

**Axfood
Annual Report
2009**

Contents



Axfood is a Swedish company governed by Swedish law. All monetary amounts stated herein are in Swedish kronor. Millions of kronor are abbreviated as SEK m, billions as SEK bn and thousands as KSEK. Figures in parentheses pertain to 2008, unless stated otherwise. Market and competitive data are Axfood's own estimates, unless reference is made to a specific source. These estimations are based on the best and most recent data available from published sources in the public sector, the consumer goods industry and competitors.



Axfood reports in conformity with the Global Reporting Initiative (GRI) guidelines for sustainability work and applies level B in its report for 2009.

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Presenting Axfood


















Axfood conducts food retail and wholesale trade in Sweden. The Group's retail operations are conducted through the wholly owned Willys, Hemköp and PrisXtra chains.

- The Group owns 225 stores. In addition, Axfood collaborates with a large number of proprietor-run stores that are tied to Axfood through agreements. These include stores within the Hemköp and Willys chains as well as stores run under the Handlar'n and Tempo profiles.
- In all, Axfood collaborates with approximately 840 proprietor-run stores.
- Wholesale business is conducted via Dagab and Axfood Närlivs.
- Axfood is listed on Nasdaq OMX Stockholm AB's Large Cap list.
- Axel Johnson AB is the principal owner with approximately 46% of the shares.
- Axfood has a 19.3% share of the food retail market in Sweden.

Organization

- Axfood's organization is characterized by few decision-making levels and sharp focus on low administrative costs. At the central level the Group achieves economies of scale in such functions as purchasing, private label products, logistics, IT, finance administration, human resources and leadership development.
- The management teams of the individual chains are responsible for store operations, marketing, and product range and pricing strategies.
- The individual store managers/proprietors have day-to-day responsibility for ensuring that their stores are appealing and well-stocked, and for treating customers in a professional manner in accordance with the profile of their respective chains.



COMPANY	SALES Share of Group	OPERATING PROFIT Share of Group	NUMBER OF EMPLOYEES Share of Group	KEY DATA
Hemköp Business concept: Hemköp develops Sweden's best food stores. We promote our customers' well-being by helping them find healthy foods.	SEK 5,335 m 17% 	SEK 28 m 2% 	1,573 23% 	Number of Group-owned stores: 72 Number of franchise stores: 86 Retail area: 116,600 sq.m.
Willys Business concept: Willys' objective is to lead and develop the discount retail food segment by offering "Sweden's cheapest bag of groceries" and giving its customers an inspiring shopping experience.	SEK 17,589 m 54% 	SEK 731 m 65% 	3,110 46% 	Number of Group-owned stores: 147, of which 34 Willys hemma Number of franchise stores: 3 Retail area (Willys – Group-owned): 281,000 sq.m. Retail area (Willys hemma): 22,000 sq.m.
PrisXTRA Business concept: PrisXtra strives to provide the most fulfilling and trend-inspiring grocery shopping experience in the Stockholm market, at the lowest price.	SEK 725 m 2% 	SEK 6 m 1% 	192 3% 	Number of Group-owned stores: 6 Retail area: 15,700 sq.m. One online store
 Närlivs Business concept: We make it easy for our customers to do good business.	External sales SEK 5,552 m 17% 	SEK 132 m 12% 	625 9% 	Distribution centres: 3 Axfood Snabbgross cash and carry stores: 19 Total sales: SEK 5,571 m. Sales area, Axfood Snabbgross stores: 38,700 sq.m.
Dagab Business concept: Dagab helps enhance sales and profitability for stores through efficient, adapted logistics solutions.	External sales SEK 3,003 m 9% 	SEK 147 m 13% 	902 13% 	Distribution centres: 2 Cold-storage warehouses: 2 Total sales: SEK 24,052 m
OTHER	SEK 174 m 1%	SEK 84 m 7%	414 6%	Total number of Group-owned stores: 225 One online store Total number of distribution centres: 5 Total number of cash and carry stores: 19 Total retail area: 474,000 sq.m. (Group-owned stores)
 GROUP TOTAL	SEK 32,378 m	SEK 1,128 m	6,816	

CEO's message

I am happy to sum up 2009 as yet another good year for Axfood. Never before have we sold so much food to so many satisfied customers! This has resulted in stable sales growth and a positive operating profit for all business units. We were also highly successful in implementing the strategic activities that we outlined in our annual report a year ago.



