILITIES					
Shareholders' equity	22,23,29				
Restricted shareholders' equity					
Share capital		**266**	266	**266**	266
Restricted reserves		**589**	532	**1,609**	1,599
		855	798	**1,875**	1,865
Unrestricted shareholders' equity					
Unrestricted reserves		**25**	91	**357**	53
Profit/loss for the year		**328**	-34	**-184**	-31
		353	57	**173**	22
Total shareholders' equity		**1,208**	855	**2,048**	1,887
Minority interests		**109**	181	**–**	–
Untaxed reserves	11	**–**	–	**100**	1
Provisions					
Provisions for pensions and similar commitments	24	**365**	357	**5**	2
Provisions for deferred tax	12	**257**	224	**–**	–
Other provisions	25	**15**	14	**–**	–
		637	595	**5**	2
Long-term liabilities	26,28				
Bank overdraft facilities		**107**	475	**59**	262
Other liabilities to credit institutions		**912**	1,275	**532**	212
Other interest-bearing liabilities		**160**	–	**64**	–
Other long-term liabilities		**18**	71	**–**	47
		1,197	1,821	**655**	521
Current liabilities					
Liabilities to credit institutions		**680**	649	**560**	500
Other interest-bearing liabilities		**211**	211	**–**	–
Advance payment from customers		**–**	49	**–**	–
Accounts payable – trade		**2,054**	1,812	**7**	6
Liabilities to Group companies		**–**	–	**103**	469
Liabilities to associated companies		**465**	463	**–**	–
Income tax liability		**74**	–	**83**	–
Other current liabilities		**163**	169	**6**	–
Accrued expenses and deferred income	27	**969**	815	**19**	18
		4,616	4,168	**778**	993
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**7,767**	7,620	**3,586**	3,404

MEMORANDUM ITEMS

	Note	Group ***31/12/2001***	*31/12/2000*	Parent Company ***31/12/2001***	*31/12/2000*
Pledged assets and contingent liabilities	28				
Pledged assets		**2,106**	2,536	**2,177**	502
Contingent liabilities		**102**	69	**347**	388

Cash flow statement

Amounts in SEK m	Note	Group *2001*	Group *2000P*	Parent Company *2001*	Parent Company *2000*
Operating activities					
Profit/loss after financial items		**527**	0	**-145**	-45
Depreciation charged against profit		**518**	438	**1**	0
Adjustments for other items not included in cash flow	30	**-37**	-2	**43**	-30
Paid tax		**-117**	-31	**-1**	0
Cash flow from operating activities before changes in working capital		**891**	405	**-102**	-75
Cash flow from changes in working capital					
Change in inventories		**-70**	48	**–**	–
Change in current receivables		**-76**	118	**445**	-867
Change in current liabilities		**301**	-126	**-499**	456
Cash flow from operating activities		**1,046**	445	**-156**	-486
Investing activities					
Acquisitions of intangible fixed assets		**-22**	-9	**–**	–
Acquisitions of tangible fixed assets		**-348**	-715	**-1**	-3
Acquisitions of subsidiaries	31	**-151**	-210	**-142**	-593
Acquisitions of associated companies		**0**	-10	**–**	-18
Sales of subsidiaries, business area	32	**33**	7	**–**	–
Sales of tangible fixed assets		**42**	113	**–**	–
Change in other financial assets		**152**	134	**–**	8
Change in current financial investments		**1**	–	**–**	–
Cash flow from investing activities		**-293**	-690	**-143**	-606
Financing activities					
Option premium/new share issue		**10**	180	**10**	180
Net change in interest-bearing liabilities		**–**	226	**–**	977
New loans		**709**	–	**705**	–
Amortisation of debt		**-1,354**	–	**-464**	–
Dividend to shareholders		**10**	-75	**22**	-65
Group contributions received/rendered, shareholder contribution		**–**	–	**26**	–
Cash flow from financing activities		**-625**	331	**299**	1,092
CASH FLOW FOR THE YEAR		**128**	86	**0**	0
Liquid assets at start of year		**278**	192	**–**	–
Translation difference, liquid assets		**0**	0	**–**	–
Liquid assets at year-end		**406**	278	**–**	–

Accounting principles

(Amounts in SEK m unless otherwise stated)

The annual report and the consolidated financial statements have been prepared in accordance with the Swedish Annual Accounts Act. The recommendations and statements of the Swedish Financial Accounting Standards Council have been followed. The profit and loss account and balance sheet for the financial year 2000 have been adjusted to enable comparability with the current year.

Principles of consolidation

The consolidated financial statements cover, in addition to the Parent Company, all companies in which the Parent Company directly or indirectly controls more than 50% of the number of votes.

In the preparation of the consolidated financial statements, the acquisition method has been used, with the exception of the merger of Hemköp and Axfood Sverige (formerly D&D Dagligvaror). In the merger of Hemköp and Axfood Sverige the pooling-of-interests method has been used. According to the acquisition method, shareholders' equity in acquired subsidiaries is determined based on a market valuation of assets and liabilities at the time of acquisition. In the event that the acquisition value of shares in subsidiaries exceeds the acquired shareholders' equity as above, the difference is reported as a goodwill item in the balance sheet. Goodwill amortisation is based on estimated economic life.

Translation of the financial statements of foreign subsidiaries has been done according to the current method.

The pooling-of-interests method has been used for the merger, which entails that Axfood Sverige is included in the Group from the start of 2000 and that the Axfood Sverige Group – as per 1 January 2000 – was combined with Hemköp, whereby no surplus values are reported.

The consolidated financial statements contain no appropriations or untaxed reserves. Deferred taxes on these items are included in deferred tax and deferred taxes payable, respectively. Equity share is reported in restricted shareholders' equity.

Associated companies, defined as companies in which Group companies have more than 20% but not more than 50% of the votes, are accounted for in accordance with the equity method. The increase or decrease of associated companies' book values that arises in accordance with the equity method has increased/decreased the Group's restricted reserves.

Receivables and liabilities in foreign currency

Receivables and liabilities in foreign currency have been valued at the year-end rate of exchange. For hedges through forward exchange contracts, the forward rate has been used to value the underlying receivable or liability. For forward exchange contracts with a term exceeding three months, the difference between the forward rate and the current rate has been distributed over the term of the contract. Allocated forward contract premiums are reported as interest income or expense, respectively. Foreign exchange gains and losses pertaining to operating receivables and operating liabilities are included in operating profit. Foreign exchange gains and losses pertaining to financial loans are reported as financial items. For hedges of future currency flows, the exchange rate differences on hedge transactions are reported in the same period as the underlying flow. Currency exposure in shareholders' equity in foreign subsidiaries is not hedged.

Inventories

Inventories have been valued at the lower of cost or market.

Depreciation

Amortisation of intangible assets and depreciation of fixed assets are based on the estimated economic life of the assets. The following percentages have been applied:

Machinery and equipment	5–33
Buildings	2.5–4.0
Fixtures and fittings	5.0
Land improvements	2.5–5.0
Goodwill[1]	7–20

[1] Acquisitions of material, structural importance are amortised for periods of more than 5 years.

Leases

Starting in 2001, the Axfood Group applies recommendation RR 6:99 for classification of leasing contacts as finance leases or operating leases. Finance leases are reported as a fixed asset in the consolidated balance sheet. The corresponding commitment of future leasing charges is reported as a current or long-term liability.

Income taxes

The Axfood Group has adapted its accounting to RR 9, income taxes, as per 31 December 2000. Earlier adaptation has not been possible since the Group was formed in 2000, and since the Group accounts are prepared pro forma, the difficulties in obtaining figures as per 31 December 1999 would be too difficult.

Taxes are reported in the profit and loss account with exception for transactions that are reported directly against shareholders' equity, whereby the accompanying tax effect is reported in shareholders' equity. Actual tax (previously called paid tax) is tax that is to be paid or received in the current year. This also includes adjustments of actual tax attributable to earlier periods. Deferred tax is calculated in accordance with the so-called balance sheet method, based on temporary differences between reported and tax values of assets and liabilities. The amounts are calculated based on how the temporary differences are expected to be smoothened and using the tax rates and tax rules that apply as per the balance sheet date. Temporary differences are not taken into account in Group goodwill or in differences pertaining to shares in subsidiaries and associated companies that are not expected to be taxed in the foreseeable future. In legal entities, untaxed reserves are reported inclusive of deferred taxes payable. In the consolidated accounts, however, untaxed reserves are divided into deferred taxes payable and shareholders' equity.

Deferred tax receivables in deductible temporary differences and tax-loss carryforwards are reported only to the extent that it is likely that these will result in lower tax payments in the future.

The adjustment of the closing balance as per 31 December 2000 entailed that deferred tax receivables, amounting to SEK 35 m, are reported directly against unrestricted shareholders' equity.

Accounting principles (cont.)

(Amounts in SEK m unless otherwise stated)

Restructuring costs

As per 31 December 2001, a reserve of SEK 17 m remains from the total restructuring costs of SEK 164 m reported in the result for 2000.