2009 started out with a market outlook that was difficult to judge and an uncertain price trend. The Swedish krona was weak and counteracted the effects of lower prices for staples early in the year. In pace with stabilization of the currency, food inflation levelled out and stopped at 2.9% for the year. At the same time, the economy worsened and pessimism grew among companies as well as households. This contributed to growing price consciousness and a keener interest in private label products, while campaigns focusing on price had more impact. However, the recession has not affected consumption patterns to the extent we had feared.

Successful action programme at Hemköp

We were particularly gratified by the positive performance at Hemköp, which after several years of weak profitability and a shrinking customer base showed increasingly stable operations during the year. The goal was to achieve a positive operating profit, which we accomplished, despite booked structural costs of SEK 46 m during the year. This was the result of greater cost control, an improved gross profit, and a changed price and product range strategy. We also closed or converted unprofitable stores – eight Group-owned and five proprietor-run. We are now taking the next step with the launch of a new price strategy and

“Positive result for all units”

improved customer offer in 2010. This, together with a higher pace of campaign activities, will secure sales growth as well as continued profitability.

Strong position in price-focused market

Willys has defended its position as “Sweden’s cheapest bag of groceries” in an increasingly price-focused market. Sales and earnings were stable, with a steady rise in the number of customers. During the year we further developed our price and product range strategy while making improvements to the customers’ shopping experience. As part of this, the modernization and development of stores continued as planned, and by year-end a total of 28 stores have been renovated. Willys also opened five new stores. To strengthen the conditions for higher sales, in 2010 we will take steps to further inspire Willys customers to discover what we have to offer.

The year at a glance

- | | | | |
|--|--|--|--|
| <ul style="list-style-type: none"> • On 10 February the new plant for production of centrally packaged meat is inaugurated. The plant is run by Danish Crown. • At the Annual General Meeting on 10 March, Fredrik Persson is elected as the new Chairman of the Board, and Odd Reitan is elected as a new director. | <ul style="list-style-type: none"> • Benny Hast appointed as President of Dagab. • Nicholas Pettersson appointed as President of Axfood Närlivs. | <ul style="list-style-type: none"> • Markus Lönnroth appointed as President of PrisXtra. • Axfood Närlivs extends and expands its cooperation with EMAB in a three-year contact. | <ul style="list-style-type: none"> • Axfood begins sales of over-the-counter pharmaceuticals. • Cooperation with the Vi stores begins as planned in November. • Axfood launches Garant, a new house brand sold across the Group. • New sustainability programme. |
|--|--|--|--|

Q1

Q2

Q3

Q4

Strengthened store operations and customer offer

At PrisXtra, sales and earnings have not yet reached anticipated levels. A contributing factor to this is the road construction that has obstructed the flow of customers to the chain's two largest stores in Stockholm. Work during the year was largely dominated by the integration with Axfood. This project was concluded during the autumn, and the focus moving forward is on strengthening store operations and the customer offer. In 2010 we will be channelling our efforts primarily into building a foundation for improved profitability and growth.

Defying the competition and economy

Axfood Närlivs has held its own against tougher competition as well as the weak economy, and reported continued good profitability in all areas. During the year we saw a favourable sales trend for Axfood Snabbgross as a result of improved store operation and development of the product range. We also increased our wholesale volumes of automotive accessories and fast food through a new three-year agreement with EMAB.* To improve availability for our customers, during the year we established a successful e-commerce portal for the wholesaling business. This will be further developed in 2010.