Warrants and convertible debenture loan

The liability pertaining to the convertible debenture loan has been calculated on the basis of the market interest rate upon issue. The difference between the loan amount calculated in this manner and the amount received is applied toward the share premium reserve as a premium on the shares that could be issued later. The reported loan amount is indexed gradually during the term of the loan using an interest rate that will bring the reported liability to the same level as the nominal amount. Payment for the issued warrants is reported in the share premium reserve.

Repurchase of shares

At the start of the year, the Company held 830,889 of its own shares managed on behalf of other parties, with a par value of SEK 4,154,445 and corresponding to 1.6% of the total number of shares outstanding.

In accordance with the Board's decision, after being authorised by the Annual General Meeting, repurchases and the transfer of own shares were conducted to settle the purchase price for the discount chain HP Billigt & Nära. During the year 751,775 shares were repurchased, and 1,582,664 shares were transferred to settle the purchase price.

At the start of the year, acquired subsidiaries also held 83,617 shares in Axfood, with a par value of SEK 418,085 and corresponding to 0.2% of the total number of shares outstanding. These shares were written down against shareholders' equity in the amount of SEK 5 m. In 2001 these shares were sold on the open market.

The Company held no shares of its own as per 31 December 2001.

Finance policy

The Axfood Group has a group-wide finance policy which governs the delegation of responsibility on financial matters between the Board, the executive management/chief financial officer, central finance department and other Group companies. The Group's external financial management is centralised in the central finance department of the Parent Company, Axfood AB.

Financing

Responsibility for the Group's negotiations in central financing matters is the responsibility of the finance department. The Swedish subsidiaries, with the exception of the real estate company, are required to finance their operations via the central Group account system. In cooperation with the finance department, the real estate company may finance its activities via mortgage loans from approved banks and financing institutes. Spar Finland is entitled to seek local financing. Confirmed credit lines must have an average remaining contract term of 12 months. As per 31 December 2001 the average remaining contract period was 582 days.

To limit the risk of the Axfood Group not being able to finance the Group's operations at any given time, a refinancing reserve has been established, which is broken down into a liquidity, a financing, and an operating reserve. The finance department is responsible for monitoring and overseeing the refinancing reserve.

Interest-rate 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. As per 31 December 2001 the average term of fixed interest was 351 days.

Currency management

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 transaction exposure must be hedged to 100% not later than at the time an order is placed. Approved hedge instruments are spot contracts, forward exchange contracts and currency swap contracts.

Exposure of shareholders' equity arises in the consolidated balance sheet as a result of investment of shareholders' equity in Spar Finland. The Axfood Group's policy is that exposure of shareholders' equity should not be hedged.

Counterparty policy

The Axfood Group shall only cooperate with counterparties which are judged to be able to fulfil their commitments to the Group. The banks and financial institutes that the Group cooperates with shall have a high credit rating in order to be able to support the Group in the long term. Limits per counterparty and instrument are established on a yearly basis.

(Amounts in SEK m unless otherwise stated)

NOTE 1. **BREAKDOWN OF NET SALES AND EBITG**

Per business unit	**Net sales** *2001*	*2000*	**EBITG** *2001*	*2000*
Hemköp	**6,536**	6,562	**130**	172
Axfood Lågpris	**7,924**	5,333	**300**	133
Axfood Direkt	**82**	84	**-41**	-20
Spar Finland	**5,683**	5,139	**37**	-25
Axfood Wholesaling	**18,613**	17,313	**381**	222
Other	**2,247**	1,896	**41**	-97
Internal sales	**-8,657**	-6,097	**–**	–
Items affecting comparability	**–**	–	**-79**	-162
Total	**32,428**	30,230	**769**	223

Per geographic market	**Net sales** *2001*	*2000*	**EBITG** *2001*	*2000*
Sweden	**26,745**	25,091	**732**	248
Finland	**5,683**	5,139	**37**	-25
Total	**32,428**	30,230	**769**	223

NOTE 2. **ITEMS AFFECTING COMPARABILITY**

	Group *2001*	*2000*	**Parent Company** *2001*	*2000*
Client-company funds from Alecta (formerly SPP)	**–**	100	**–**	–
Restructuring costs	**2**	-164	**–**	-4
Closure of Axfood Direkt	**-28**	–	**–**	–
Write-down Baltic Food	**-46**	–	**-47**	–
Other	**-7**	-98	**-7**	–
Total	**-79**	-162	**-54**	-4

NOTE 3. **INFORMATION ON INTRA-GROUP PURCHASES AND SALES**
The Parent Company's revenues from subsidiaries amounted to SEK 25 m (16). The Parent Company's expenses from subsidiaries amounted to SEK 0 m (0).

NOTE 4. **INFORMATION ON EMPLOYEES; COMPENSATION OF DIRECTORS AND CEO**
Average number of employees (a full-year employee is calculated on the basis of 1,600 hours).

Average number of employees

	2001	*Of whom, men*	*2000*	*Of whom, men*
Parent Company				
Sweden	**10**	**5**	2	1
Subsidiaries				
Sweden	**7,628**	**3,394**	7,176	3,338
Finland	**876**	**199**	968	278
Total, subsidiaries	**8,504**	**3,593**	8,144	3,616
TOTAL, GROUP	**8,514**	**3,598**	8,146	3,617

Wages, salaries and other remuneration and social security charges

	2001 *Wages, salaries and other remuneration*	*Social security charges*	*2000* *Wages, salaries and other remuneration*	*Social security charges*
Parent Company				
Sweden	**19**	**14**	16	9
Of which, pension costs	**–**	***7***	–	*3*
Subsidiaries				
Sweden	**1,727**	**694**	1,611	741
Of which, pension costs	**–**	***106***	–	*110*
Finland	**190**	**49**	181	49
Of which, pension costs	**–**	***32***	–	*31*
Total, subsidiaries	**1,917**	**743**	1,792	790
Of which, pension costs	**–**	***138***	–	*141*
TOTAL, GROUP	**1,936**	**757**	1,808	799
Of which, pension costs[1]	**–**	***145***	–	*144*

[1] Of the Parent Company's pension costs, SEK 5 m (3) pertains to the board of directors, CEO and vice presidents. Of pension costs for subsidiaries, SEK 8 m (6) pertains to presidents and vice presidents. The Group has no outstanding pension commitments with respect to boards, presidents and vice presidents, other than pension provisions already entered as a liability.

Wages, salaries and other remuneration, broken down by directors, etc., and other employees

	2001 *Boards, presidents and vice presidents*	*Other employees*	*2000* *Boards, presidents and vice presidents*	*Other employees*
Parent Company				
Sweden	**16**[1]	**3**	15[1]	1
Subsidiaries				
Sweden	**27**[2]	**1,700**	78[2]	1,533
Finland	**3**	**187**	4	177
Total, subsidiaries	**30**	**1,887**	82	1,710
TOTAL, GROUP	**46**	**1,890**	97	1,711

[1] Of which, bonuses 4 (4).
[2] Of which, bonuses 5 (30).

Notes

The annual fee payable to directors was set by the 2001 Annual General Meeting at SEK 1,350,000, of which SEK 250,000 is payable to the Chairman. This payment is made in full after year-end.

Axfood's CEO, Mats Jansson, received salary and other benefits totalling SEK 9.8 m in 2001. The CEO's bonus system is based on the performance and development of the business as well as personal targets in accordance with rules set up by the compensation committee. The bonus can amount to a maximum of one-half year's salary. The CEO also has the benefit of a company car, and defined-benefit disability and pension benefits. The CEO is entitled to retirement pension from 60 years of age. Retirement pension between 60 and 65 years of age amounts to 75% of the final monthly salary, and thereafter 60%. Provision for this has been made in the year's accounts. The CEO also has a defined-benefit family pension plan. In the event Axfood serves notice, the CEO is entitled to a term of notice of 12 months plus 24 months' severance pay, on account.

Other senior executives of Axfood have customary terms of employment and are entitled to salary during the period of notice and severance pay for a combined total of not more than 18 months. They can receive bonuses based on the performance and development of the business amounting to a maximum of 40% of annual salary. The retirement age has been set at 60 years at the earliest. The ITP plan serves as the primary cost framework.

2000 Stock option programme

In December 2000, Axfood AB issued a promissory note with 427,500 detachable warrants (options). To date, the option programme covers 17 persons in senior positions within the Axfood Group, who have subscribed for 358,800 options. The remaining options can be purchased at a later date by other senior executives of the Axfood Group. Such sales take place on all occasions at market price. The exercise price is SEK 77, and the holders of the options are entitled to subscribe for one new share per option during the period 22 November 2003 – 21 August 2004.

NOTE 5. **AUDITORS' FEES**

	Group		Parent Company	
	2001	*2000*	*2001*	*2000*
KPMG				
Auditing fees	**8**	6	**1**	0
Fees for other consulting	**3**	2	**0**	0
Total	**11**	8	**1**	0

NOTE 6. **DEPRECIATION AND AMORTISATION**

Straight-line depreciation by type of asset	Group		Parent Company	
	2001	*2000*	*2001*	*2000*
Goodwill	**116**	111	**–**	–
Other intangible assets	**16**	25	**–**	–
Land and buildings	**27**	24	**–**	–
Equipment, tools and fixtures	**359**	278	**1**	0
Total	**518**	438	**1**	0
Straight-line depreciation by function				
Cost of goods sold	**363**	320	**–**	–
Selling costs	**118**	89	**–**	–
Administrative expenses	**37**	29	**1**	0
Total	**518**	438	**1**	0

NOTE 7. **OPERATING LEASES**

	Group		Parent Company	
	2001	*2000*	*2001*	*2000*
Leasing costs during the financial year	**981**	1,028	**4**	1
Of which, rent for premises	***924***	*1,003*	***4***	*0*
Contracted minimum future leasing fees:				
Maturity year 1	**1,034**	1,083	**4**	4
Maturity year 2	**919**	1,018	**4**	4
Maturity year 3	**782**	887	**4**	4
Maturity year 4	**607**	734	**–**	0
Maturity year 5	**431**	591	**–**	–
Maturity year 6-	**567**	965	**–**	–
Total future leasing fees	**4,340**	5,278	**12**	12

Of contracted and future minimum leasing fees, approximately one-third pertain to premises that have been sub-let.

NOTE 8. **RESULT FROM PARTICIPATIONS IN GROUP COMPANIES**

	Group		Parent Company	
	2001	*2000*	*2001*	*2000*
Capital gain on sale	**–**	–	**–**	25
Write-downs	**–**	–	**-23**	–
Total	**–**	–	**-23**	25

NOTE 9. **INTEREST INCOME AND SIMILAR ITEMS**

	Group		Parent Company	
	2001	*2000*	*2001*	*2000*
Interest income	**14**	15	**56**	–
Other financial income	**1**	18	**–**	–
Total	**15**	33	**56**	–

Revenues from Group companies in the Parent Company amounted to SEK 55 m (–).

NOTE 10. **INTEREST EXPENSES AND SIMILAR ITEMS**

	Group 2001	Group 2000	Parent Company 2001	Parent Company 2000
Interest expenses	**127**	130	**81**	11
Other financial expenses	**14**	15	**2**	–
Total	**141**	145	**83**	11

Costs from Group companies in the Parent Company amounted to SEK 0 (0).

NOTE 11. **APPROPRIATIONS AND UNTAXED RESERVES**

	Parent Company 2001	Parent Company 2000
Appropriations		
Difference between book depreciation and depreciation according to plan	**–**	-1
Change in tax allocation reserve	**-99**	–
Total	**-99**	-1
Untaxed reserves		
Accumulated excess depreciation	**1**	1
Tax allocation reserve	**99**	–
Total	**100**	1

NOTE 12. **TAXES**

	Group 2001	Group 2000	Parent Company 2001	Parent Company 2000
Actual tax				
Actual tax on profit for the year	**-142**		**46**	15
Adjustment of actual tax from previous years	**-2**		**–**	–
	-144		**46**	15
Deferred tax				
Deferred tax pertaining to temporary differences	**-27**		**14**	–
Deferred tax pertaining to tax value of capitalised tax-loss carryforward	**-15**		**–**	–
Deferred tax on reconsideration of reported value of deferred taxes receivable	**-2**		**–**	–
	-44		**14**	–
Total reported tax charge	**-188**		**60**	15
Reconciliation of applicable tax rate and effective tax rate				
Reported profit before tax	**527**		**-244**	-46
Tax based on current tax rate for Parent Company	**-148**		**68**	13
Effect of other tax rates for foreign subsidiaries	**0**		**–**	–
Tax effect of:				
Amortisation of Group goodwill	**-31**		**–**	–
Other non-deductible expenses	**-11**		**-8**	–
Other non-taxable revenues	**6**		**–**	2
Adjustment of actual tax attributable to previous years	**-3**		**–**	–
Tax-loss carryforward conducted during the year	**3**		**–**	–
Tax-loss carryforwards not utilised	**-2**		**–**	–
Other temporary differences	**-2**		**–**	–
Reported tax charge	**-188**		**60**	15
Current income tax rate (%)	**28%**		**28%**	28%
Effective tax rate (%)	**36%**		**n.a.**	n.a.
Deferred tax items are recorded in shareholders' equity				
Deferred tax attributable to changed accounting principles	**–**	35	**–**	1
Total deferred tax recorded in shareholders' equity	**–**	35	**–**	1

NOTE 12. **TAXES, (cont).**

Reported deferred taxes receivable and deferred taxes payable	**Group**		**Parent Company**	
	31/12/2001	*31/12/2000*	*31/12/2001*	*31/12/2000*
Deferred taxes receivable				
Intangible assets	**-2**	-1	**–**	–
Land and buildings	**-6**	–	**–**	–
Equipment, tools and fixtures	**–**	1	**–**	–
Financial assets	**13**	–	**13**	–
Tax-loss carryforward	**1**	18	**–**	–
Other receivables, fixed assets	**2**	1	**–**	–
Deferred taxes payable				
Untaxed reserves	**-246**	-222	**–**	–
Provisions	**-2**	-1	**1**	1
Long-term liabilities	**7**	15	**–**	–
Total deferred taxes receivable (+)/deferred taxes payable (-), net	**-233**	-189	**14**	1
Deferred taxes receivable	**24**	35	**14**	1
Deferred taxes payable	**257**	224	**–**	–

Unreported deferred taxes receivable and deferred taxes payable on temporary differences	**Group**	
	31/12/2001	*31/12/2000*
Tax-loss carryforward	1	1
Total	**1**	1

Change in deferred taxes on temporary differences during the year, Group	**Amount at start of year**	**Reported in profit and loss account**	**Amount at end of year**
Intangible assets	–	-2	-2
Land and buildings	-1	-5	-6
Equipment, tools and fixtures	1	-1	0
Financial assets	–	13	13
Other receivables	1	–	1
Tax-loss carryforward	18	-16	2
Untaxed reserves	-222	-24	-246
Provisions	-1	-1	-2
Current liabilities	15	-8	7
Total	**-189**	**-44**	**-233**

NOTE 13. **INTANGIBLE ASSETS**

Group	Goodwill 31/12/2001	Other intangible assets 31/12/2001	Goodwill 31/12/2000	Other intangible assets 31/12/2000
Opening acquisition values	**1,507**	**149**	13	15
Investments	**32**	**23**	456	19
Increases through mergers and acquisitions	**2**	**1**	1,044	123
Sales and disposals	**-5**	**-12**	-6	-8
Translation differences	**6**	**5**	–	–
Reclassifications	**15**	**–**	–	–
Closing accumulated acquisition values	**1,557**	**166**	1,507	149
Opening depreciation	**-286**	**-86**	-5	–
Increases through mergers and acquisitions	**-2**	**–**	-172	-63
Sales and disposals	**3**	**10**	2	2
Translation differences	**-2**	**–**	–	–
Reclassifications	**-9**	**-2**	–	–
Depreciation for the year	**-116**	**-16**	-111	-25
Closing accumulated amortisation	**-412**	**-94**	-286	-86
Opening write-downs	**-26**	**–**	–	–
Closing write-downs	**–**	**–**	-26	–
Closing accumulated write-downs	**-26**	**–**	-26	–
CLOSING PLANNED RESIDUAL VALUE	**1,119**	**72**[1]	1,195	63[1]

[1] Pertains mainly to capitalised leaseholds in Hemköp and Spar Finland, and capitalised IT projects.

NOTE 14. **TANGIBLE ASSETS**

Group	Land and buildings[1) 2)] 31/12/2001	Equipment, tools and fixtures 31/12/2001	Land and buildings[1) 2)] 31/12/2000	Equipment, tools and fixtures 31/12/2000
Opening acquisition value	**943**	**2,804**	5	569
Investments	**24**	**343**	36	497
Increases through mergers and acquisitions	**–**	**79**	882	1,886
Finance leases	**–**	**109**	–	–
Sales and disposals	**-31**	**-374**	-9	-148
Translation differences	**13**	**32**	–	–
Reclassifications	**–**	**7**	29	–
Closing accumulated acquisition value	**949**	**3,000**	943	2,804
Opening depreciation	**-168**	**-1,452**	-2	-208
Increases through mergers and acquisitions	**–**	**-43**	-145	-1,098
Finance leases	**–**	**1**	–	–
Sales and disposals	**10**	**332**	3	132
Translation differences	**-2**	**-18**	–	–
Reclassifications	**–**	**-6**	–	–
Depreciation for the year	**-27**	**-359**	-24	-278
Closing accumulated depreciation	**-187**	**-1,545**	-168	-1,452
Opening write-downs	**–**	**-11**	–	–
Reclassifications	**–**	**1**	–	–
Write-downs for the year	**–**	**-3**	–	-11
Closing accumulated write-downs	**–**	**-13**	–	-11
CLOSING PLANNED RESIDUAL VALUE	**762**	**1,442**	775	1,341

1) The tax assessment value was 481 (454) for Swedish buildings and 83 (80) for land.
2) Planned residual value for land was 55 (58).