Cost control and stable operations

Efficient logistics are critical for Axfood's success. With small margins, the demands for cost control and efficiency are high. During the year, Dagab strengthened its delivery reliability, and measures to increase the accuracy of deliveries have led to improved quality. We have also continued with the implementation of

Autoorder and the launch of voice-directed picking in the warehouses. Cooperation with the Vi stores was resumed in November, entailing deliveries to 59 stores which together have annual retail sales of roughly SEK 3.4 billion.

New business system

To establish an integrated, modern IT platform, at the start of the year we began work on implementing a new business system, which will better support Axfood's strategies. This project will continue over five years, during which time we expect to invest SEK 500–600 m.

Sustainable development

For Axfood, a responsible approach is an obvious precondition for successful business. Therefore, during the year we adopted a new Code of Conduct which clarifies our position and our undertakings with respect to our suppliers, employees and other partners. We also adopted a new sustainability programme containing goals, strategies and actions. A few of the areas covered include energy savings, waste handling, shrinkage and a transition to renewable electricity. One of our overall targets is to reduce the climate impact of our operations by 75% by 2020. On pages 25 to 34 of this report we provide an in-depth presentation of our work with social responsibility and sustainability.

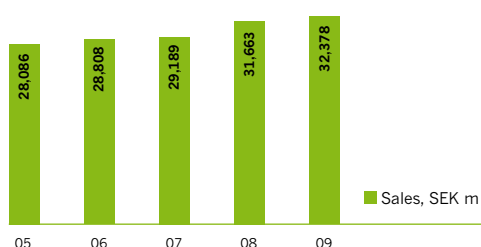
Continued strong financial position

Axfood has a continued strong financial position and a capital structure that is well-suited to the Group's operations. Net debt was SEK 532 m at year-end,

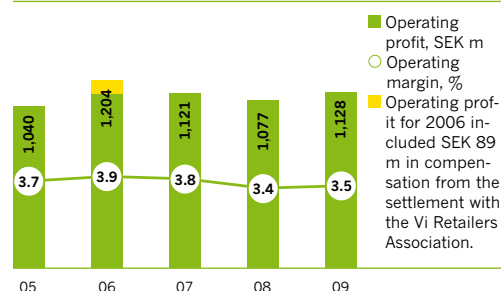
*EMAB is a cooperation organization for independent service station stores and has approximately 400 members from the Shell, Statoil 1 2 3, Hydro, Bilisten and Preem chains.

Axfood achieved its earnings target for 2009. This performance can be credited primarily to a positive operating result for all businesses, stable sales growth and continued good cost control.

Consolidated net sales



Consolidated operating profit and operating margin



despite a high level of capital expenditures and a dividend payout of SEK 420 m in 2009. We also managed to achieve our equity ratio target of a minimum of 25% in each quarter.

Dividend

As a result of favourable profitability, we once again have created the conditions to pay a dividend to our shareholders. The Board proposes a dividend of SEK 10 per share. This would entail a payout of 66% of our earnings after tax, which is well in line with our policy to pay a dividend corresponding to at least 50% of profit after tax.

2010 will be a year of high activity in all areas

Indications are high that 2010 will also be characterized by strong price competition and price-conscious customers. We will therefore meet and exceed our customers' expectations for price, product selection, shopping experience and service. Our ambition is to ensure continued profitable growth through efficiency improvements and good cost control.

Our agenda for 2010 also entails that we will take further steps toward our long-term goals of an operating margin of 4% and growing market shares.

A few priority areas will be to continue developing our concepts, optimize store operations, refine our price and product range strategies, and stimulate sales. We will also develop our successful private label strategy. Parallel with this we intend to step up the pace of new-store establishment. *On the following pages we provide a more detailed presentation of our strategic agenda.*

With the addition of several new stores and an intensive phase for our new business system, our capital expenditures in 2010 will be in the range of SEK 750–850 m.

Axfood's goal for 2010 is to achieve an operating profit at the same level as in 2009.

In conclusion, I would like to thank all of our staff for their efforts during the year and all of our customers for the confidence they have shown in our stores.

Solna, 5 February 2010



Anders Strålmán
President and CEO

Key ratios

	2009	2008	2007	2006	2005
Net sales	32,378	31,663	29,189	28,808	28,086
Operating profit	1,128	1,077	1,121	1,204	1,040
Operating margin, % ¹⁾	3.5	3.4	3.8	3.9	3.7
Profit after financial items	1,082	1,011	1,086	1,183	1,026
Profit after tax	793	737	781	852	729
Earnings per share, SEK	15.13	14.05	14.88	16.03	13.37
Earnings per share after dilution, SEK	15.13	14.05	14.88	16.03	13.35
Average number of employees during the year	6,816	6,847	6,463	6,569	7,066

¹⁾ For 2006 excluding compensation of SEK 89 m from the settlement with the Vi Retailers Association.

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

Axfood's strategy for profitable growth

MISSION AND VISION

Vision Axfood will be one of the leading retail food companies in the Nordic region through profitable growth.

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

Core values The work on building a shared foundation of values aims to foster an entrepreneurial and customer-focused culture. Axfood's core values strengthen cohesion within the Group and integration of the Company's various parts while providing guidance to all employees in their daily work:

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

Goals Axfood's overarching goal is to create sustained value for shareholders and other stakeholders through profitable growth. This also entails creating the greatest possible value for customers and employees.

Axfood shall be the most profitable company in the Swedish food retail market and will grow its market share by strengthening and developing its position as number two in the Swedish food retail market.

Through clear and unique offerings, Axfood strives to offer customers the best shopping experience, with quality, wholesome food at attractive prices.

In its pursuit of profitable growth, Axfood will take its responsibility for the environment and sustainable development.

Axfood wants employees who are willing, able and empowered to generate tangible results together with co-workers and customers.

Financial targets Axfood's financial targets are:

- An operating margin of 4%
- An equity ratio of at least 25%
- To pay a shareholder dividend of at least 50% of profit after tax

STRATEGIES

Profitability

Strategic objective

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

Axfood's long-term goal is an operating margin of 4%. Achieving this goal requires activities at every level aimed at boosting sales, efficiency and profitability.

Hemköp's earnings performance is an important part of this work. In 2009 the ongoing action programme generated positive effects and increasingly stable operations, with an improved gross margin, lower overheads and a positive operating profit. The next step will be to optimize store operations and develop the product range and price strategy.

Having a high private label share has been a profitable and successful strategy for a number of years. The share of private label products rose during the past year and was 21.4% at year-end. The goal for 2010 is 25%. As part of this work, a Group-wide brand, Garant, has been developed to create economies of scale and greater synergies.

Well-run store concepts are a prerequisite for profitable growth. Quality monitoring and the tools used in this respect are therefore a part of operations that will be continuously reviewed. In addition, new, effective logistics solutions are a decisive factor for ensuring a high inventory replenishment rate at stores.

Axfood is also constantly working to ensure the best possible purchasing prices from its suppliers. Toward this end, adjustments have been made to the Group's purchasing strategy and will be implemented in 2010.

Growth

Strategic objective

Axfood will grow its market shares by strengthening and developing its position as number two in the Swedish food retail market.

To increase its market share, Axfood is striving to expand primarily through organic growth, backed by growth through new establishment and acquisitions. Sales in Group-owned stores will be stimulated through campaigns and initiatives to improve cus-

Private labels boost profitability and customer satisfaction

A high private label share is a key component in Axfood's profitability strategy, and the goal is for private label products to account for 25% of sales in 2010. To achieve this growth target, the Garant brand was launched in 2009 as a Group-wide private label.



tomers' shopping experience and service. A sales premium is also set to be introduced for store employees. Parallel with this, sales strategies will continue to be developed to ensure strategic pricing and a customer- and store-segmented product range.

Growth will also be pursued through new sales channels. A new e-commerce portal has been launched for Axfood Närlivs to attract new customers and grow sales. In time this solution will also lead to cost savings in sales and marketing along with improved category management.

Growth in market shares will also be promoted through continued investment in further development of the Group's concepts.

To better support all of the Group's strategies and processes, implementation is in progress of a new business system designed to establish an integrated, modern IT platform.

Customers

Strategic objective

Customer focus will permeate the way of working throughout the Group.