NOTE 14. **TANGIBLE ASSETS (cont.)**

Parent Company	**Equipment, tools and fixtures** *31/12/2001*	**Equipment, tools and fixtures** *31/12/2000*
Opening acquisition value	**3**	–
Investments	**1**	3
Closing accumulated acquisition value	**4**	3
Depreciation during the year	**-1**	0
Closing accumulated depreciation	**-1**	0
CLOSING PLANNED RESIDUAL VALUE	**3**	3

NOTE 15. **CONSTRUCTION IN PROGRESS**

Group	*31/12/2001*	*31/12/2000*
Opening acquisition value	**27**	–
Investments	**11**	27
Reclassifications	**-4**	–
CLOSING ACQUISITION VALUE	**34**	27

NOTE 16. **FINANCE LEASES**

Group	**Equipment, tools and fixtures** *31/12/2001*
Change in accounting principle	**125**
Investments	**34**
Sales and disposals	**-12**
Closing accumulated acquisition value	**147**
Change in accounting principle	**-1**
Sales and disposals	**2**
Depreciation for the year	**-36**
Closing accumulated depreciation	**-35**
Current liability (1 year)	**29**
Remaining long-term liability	
Maturity year 2	**26**
Maturity year 3	**27**
Maturity year 4	**10**
Maturity year 5	**20**
Maturity year 6-	**–**
Total long-term liability	**83**

Accounting of finance leases in accordance with RR 6:99 starting with the 2001 financial year. Recalculation of earlier years has not been done, since this information could not be produced without considerable difficulty.

NOTE 17. **PARTICIPATIONS IN GROUP COMPANIES**

Parent Company	Reg. no.	Reg'd office	No. shares	Equity share, %	Book value
Sweden					
Hemköpskedjan AB	556113-8826	Falun	100,000	100	155
Axfood Sverige AB	556004-7903	Solna	3,434,656	100	1.536
SDU, Svensk Detaljhandelsutveckling AB	556564-1692	Jönköping	20,000	100	22
MP Mellansverige AB	556400-8620	Västerås	5,000	75[2]	8
Axfood Direkt AB	556367-4166	Solna	1,000	100	12
Eurotaste i Tyringe AB	556263-0896	Hässleholm	9,000	50[2]	26
Axfood Fastigheter AB	556099-1183	Solna	5,000	100	28
Axfood Franchise AB	556025-1992	Göteborg	14,100	100	19
AB Handelskredit	556039-0188	Solna	142,027	100	86
HP Billigt & Nära Holding AB	556554-5786	Göteborg	1,000	80[2]	92
Axfood IT AB	556035-6163	Solna	1,000	100	2
Axfood Lågpris AB	556083-6354	Göteborg	10,000	100	112
Axfood Närlivs AB	556488-5654	Örebro	1,000	100	27
Axfood Private Label AB	556055-0674	Solna	20,000	100	36
Total, Swedish Group companies					**2,161**
Finland					
Spar Finland Abp:s[1]	73897	Finland	357,715 A/429,657 K	69	307
Total, Group companies					**2,468**

[1] The market value at 31 December 2001 was EUR 23 m (SEK 221 m). Share of votes: 75%.
[2] The Group's total holding amounts to 100%.

NOTE 18. **PARTICIPATIONS IN ASSOCIATED COMPANIES**

	Reg. no.	Reg'd office	No. shares	Equity share, %	Profit after tax	Shareholders' equity	Book value
Owned directly by Axfood AB:							
Baltic Food Holding AS	964480389	Norway	10,556	5	–	–	0
Owned indirectly:							
Tuko Logistics Oy	0858675-5	Finland	2,100	35	5	195	103
Bohus Detaljhandel AB	556303-6141	Strömstad	2,205	49	10	28	22
Others					–	–	33
Total							**158**

NOTE 19. **OTHER LONG-TERM RECEIVABLES**

	Group	
	31/12/2001	*31/12/2000*
Long-term, noninterest-bearing receivables	**17**	–
Alecta (formerly SPP)	**25**	48
Long-term, interest-bearing receivables	**300**	430
Total	**342**	478

NOTE 20. **OTHER CURRENT RECEIVABLES**

	Group		Parent Company	
	31/12/2001	*31/12/2000*	*31/12/2001*	*31/12/2000*
Other noninterest-bearing receivables	**70**	84	**–**	–
Alecta (formerly SPP)	**12**	26	**–**	–
Other interest-bearing receivables	**60**	89	**1**	4
Total	**142**	199	**1**	4

Notes

NOTE 21. **PREPAID EXPENSES AND ACCRUED INCOME**

	Group		Parent Company	
	31/12/2001	*31/12/2000*	*31/12/2001*	*31/12/2000*
Prepaid rents	**159**	44	**–**	1
Prepaid leasing fees	**3**	2	**–**	–
Accrued bonuses and similar	**368**	275	**–**	–
Accrued interest income	**12**	8	**–**	–
Delivered, uninvoiced	**40**	20	**–**	–
Other prepaid expenses	**51**	64	**1**	1
Other accrued income	**7**	21	**–**	–
Total	**640**	434	**1**	2

NOTE 22. **SHAREHOLDERS' EQUITY**

Change in shareholders' equity, Group	**Share capital**	**Restricted reserves**	**Unrestricted shareholders' equity**	**Total**
Amount at beginning of year, according to adopted balance sheet for preceding year	**266**	**532**	**57**[1]	**855**[1]
Translation difference	–	5	11	16
Option premiums	–	10	–	10
Redemption of convertibles in subsidiaries	–	–	-6	-6
Reversal of previous write-down of own shares	–	–	5	5
Transfers between restricted and unrestricted shareholders' equity	–	42	-42	0
Profit for the year	–	–	328	328
Amount at year-end	**266**	**589**	**353**	**1,208**

Change in shareholders' equity, Parent Company	**Share capital**	**Share premium reserve**	**Statutory reserve**	**Unrestricted shareholders' equity**	**Total**
Amount at beginning of year, according to adopted balance sheet for preceding year	**266**	**1,574**	**25**	**22**[1]	**1,887**[1]
Group contribution	–	–	–	465	465
Tax effect of Group contribution	–	–	–	-130	-130
Option premiums	–	10	–	–	10
Profit for the year	–	–	–	-184	-184
Amount at year-end	**266**	**1,584**	**25**	**173**	**2,048**

The share capital as per 31 December 2001 consisted of 53,229,028 shares with a par value of SEK 5.00 each.

[1] Changed accounting principle in accordance with RR9: SEK 35 m in the Group and SEK 1 m in the Parent Company.

NOTE 23. **SHARE REPURCHASES**

SEK	**Number of shares**	**Par value of repurchased shares**	**% of share capital**	**Payment made for repurchased shares**
The Parent Company's holding of own shares at start of year managed on behalf of others	830,889	4,154,445	1.6%	54,067,345
Repurchased	751,775	3,758,875	1.4%	44,222,568
Transferred	-1,582,664	-7,913,320	-3.0%	-98,289,913
Parent Company's holding at year-end	**0**	**0**	**0.0%**	**0**

Repurchases and transfers of own shares were carried out to complete the acquisition of the discount chain HP Billigt & Nära, in accordance with the Board's decision after authorisation from the Annual General Meeting. The 830,889 shares held at the start of the year were managed on behalf of the seller and were used to settle the debt that arose upon the acquisition on 31 December 2000. Acquired subsidiaries' holdings of 83,617 shares at the start of the year were sold during the year on the open market. As per 31 December 2001 the Company had no holdings of own shares.

NOTE 24. **PROVISION FOR PENSIONS**

	Group		Parent Company	
	31/12/2001	*31/12/2000*	*31/12/2001*	*31/12/2000*
Outstanding pension liability, FPG/PRI	**341**	295	**–**	–
Unit linked insurance plans	**6**	7	**–**	–
Other pension liabilities	**18**	55	**5**[1)]	2[1)]
Total	**365**	357	**5**	2

[1)] Of which, pertaining to the president and vice presidents, 5 (2).

NOTE 25. **OTHER PROVISIONS**

	Group	
	31/12/2001	*31/12/2000*
Lease provisions	**15**	14
Total	**15**	14

NOTE 26. **LONG-TERM LIABILITIES**

Group	**Granted amount** *31/12/2001*	**Utilised amount** *31/12/2001*	**Granted amount** *31/12/2000*	**Utilised amount** *31/12/2000*
Overdraft facilities	**591**	**107**	765	475
Other long-term, committed credit lines	**250**	**–**	125	–
Total	**841**	**107**	890	475

Parent Company	**Granted amount** *31/12/2001*	**Utilised amount** *31/12/2001*	**Granted amount** *31/12/2000*	**Utilised amount** *31/12/2000*
Overdraft facilities	**450**	**59**	400	262
Other long-term, committed credit lines	**250**	**–**	125	–
Total	**700**	**59**	525	262

Axfood also has a revolving credit facility of SEK 650 m (650), with a term of up to one year. Of this amount, SEK 370 m (355) has been utilised.