The customer is at the heart of Axfood's business. It is therefore imperative that all parts of the Company work in concert to meet and exceed customers' expectations regarding service, prices and the product offering. In the aim of creating attractive offerings in the respective segments, new price and product range strategies have been developed for every concept.

Initiatives surrounding customer loyalty cards will continue to be further developed to better capitalize on, analyze and address the shopping patterns of increasingly loyal customers.

To increase focus on the customer and create a better understanding in all parts of the Group, three-day practical store experience sessions have been scheduled for all non-store employees. In tandem with this, work has been started on improving sales orientation and customer service for store employees.

Environmental and social responsibility

Strategic objective

Axfood will be an active driver of work on sustainable development in order to become the best in the industry.

Sustainability issues will be driven from a holistic perspective in all aspects of the business. To establish a shared view and clear communication both internally and externally, a sustainability programme has been adopted which describes goals, strategies and actions. Specific areas addressed include energy savings, waste handling, shrinkage, eco-labelling of stores and a changeover to renewable electricity. In the coming year this programme will be implemented in pace with an elevated focus on social audits. Axfood also intends to evaluate alternative energy sources at selected locations.

Employees and organization

Strategic objective

Axfood wants proud and engaged employees who embrace the Group's core values in a collaborative and cost-conscious organization.

Through knowledge-sharing, training and dialogue across the Group, Axfood's core values are being put into action. At the same time, work is continuing on several initiatives to ensure the right competence. Among these are a focus on leadership development and recruitment training. This will be backed up by an annual employee survey to measure and evaluate leadership at Axfood.

Cost consciousness and efficiency shall permeate the entire organization. Accordingly, in 2010 a review will be conducted of work methods and the organization. Axfood wants employees who are willing, able and empowered to generate tangible results together with co-workers and customers.

STRATEGIC OBJECTIVES

STRATEGIES



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

- Improve growth and earnings for Hemköp
- Increase the private label share to 25% by 2010
- Further develop chain and store operations
- Strive for the best purchasing prices in the market
- Implement efficient logistics solutions
- Cost control in all areas



GROWTH
Axfood will grow its market share by strengthening and developing its position as number two in the Swedish market.

- More clearly position and develop the Group's various concepts
- Increase sales in all parts of the Group
- Increase deliveries to external customers
- Create new sales channels
- Be active in establishing and acquiring new stores
- Establish a modern and stable IT environment



CUSTOMERS
Customer focus will permeate Axfood's way of working toward the goal of having more satisfied and loyal customers.

- Offer an attractive product range and customer offering
- Build customer loyalty through greater focus on loyalty cards
- Establish a more customer-focused organization



ENVIRONMENTAL AND SOCIAL RESPONSIBILITY
Axfood will be an active driver of work with sustainable development with the aim of being best in the industry.

- Increase awareness about social responsibility and environmental impact
- Maintain good control of social and environmental responsibility among suppliers
- Reduce climate impact



EMPLOYEES AND ORGANIZATION
Axfood wants proud and engaged employees along with a collaborative and efficient organization.

- Develop managers' recruitment competence
- Ensure succession plans for store managers
- Develop leadership and delineate career paths in the Group for employees
- Build and establish a dynamic, shared foundation of values based on Axfood's core values
- Establish a clearer and more cost-conscious organization

ACTIVITIES COMPLETED IN 2009

- Continued high level of activity in Hemköp's action programme
- Development of private label strategy
- Evaluation of non-food product line strategy
- Increased focus on quality monitoring
- Further development of purchasing strategy
- Continued rollout of Autoorder
- Continued launch of voice picking at warehouses

- Continued development of existing concepts
- Updating of sales strategies
- Implementation of new work model for sales strategies
- Introduction of sales contests
- New supplier agreement with the Vi stores
- Evaluation of new sales channels, such as e-commerce and Web portals
- Preparations for new business system
- Establishment of new stores

- Follow up of customer satisfaction and loyalty
- Rejuvenation of product line strategy
- Refined price strategy
- Implementation of new campaign strategy
- Intensified focus on Axfood's loyalty cards
- Increased customer focus

- Implementation of Group-wide environmental programme
- Elevated focus on social audits

- Continued e-learning activities
- Recruitment training for managers
- Measurement of leadership
- Evaluation of reward systems
- Continued roll-out of core values

OUTCOME 2009

- Results in the form of profitability. Sales growth not yet achieved
- Launch of Garant, a new Group-wide brand
- Focus on items associated with food
- Overview carried out of business monitoring tools
- Work started on further developing the purchasing strategy
- The roll-out of Autoorder proceeded according to plan
- Continued implementation of voice picking

- 28 Willys stores adapted to the modernized concept
- Sales contests tested in stores
- Dagab signed five-year agreement with the Vi Retailers Association
- New e-commerce portal launched at Axfood Närlivs
- Implementation begun of new business system
- Five new stores established

- Increase in the number of customers at Willys stores, but room for improvement regarding customer satisfaction
- Launch of Garant
- Work begun on refining price strategies at Willys and Hemköp
- New campaigns introduced
- Hemköp's loyalty card reached 300,000 cardholders by year-end
- Practical store experience for all non-store personnel

- Adoption of a Group-wide sustainability programme
- Increase in the number of social audits
- New policy on palm oil adopted
- New Code of Conduct adopted

- 1,158 employees certified in various e-learning programmes
- Recruitment training carried out for managers
- Evaluation of leadership and mapping of employee perceptions
- Various reward systems tested at stores
- Continuation of core values process

PLANNED ACTIVITIES 2010

- Create sales growth at Hemköp, and develop price and product range strategies
- Further develop the Garant brand
- Continue rollout of Autoorder
- Continued focus on quality monitoring
- Implement new purchasing strategy

- Develop the store concepts
- Modernize additional Willys stores
- Greater focus on sales, introduction of a sales premium
- Continue development of e-commerce solution
- Continue implementation of new business system
- Step up the pace of new-store establishment

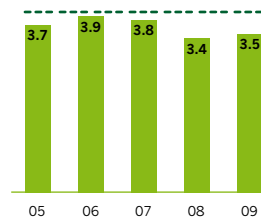
- Reaffirm Willys' position as "Sweden's cheapest bag of groceries" through continued right product and price mix
- Introduce new price strategy at Hemköp
- Sharpen focus on store operations and raising profitability at PrisXtra
- Continued practical store experience for non-store employees

- Implement the Group-wide sustainability programme that was adopted in December 2009
- Increase number of social audits
- Improve waste handling
- Complete ecolabelling process at all Willys stores
- Renewable electricity and alternative forms of energy

- Leadership development and recruitment training
- Further develop internal competence to ensure that future needs are met
- Use annual employee surveys to strengthen leadership
- Continue core values process

FINANCIAL TARGETS

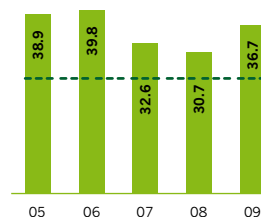
Group operating margin, %



--- Target 4%

The operating margin for 2009 was 3.5%. Axfood's strategy and the outcome of the year's goals set the stage for achieving this long-term target within a few years.

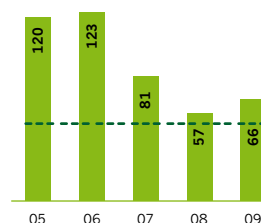
Equity ratio, %



--- Target 25%

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

Dividend as % of profit



--- Target 50%

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

The Board of Directors proposes a dividend payout corresponding to 66% of the year's profit after tax.

Garant new Group-wide brand

Axfood's strategic objective is to be the most profitable company in the Swedish food retail market. One of the strategies for achieving this is to have a high private label share. In 2009 Axfood launched Garant, a Group-wide house brand.

Private label products are accounting for a steadily growing share of sales in the food retail market from year to year, both in Sweden and the rest of Europe. In Sweden, Axfood has the highest private label share, at 21.4%, and the goal is to increase this share to 25% by year-end 2010.