	Group		Parent Company	
	31/12/2001	*31/12/2000*	*31/12/2001*	*31/12/2000*
Loans from credit institutions	**910**	1,273	**530**	210
Utilised overdraft facilities	**107**	475	**59**	262
Warrant loan	**2**	2	**2**	2
Convertible debenture loan	**64**	–	**64**	–
Finance leases	**83**	–	**–**	–
Other interest-bearing	**13**	–	**–**	–
Other noninterest-bearing	**18**	71	**–**	47
Total	**1,197**	1,821	**655**	521

	Group		Parent Company	
	31/12/2001	*31/12/2000*	*31/12/2001*	*31/12/2000*
Current portion of long-term debt	**344**	297	**175**	0
Overdraft facilities utilised	**107**	475	**59**	262
Maturity year 1	**307**	617	**192**	47
Maturity year 2	**357**	422	**190**	210
Maturity year 3	**162**	164	**139**	2
Maturity year 4	**173**	44	**75**	–
Maturity year 5	**61**	10	**–**	–
Maturity year 6 and later	**30**	89	**–**	–
Total long-term liabilities	**1,197**	1,821	**655**	521

Warrant financing of SEK 2.1 m has been taken up with 427,500 warrants. Each warrant carries entitlement to subscribe for one new share during the period 22 November 2003 – 21 August 2004. In January a convertible debenture loan of SEK 73 m was issued to the employees, of which SEK 64 m is included as convertible debenture loan. Conversion to shares make take place during the period 21 January 2005 – 20 March 2006, at a conversion price of SEK 73.

Notes

NOTE 27. **ACCRUED EXPENSES AND DEFERRED INCOME**

	Group		Parent Company	
	31/12/2001	*31/12/2000*	*31/12/2001*	*31/12/2000*
Payroll-related items	**562**	538	**2**	3
Restructuring measures	**23**	93	**1**	3
Accrued bonuses and similar	**88**	72	**6**	7
Accrued auditing costs	**3**	2	**–**	–
Accrued real estate costs	**97**	9	**–**	–
Accrued interest	**5**	4	**5**	–
Delivered, uninvoiced	**28**	8	**–**	–
Other accrued expenses	**100**	54	**5**	5
Other deferred income	**63**	35	**–**	–
Total	**969**	815	**19**	18

NOTE 28. **PLEDGED ASSETS AND CONTINGENT LIABILITIES**

	Group		Parent Company	
Pledged assets	*31/12/2001*	*31/12/2000*	*31/12/2001*	*31/12/2000*
Property mortgages	**610**	573	**–**	–
Chattel mortgages	**434**	648	**–**	–
Borrowers' promissory notes	**–**	315	**–**	–
Shares in subsidiaries	**911**	993	**2,177**	502
Other pledged assets	**151**	7	**–**	–
Total	**2,106**	2,536	**2,177**	502

	Group		Parent Company	
Contingent liabilities	*31/12/2001*	*31/12/2000*	*31/12/2001*	*31/12/2000*
Guarantees for subsidiaries	**–**	–	**344**	388
Guarantees for others	**79**	59	**–**	–
FPG/PRI	**7**	–	**–**	–
Other contingent laibilities	**16**	10	**3**	–
Total	**102**	69	**347**	388

PLEDGED ASSETS BROKEN DOWN INTO OWN PROVISIONS AND LIABILITIES

	Group		Parent Company	
	31/12/2001	*31/12/2000*	*31/12/2001*	*31/12/2000*
Provisions for pensions, PRI				
Property mortgages	**300**	278	**–**	–
Chattel mortgages	**12**	13	**–**	–
Total	**312**	291	**–**	–
Liabilities to credit institutions				
Chattel mortgages	**134**	370	**–**	–
Property mortgages	**598**	560	**–**	–
Borrowers' promissory notes	**–**	315	**–**	–
Shares in subsidiaries	**911**	993	**2,177**	502
Other pledged asstes	**151**	7	**–**	–
Total	**1,794**	2,245	**2,177**	502
TOTAL PLEDGED ASSETS FOR OWN PROVISIONS AND LIABILITIES	**2,106**	2,536	**2,177**	502

NOTE 29. **EXCHANGE RATE DIFFERENCES AND CURRENCY EXPOSURE**

	Group	
	31/12/2001	*31/12/2000*
Exchange rate differences reported in profit and loss account		
Exchange rate differences reported in financial items	**0**	–
Total	**0**	–
Exchange rate differences reported directly against shareholders' equity		
Exchange rate differences at start of year	**3**	–
Change for the year	**16**	3
Exchanges rate differences at year-end	**19**	3

Currency exposure	**Calculated net flow during the period**	**Of which contracted net flow**	**Amount hedged via forward exchange contracts**	**Estimated average forward rate**	**Outstanding currency risk**
EUR	60	60	60	9.47	–
USD	12	12	12	10.72	–
DKK	2	2	2	1.27	–
NOK	1	1	1	1.19	–
Total outstanding currency risk	**75**	**75**	**75**		–

Deferred gains/losses for outstanding currency hedges	
EUR	0
USD	0
Other	0
Total	**0**

Flow hedges
Transaction exposure in foreign currency arises due to the import of goods which are paid for in foreign currency. The Axfood Group's finance policy prescribes that transaction exposures shall be 100% hedged at the time the order is placed at the latest. Currency hedges have been secured through forward exchange contracts. Of forward exchange contracts outstanding at 31 December 2001, totalling SEK 75 m, contracts worth a combined total of SEK 7 m have terms exceeding 3 months.

NOTE 30. **ADJUSTMENT FOR ITEMS NOT INCLUDED IN CASH FLOW**

	Group		Parent Company	
	2001	*2000*	*2001*	*2000*
Change in pension liabilities	**8**	-2	**3**	-6
Items affecting comparability not affecting cash flow	**70**	40	**18**	3
Changes in provisions not affecting cash flow	**1**	-8	**–**	-6
Capital gains/losses pertaining to fixed assets	**-39**	-24	**23**	6
Restructuring programme 2000	**-81**	–	**-1**	–
Other	**4**	-8	**–**	-5
Total	**-37**	-2	**43**	-8

Notes

NOTE 31. **ACQUISITIONS OF SUBSIDIARIES**

	Group		Parent Company	
	2001	*2000P*	*2001*	*2000*
Intangible assets	**50**	378	**23**	622
Tangible assets	**38**	199	**–**	618
Financial assets	**4**	105	**–**	231
Inventories	**30**	165	**–**	349
Current assets	**29**	249	**32**	692
Liquid assets	**12**	31	**–**	89
Minority interests	**90**	-75	**90**	-247
Provisions	**-9**	-34	**–**	-54
Long-term liabilities	**-26**	-251	**–**	-321
Current liabiliteis	**-45**	-350	**2**	-1,168
Total purchase price paid	**173**	417	**147**	811
Liquid assets in acquired companies	**-12**	-31	**–**	-89
Portion of purchase price that is not liquid	**–**	-129	**–**	-129
Impact on the Group's liquid assets of acquisitions for the year	**161**	257	**147**	593
Unpaid portion of purchase price pertaining to the year's acquisitions	**-10**	-47	**-5**	–
Total cash flow pertaining to investments in subsidiaries	**151**	210	**142**	593

The Group Cash Flow Statement was prepared pro forma for 2000, whereby Spar Finland, Spar i Sverige and Spar Inn Snabbgross were included from the start of the year.

NOTE 32. **SALES OF SUBSIDIARIES, BUSINESS AREA**

	Group	
	2001	*2000*
Inventories	**30**	24
Current assets	**3**	18
Current liabilities	**–**	-35
Total cash flow pertaining to sales of subsidiaries	**33**	7

NOTE 33. **EARNINGS PER SHARE AFTER DILUTION**

	2001	*2000*
Net profit for the year	**328**	-34
Reversal of interest expense after tax pertaining to convertible	**2**	–
Adjusted net profit	**330**	-34
Number of shares before dilution	**53,229,028**	53,229,028
Additional shares upon full conversion	**1,006,100**	–
Dilutive effect pertaining to warrants	**92,396**	45,517
Total number of shares after dilutive effect	**54,327,524**	53,274,545