For Axfood's store chains, private label products accounted for 16.1% of sales at Hemköp, 23.6% at Willys, and 28.3% at Willys hemma.

Meeting the growth targets requires continuous strategic and product development, and the launch of the new Garant brand in 2009 should be viewed in this context. The Garant name is already in use by Axfood for the Garant Ekologiska line of organic products that was introduced on the market in 2008. The new Garant brand of products belongs to the mid-range segment, that is, in terms of quality they meet at least the same standard of quality as the leading name-brand products, but with a price that is 10%–15% lower. Garant is being launched as “the attentive brand”, meaning that customers are invited to learn about and offer feedback in a Web-based dialogue on the products and the general offering.

Garant is a Group-wide line of private label products for sale across all of Axfood's store chains. This

creates economies of scale through larger purchasing volumes and more efficient handling. The plans also call for a phase-out of Hemköp's own brand in favour of Garant. *The private labels in Axfood's portfolio are listed in the table below.*








PRIVATE LABELS FROM A EUROPEAN PERSPECTIVE

The European private label market continues to grow, and forecasts point to a near doubling in sales value from 2007 to 2012. In countries like Germany, Belgium and Spain, private label products account for roughly 40% of sales volume, while in the UK they account for approximately 48%. In Sweden the average private label share is approximately 15%.

For consumers, private label products offer a wider diversity of products that offer high value for money. For retailers, private label products offer better margins and a stronger store brand.

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

Axfood's private labels

Brand	Segment	No. of items	Chains
	Mid-range food and non-food products. Quality comparable to the market leader. 10%–15% lower price.	15	All
	Value-added products that meet the criteria for KRAV or EU organic certification. High quality flavour, prices that are 10%–15% lower than the market leader.	71	All
	Mid-range food and non-food products. Quality comparable to the market leader. 10%–15% lower price.	481	Hemköp
	Mid-range food and non-food products. Quality comparable to the market leader. 10%–15% lower price.	563	Willys, Willys hemma
	Budget products. Group-wide private label for groceries and other retail products.	587	All
	Fair Trade Certified foods in the mid-range segment.	12	All
	Batteries, light bulbs, etc. (Func), and kitchen supplies (Fixa).	229	All



Garant is being launched as “the attentive brand”, meaning that customers are invited to learn about and offer feedback in a Web-based dialogue on the products and the general offering.

Read more at www.tyckomgarant.se





Demand is on the rise for locally produced food.

Trends defying weak economy

The recession did not affect growth for the food retail market to the extent feared at the beginning of the year. Consumption patterns and interest in environmentally adapted and organic products also remained stable.

The economic downturn that began during the second half of 2008 continued during 2009. However, toward the end of the year a number of positive signs emerged, and consumer confidence in the Swedish economy as a whole brightened somewhat. At the same time, households remained pessimistic about their personal finances and the situation in the job market, according to the so-called Micro Index published by the (Swedish) National Institute of Economic Research. Expectations on the trend for 2010 are low.

Despite this, the retail segment – and especially the food retail segment as a whole – fared relatively well in 2009. Groceries are not as sensitive to trends in the overall economy as consumer durables, and sales volume for the food retail market rose 1.9% compared with the preceding year.

With respect to consumer trends, a higher level of price consciousness was noticeable, and campaigns focusing on price had a greater impact. It is usual for people to restrict their purchases to the bare necessities in a weak economy at the same time that they are more willing to try new stores and new products – including private label products. However, customers did not change their shopping behaviour as much as had been predicted at the start of the year. According to A.C. Nielsen, in 2009 as many as 83% of Swedish consumers continued to shop at the same store that they usually shop at, or the store that is most convenient.

The recession was noticeable to varying degrees across Sweden. The largest negative effects were felt in regions with an industrial base. The share of the workforce that had jobs (approx. 90%), found that they had more money in their pockets due to lower taxes and lower interest rates.