EARNINGS PER SHARE AFTER DILUTION	**6.07**	-0.64

Several-year overview

Amounts in SEK m	***2001***	*2000*	*1999P*	*1999*	*1998P*
Profit and loss account					
Net sales	**32,428**	30,230	29,077	5,338	28,782
Operating profit	**653**	112	344	162	443
Profit after financial items	**527**	0	261	163	335
Minority interests	**-11**	-10	-15	–	-26
Taxes	**-188**	-24	-105	-46	-119
Net profit for the year	**328**	-34	141	117	190
Balance sheet					
Intangible assets	**1,191**	1,258	1,021	23	1,088
Tangible assets	**2,238**	2,143	1,650	364	1,483
Financial assets	**541**	716	796	9	1,005
Inventories	**1,559**	1,518	1,425	327	1,406
Other current assets	**1,832**	1,707	1,629	140	1,485
Liquid assets	**406**	278	192	181	119
Assets	**7,767**	7,620	6,713	1,044	6,586
Shareholders' equity	**1,208**	855	741	368	659
Minority interests	**109**	181	185	–	207
Provisions	**637**	595	542	75	520
Interest-bearing liabilities	**2,070**	2,610	2,157	9	2,055
Noninterest-bearing liabilities	**3,743**	3,379	3,088	592	3,145
Shareholders' equity and liabilities	**7,767**	7,620	6,713	1,044	6,586
Cash flow					
Cash flow from continuing operations	**1,046**	445[p]	365	165	–
Cash flow from investing activities	**-293**	-690[p]	-326	-135	–
Cash flow from financing activities	**-625**	331[p]	36	-64	–
Cash flow for the period	**128**	86[p]	75	-34	–
Key ratios					
Operating margin (%)	**2.0**	0.4	1.2	3.0	1.5
Operating margin before items affecting comparability and goodwill	**2.3**	0.9	1.8	3.1	–
Margin after financial items (%)	**1.6**	0.0	0.9	3.1	1.2
Equity ratio (%)	**17.0**	13.7	13.8	35.2	13.1
Debt-equity ratio, net (multiple)	**1.3**	2.1	2.0	-0.4	–
Debt-equity ratio (multiple)	**1.85**	2.86	2.9	0.0	2.8
Capital employed (SEK m)	**3,752**	4,003	3,620	385	–
Return on capital employed (%)	**17.3**	3.8	10.3	46	–
Return on shareholders' equity (%)	**31.8**	neg.	20.0	34	–
Capital expenditures (SEK m)	**404**	579	563	135	453
Earnings per share (SEK)	**6.16**	-0.64	2.77	4.68	3.75
Earnings per share after dilution (SEK)	**6.07**	-0.64	–	–	–
Number of shares outstanding	**53,229,028**	53,229,028	50,729,028	25,000,000[2]	50,759,950
Number of full-year employees	**8,514**	8,146	7,364	2,711	6,934
Dividend	**2.50**[1]	0	2.60	2.60	–

[p] Pro forma for 1999 and 1998
[1] Proposed by the Board of Directors
[2] Of which, 4,000,000 Class A shares and 21,000,000 Class B shares

Definitions

- **Capital employed:** Total assets less noninterest-bearing liabilities including deferred tax liabilities. 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.
- **Earnings per share:** Net profit for the year divided by the number of shares outstanding.
- **Earnings per share after dilution:** Net profit for the year, adjusted for interest expenses after taxes pertaining to outstanding convertibles, divided by the number of shares outstanding adjusted for the number of shares that can be issued upon full conversion and the dilutive effect of stock options.
- **EBIT:** Operating profit.
- **EBITG:** Operating profit before goodwill amortisation.
- **Equity ratio:** Shareholders' equity including minority interests, as a percentage of total assets.
- **Debt-equity ratio:** Interest-bearing liabilities divided by shareholders' equity.
- **Debt-equity ratio, net:** Interest-bearing liabilities less liquid assets, divided by shareholders' equity.
- **Interest cover ratio:** Profit after financial items plus financial expenses, divided by interest expenses.
- **Operating margin:** Operating profit after depreciation, as a percentage of net sales for the year.
- **Margin after financial items:** Profit after financial items as a percentage of net sales for the year.
- **Net interest-bearing assets:** Liquid assets less interest-bearing liabilities.
- **Number of full-year employees:** Total number of hours worked divided by the year's work time (1,600 hours).
- **Return on capital employed:** Profit after financial items, plus financial expenses, as a percentage of average capital employed.
- **Return on shareholders' equity:** Net profit as per the profit and loss account as a percentage of average shareholders' equity. Average shareholders' equity is calculated as shareholders' equity at the beginning of the year plus shareholders' equity at the end of the year, divided by two.
- **Shareholders' equity per share:** Shareholders' equity divided by the number of shares outstanding.

Auditors' Report

to the Annual General Meeting of Axfood AB (publ.)
reg. no. 556542-0824

We have audited the parent company and consolidated financial statements, the accounts and the administration of the Board of Directors and the President of Axfood AB (publ.) for the 2001 financial year. These accounts and the administration of the Company are the responsibility of the Board of Directors and the President. Our responsibility is to express an opinion on the financial statements and the administration based on our audit.

We conducted our audit in accordance with Generally Accepted Auditing Standards in Sweden. Those Standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the President, as well as evaluating the overall presentation of information in the financial statements. As a basis for our opinion with respect to discharge from liability, we have examined significant decisions, actions taken and circumstances of the Company in order to be able to determine the possible liability to the Company of any board member or the President or whether they have in any other way acted in contravention of the Swedish Companies Act, the Swedish Annual Accounts Act, or the Company's Articles of Association. We believe that our audit provides a reasonable basis for the opinion set out below.

The parent company and consolidated financial statements have been prepared in accordance with the Swedish Annual Accounts Act and give a true and fair view of the result and the financial position of the Group in accordance with Generally Accepted Auditing Standards in Sweden.

We recommend that the Annual General Meeting adopt the profit and loss accounts and balance sheets of the parent company and the Group, dispose of the profit of the parent company in accordance with the proposal in the Administration Report, and discharge the members of the Board of Directors and the President from liability for the financial year.

Stockholm, Sweden, 25 February 2002

Caj Nackstad
Authorised Public
Accountant

Per Bergman
Authorised Public
Accountant

Corporate management

With effect from April 2002

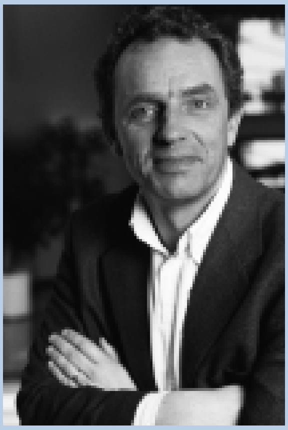
Mats Jansson (b. 1951)
President and CEO
Number of shares: 4,300
Number of options: 60,000
SEK 36,500 in convertibles

Lars Nilsson (b. 1956)
Executive Vice President and CFO, Deputy CEO
Number of shares: 12,000
Number of options: 35,000
SEK 109,500 in convertibles

Anders Nyberg (b. 1956)
Executive Vice President, Head of Retail Trade Development
Number of shares: 4,000
Number of options: 35,000
SEK 109,500 in convertibles

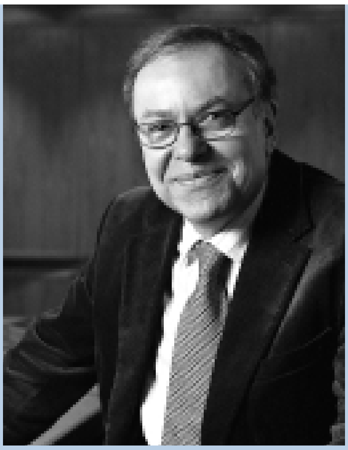
Lennart Andersson (b. 1953)
President of Hemköpskedjan
Number of shares: 0
Number of options: 17,500

Bodil Eriksson (b. 1963)
Executive Vice President, Corporate Communications
Number of shares: 0
Number of options: 17,500
SEK 43,800 in convertibles



Anders Strålman (b. 1953)
President of Willys
Number of shares: 15,000
Number of options: 17,500
SEK 109,500 in convertibles

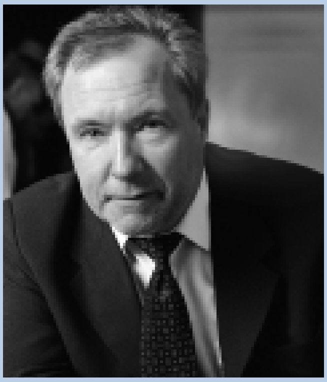
Tommy Kvist (b. 1950)
President of Willys Hemma
Number of shares: 226,430, plus 12,984 through companies
Number of options: 0
SEK 109,500 in convertibles

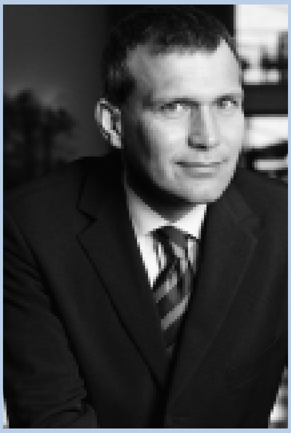


Carl-Erik Möller (b. 1947)
President of Axfood Franchise AB
Number of shares: 750
Number of options: 17,500
SEK 109,500 in convertibles

Pekka Kosonen (b. 1954)
President of Spar Finland
Number of shares: 0
Number of options: 0

Urban Dahl (b. 1953)
President of Axfood Närlivs
Number of shares: 0
Number of options: 17,500
SEK 109,500 in convertibles





Stefan Karlsson (b. 1961)
President of Dagab
Number of shares: 4,500
Number of options: 17,500
SEK 109,500 in convertibles

Company structure

CEO

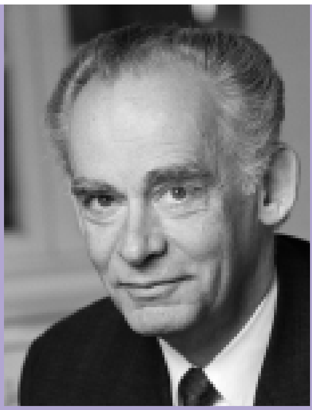
Staffs
- Accounting • Finance • IT Human Resources
- Corporate Communications • IR Brand Strategies
- Business Development • Store Establishment • Purchasing Private Labels • Quality • Real Estate

- Willys AB
- Willys Hemma AB
- Hemköpskedjan AB
- Dagab AB
- Axfood Närlivs AB (Axfood Snabbgross)
- Axfood Franchise AB (Spar) (Tempo) (Vivo)
- Spar Finland AB (Spar) (Eurospar)

Board of Directors and auditors

Directors elected by the Annual General Meeting:

Marcus Storch (b. 1942)
Vice Chairman of Axel Johnson AB and the Nobel Foundation. Director of Dagens Industri AB, AB Hanells Industrier, NCC AB, Nordstjernan AB, Stockholmsbörsen AB, AB Tumba Bruk, the Royal Swedish Academy of Science, and the Royal Swedish Academy of Engineering Sciences (IVA). D. Med. h.c. Former President and CEO of AGA AB. Vice Chairman of the Board since 2000.
Number of shares: 12,000



Göran Ennerfelt (b. 1940)
Chairman or director of various companies in the Axel Johnson Group. Chairman of the Board of Trustees of SNS (the Center for Business and Policy Studies), Chairman of Svensk Handel, the General Export Association of Sweden and the Stockholm Institute of East European Economics. Vice Chairman of the Sweden-America Foundation. Director of Spirent plc, Svenska Handelsbanken, the Confederation of Swedish Enterprise, the International Chamber of Commerce, and others. Chairman of the Board since 2000.
Number of shares: 10,000

Antonia Ax:son Johnson (b. 1943)
Chairman or director of various companies in the Axel Johnson Group. Director of Nordstjernan AB, the Axel and Margaret Ax:son Johnson Foundation for Public Service, NCC AB, Xerox Corporation, the Royal Swedish Academy of Engineering Sciences (IVA), and others. Chairman of the City Mission of Stockholm and the World Childhood Foundation. Director since 2000.
Number of shares: 24,252,566 via companies

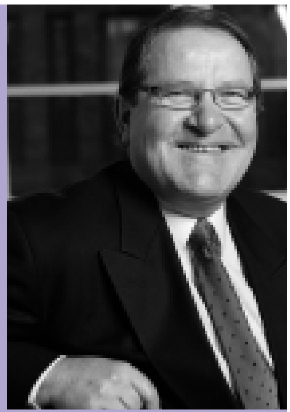
Peggy Bruzelius (b. 1949)
Chairman of Grand Hôtel Holding AB and Lancelot Asset Management AB. Director of AB Electrolux, Scania AB, Ratos AB, Drott AB, Syngenta AG, the Stockholm School of Economics Association, the Industry and Commerce Stock Exchange Committee, the Securities Council, and others. Former President of ABB Financial Services and former Executive Vice President of Skandinaviska Enskilda Banken. Director since 2000.
Number of shares: 1,500

Mats Jansson (b. 1951)
President and CEO of Axfood AB. Chairman or director of various companies in the Axel Johnson Group. Director of Hufvudstaden AB. Former President and CEO of Oy Karl Fazer AB. Director since 2000.
Number of shares: 4,300
Number of options: 60,000
SEK 36,500 in convertibles

Nils-Erik Johansson (b. 1933)
Chairman of Clas Ohlson AB, Heberleins i Båstad AB and Leksands IF. Director of Axel Johnson AB, Åhléns AB and ALMI Dalarna AB. Member of the FöreningsSparbankens Company Council in Stockholm. Former President and CEO of Hemköpskedjan AB. Director since 2000.
Number of shares: 6,375

Hans Järvmarker (b.1952)
Director of Motivationshuset.
Former principal owner and
Chairman of HP Billigt & Nära.
Director since 2001.
Number of shares: 1,482,532

Gösta Törnroth (b. 1943)
Chairman of AB Gostin. Director of moreSALE International AB, Handelns Utvecklingsråd, and starting in 2002, Willys Hemma. President and CEO of Nyföretagcentrum, Solna. Former President and Chairman of D-gruppen AB from the start in 1983 until 1998, and former director of Dagab AB, from 1991 to 1994.
Director since 2000
Number of shares: 2,500

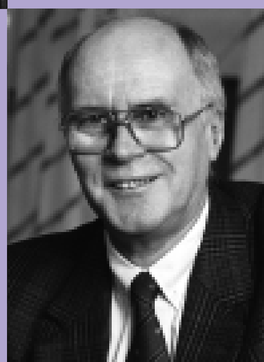


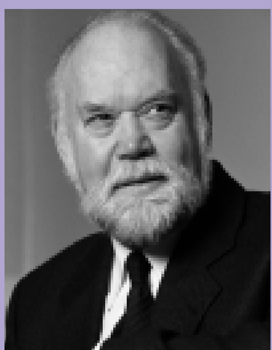
Annika Åhnberg (b. 1949)
Chairman of the programme board of the ELSA (Ethical, Legal and Social Aspects of Genome Research and Gene Technology) research programme and Save the Children, Sweden. Director of Skandia Liv, SkandiaLink, HANDU AB, ETIX, the Stockholm Environment Institute, the Royal Swedish Academy of Agriculture and Forestry (KSLA), and the Royal Swedish Academy of Engineering Sciences (IVA).
Director since 2000.
Number of shares: 0

Employee representatives:

Sven-Erik Brandt (b. 1947)
Sven-Erik Brandt joined Dagab AB in 1976 and represents the Commercial Employees' Union.
Director since 2000.
Number of shares: 0
SEK 29,200 in convertibles

Hans G. Johansson (b. 1945)
Hans G. Johansson is an employee of Hemköp and an employee representative for the Commercial Employees' Union.
Director since 2000.
Number of shares: 0





Åke Pettersson (b. 1935)
Åke Pettersson joined Dagab AB in 1962 and represents the Salaried Employees' Union HTF.
Director of Axfood Närlivs AB and Dagab AB.
Director since 2000.
Number of shares: 0
SEK 109,500 in convertibles

Alternate directors:

Lars-Olof Johansson (b. 1957)
Alternate union representative for the boards of Dagab AB and Axfood Närlivs AB.
Alternate director since 2000.
Number of shares: 34

Håkan Karlsson (b. 1953)
Alternate director since 2000.
Number of shares: 0
SEK 109,500 in convertibles

Inger Sjöstrand (f. 1953)
Director of Hemköp. Chairman of Hemköp's Union Reference Group.
Alternate director since 2000.
Number of shares: 0

Auditors

Per Bergman
Authorised Public Accountant, KPMG

Caj Nackstad
Authorised Public Accountant, KPMG

AXFOOD Shares

Axfood AB was registered on the Stockholm Stock Exchange A list on 29 May 2000.

Price trend and trading volume

Axfood shares performed strongly in 2001 and showed one of the best price rises during the year, gaining 119.6%. The Stockholm Stock Exchange declined by 16.9% (Sax-index) during the same period.

The highest price during the year, SEK 125.50, was reached on 19 December. The lowest price paid during the year, SEK 48, was on 15 February.

Axfood's market capitalisation at year-end was SEK 6,254 m.

Ownership structure

The number of shareholders decreased during the year by 7.1% and amounted to 9,565 on 28 December 2001, of whom 11.4% were institutional investors. At year-end the 15 largest shareholders owned 66.9% of the shares. The share of foreign owners increased during the year by 5.5%, to 8.4%.

The Axel Johnson Group is the principal owner, with 45.5% of the shares.

Convertible and stock option programme

In October 2000, an extraordinary general meeting of Axfood approved the establishment of a convertible and stock option programme for employees and managers of the Axfood Group.

Convertibles

Subscription of convertibles took place in November 2000. The payment date was 22 January 2001. A total of 1,093 employees subscribed, and the debenture amounted to SEK 73 m. The conversion price is SEK 73. Upon full conversion, the number of shares outstanding will increase by 1,006,100, corresponding to a dilution of approximately 1.8% of the total number of shares.

Stock options

To date, 17 senior executives of the Axfood Group have subscribed for 358,800 stock options, entitling them to purchase newly issued shares in Axfood AB. Currently another 68,700 stock options remain, which have not yet been granted. The exercise price is SEK 77. Upon full exercise, the number of shares outstanding will increase by 427,500, corresponding to a dilution of approximately 0.8% of the total number of shares.

Repurchases of own shares

At the extraordinary general meeting in October 2000, the Board was authorised to decide on the repurchase of a maximum of 1,600,000 shares of the company's own stock, to be used as payment for the acquisition of HP Billigt & Nära. This authorisation was valid until the Annual General Meeting in 2001. In order to carry out the repurchase mandate, on 3 May 2001 the Annual General Meeting authorised the Board to decide on the repurchase of the 252,748 shares remaining to be repurchased.

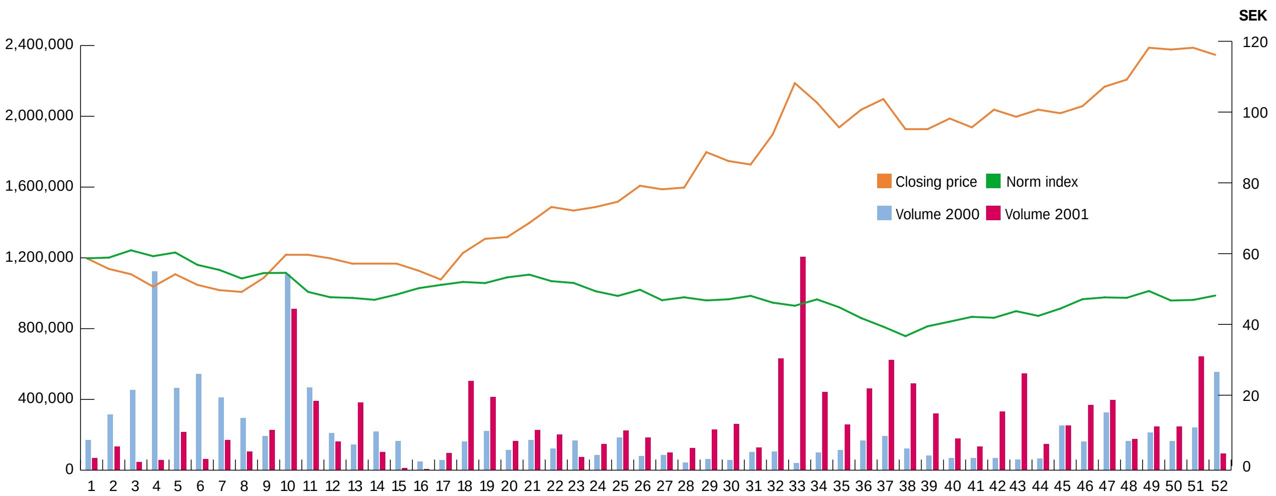
The company's holdings of own shares at the start of 2001 was 830,889, corresponding to 1.6% of the share capital, which was managed on behalf of others. In 2001 an additional 751,775 shares were repurchased, corresponding to 1.4% of the share capital. All of these shares were transferred during the year to complete the acquisition of HP Billigt & Nära, and thus at 31 December 2001 the company held no shares of its own stock.

Dividend policy

Axfood's dividend policy is to pay a shareholder dividend equivalent to at least 30% of profit after tax during a business cycle.

The Board proposes a dividend of SEK 2.50 per share for the 2001 financial year, for a total dividend payout of SEK 133 m. (0), based on 53,229,028 shares. Dividends are expected to be paid out via VPC AB on 6 May 2002.

Price trend for Axfood shares



Source: Alert IR/Ecovision

Axfood's 15 largest shareholders at 28 December 2001

Name	No. of shares	Capital and votes, %
Axel Johnson AB Group	24,203,166	45.5
Alecta	1,638,979	3.1
Järvmarker Hans (and family)	1,517,729	2.9
Skandia	1,021,385	1.9
Källman Lågpris AB	891,465	1.7
Hall Lennart	855,000	1.6
Fagerlund Hans	834,500	1.6
Fagerlund Ulf	800,000	1.5
Köhler Torsten	656,480	1.2
Sax Göran (and family)	642,639	1.2
Kammarkollegiet fund mngmnt	549,542	1.0
Söderberg Tommy	533,000	1.0
Svolder	500,000	0.9
Höganäs Dagligvarumarknad AB	474,960	0.9
Östersjöstiftelsen	460,500	0.9
Total, 15 owners	**35,579,336**	**66.9**
Others	17,649,692	33.1
Total	**53,229,028**	**100**

Source: Ägarservice/VPC

Shareholder categories as per 28 December 2001

	%
Swedish shareholders	91.6
Of whom,	
Swedish institutions	11.4
Mutual funds	1.7
Individuals, incl. close companies	78.5
Foreign shareholders	8.4

Source: Ägarservice/VPC

Breakdown of shareholders by five largest countries as per 28 December 2001

Country (including all holdings of less than 500 shares)	%
Sweden	91.6
UK	2.9
Norway	1.5
Luxembourg	1.5
USA	1.2
Others	1.3

Source: Ägarservice/VPC

Analyst monitoring

The following analysts monitor Axfood:

Firm
Alfred Berg
Carnegie
Chevreux
Enskilda Securities
Handelsbanken Investment Banking
Nordea

Financial information

Annual General Meeting

The Annual General Meeting of Axfood AB (publ.) will be held at 5 p.m. on Thursday, 25 April 2002, at the Stockholm Concert Hall, Grünewaldsalen, Kungsgatan 43, Stockholm.

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, 18 April 2002, by writing to the following address:
Axfood AB, Box 7314, SE-103 90 Stockholm.

Notification can also be made by phone, +46-8-553 998 08, by fax +46-8-553 998 05, or by e-mail: liv.galdon@axfood.se.

Notification should include the shareholder's name, address, social security number/company registration number, phone number and the number of shares held.

Participation

To be able to participate in the Meeting, shareholders must be recorded in the register of shareholders maintained by VPC AB not later than Tuesday, 16 April 2002, and they must notify the Company of their intention to participate in the Meeting not later than 4 p.m. on Thursday, 18 April 2002. Shareholders whose shares are registered in the name of a nominee must temporarily re-register their shares in their own names with VPC AB to be entitled to participate in the Meeting. Shareholders must notify their nominee in ample time prior to 16 April 2002.

Proposed dividend

The Board of Directors proposes a dividend of SEK 2.50 per share, totaling SEK 133 m (0), based on 53,229,028 shares. The record date is 30 April, and dividends are expected to be paid by VPC on 6 May 2002.

Summons and agenda

A summons to the Annual General Meeting will be issued in accordance with the Company's Articles of Association. The agenda for the Annual General Meeting will be included in the summons.

Financial calendar

First-quarter interim report 2002 – 25 April 2002
Second-quarter interim report 2002 – 1 August 2002
Third-quarter interim report 2002 – 23 October 2002

Addresses

Staffs and subsidiaries:

Axfood Sverige AB
SE-171 78 Solna
(Parkvägen 2A)
Tel: +46-8-553 990 00
Fax, management:
+46-8-553 998 05
info@axfood.se

Axfood Fastigheter AB
SE-171 78 Solna
(Parkvägen 2A)
Tel: +46-8-553 990 00
Fax: +46-8-553 994 92
info@axfood.se

Axfood Franchise AB
Box 36030
SE-400 13 Göteborg
(Partihallarna)
Tel: +46-31-63 94 00
Fax: +46-31-21 89 06
info@axfood.se

Axfood IT AB
SE-171 78 Solna
(Parkvägen 2A)
Tel: +46-8-553 990 00
Fax: +46-8-27 57 43
info@axfood.se

Axfood Närlivs AB
Box 1742
SE-701 17 Örebro
(Handelsgatan 5)
Tel: +46-19-603 03 50
Fax: +46-19-603 03 06
info@axfood.se

Axfood Private Label AB
SE-171 78 Solna
(Parkvägen 2A)
Tel: +46-8-553 990 00
Fax: +46-8-735 77 56
Info@axfood.se

Dagab AB
Box 640
SE-136 26 Haninge
(Lillsjövägen, Jordbro
Företagspark)
Tel: +46-8-500 710 00
Fax: +46-8-500 104 05
info@axfood.se

AB Handelskredit
SE-171 78 Solna
(Parkvägen 2A)
Tel: +46-8-553 991 50
Fax: +46-8-553 991 48
Info@axfood.se

Hemköpskedjan AB
Box 828
SE-791 29 Falun
Tel: +46-23-589 00
Fax: +46-23-71 19 77
receptionen@hemkop.se
www.hemkop.se

Spar Finland ABP
PB 140
FIN-01720 Vantaa
(Tegelbrännargränden 5)
Tel: +358 205 321
Fax: +358 205 32 6023
www.spar.fi

Willys AB
SE-412 86 Göteborg
(Falkenbergsgatan 3)
Tel: +46-31-733 31 00
Fax: +46-31-733 31 80
Info@axfood.se

Willys Hemma AB*
SE-412 86 Göteborg
(Falkenbergsgatan 3)
Tel: +46-31-733 31 00
Fax: +46-31-733 31 81
Info@axfood.se

*Undergoing name change from HP Billigt & Nära

MOMA Grafisk Form AB
Ulli Ringström Produktion
English translation: Joe Brennan
Photos: Malte Danielsson
Elisabeth Ohlson
Johan Carlsson
Christoffer Edling
Printed by Åkessons Tryckeri

www.axfood.se

Axfood AB Box 7314 SE-103 90 Stockholm (Kungsgatan 32, 8th floor)
Tel: +46-8-553 998 00 Fax: +46-8-553 998 25 info@axfood.se