HEALTH AND WELL-BEING

Sales of organic food reached a new top level during the year, which indicates that interest in health and organic foods is an enduring trend. A survey of purchasing patterns during the year showed that seven out of ten consumers continued to buy organic products, despite the weaker economy. However, the growth rate slowed somewhat compared with a year earlier. For Axfood, sales of organic products rose 29%, which is a flattening compared with the exceptional growth rate of 63% in 2008.

Demand for local products is another parallel, growing trend. Although this concerns only small volumes, it is nevertheless demand that food retailers are trying to meet to a greater degree. The year also saw growing attention to food additives.

SALES OF OVER-THE-COUNTER MEDICINES

During the autumn, the Swedish pharmacy monopoly was disbanded, thereby opening the door for food retailers to begin selling over-the-counter medicines at stores. Starting in mid-November, Axfood introduced a range of some 25 products, mainly for pain/fever, colds, quitting smoking and stomach ailments, in the Group's stores.

FREEDOM OF CHOICE

Today's consumers are showing the same complex behaviours as in previous years – they are price conscious at the same time that they have their eye out for quality; they want both wholesome fresh products and convenience in the form of ready-made or “heat and eat” alternatives; and they differentiate their food choices depending on whether it is a weekday, weekend or celebration.

Nor has the recession changed the factors that most determine consumers' choice of store. The three most important factors are price, product selection and proximity. Customers are also making demands on the quality of fresh products and on the service-mindedness of store staff.

THE CLIMATE AND THE ENVIRONMENT

During the year, the general debate was increasingly characterized by the climate issue, and public interest grew as the UN climate summit in Copenhagen approached in December.

In the food retail segment in Sweden and internationally, several major chains announced that they intend to adopt climate protection measures in their energy consumption. Among actions that would be taken or developed were a growing reliance on rail transport, powering greenhouses with wind or solar power, and using discarded food to produce biogas. Axfood is working intensively on energy efficiency improvement and is also taking a look at its electricity purchasing in the aim of changing over to renewable energy.

Pending an industry-wide agreement, in 2009 Lantmännen was the first in Sweden to adopt climate-labelling of food products.

CHALLENGES FOR RETAILERS

The rise in demand for organic food is a challenge for food retailers, since there is still a shortage of producers. The same challenge also exists in finding local producers that can meet the demand for locally grown and produced foods.

As a result of rising expectations among customers with respect to product selection, service and business hours, it is growing increasingly difficult to distinguish discount stores from traditional grocery stores. Today discount stores are also focusing on generous opening hours, premium products, fresh products, locally produced products and better customer service.

The digital world is now also making serious inroads in food retailing. For example, the retail food segment is trailing far behind the restaurant market when it comes to online marketing, and the share of online sales is still small. However, indications are strong that online sales will grow, which is an opportunity as well as a threat to retailers. The same applies for digital communication, where retailers are starting to use social media – including twitter and blogs – to a greater extent.

INTERNATIONAL INDUSTRY TRENDS

For decades, the trend for grocery stores has clearly pointed to increasingly larger units. This trend now appears to be set for a change in several parts of the Western world. For example, large chains are launching compact metropolitan formats. Traditional butchers and bakers are experiencing a revival, as are farm stores, delicatessens and so-called eco-stores.

In tandem with this, the large discount chains are upgrading their range of premium products and actively focusing on the environment and sustainability, which is leading to a more complex competitive picture.

This new pattern can also be seen among international food producers, where the major trends during the year were sustainability, locally produced and green products, products offering variation and simplicity for consumers, and health and well-being. Large producers are focusing mostly on sustainability, while smaller producers are marketing locally produced foods.

The Swedish retail food market

Segmentation in Sweden

Hard Discount 5% → 1,100–1,800 items Price index – ¹⁾ Residential and external Netto, Lidl	Discount 11% ↑ 7,500+ items Price index 88–95 Residential and external PrisXtra, Willys, Willys hemma	Hypermarkets 22% ↑ 12,000+ items Price index 93–97 External Ica Maxi, Coop Forum, City Gross ²⁾	Traditional grocers 45% ↘ 10,000–15,000 items Price index 96–110 City centres, residential Hemköp, Vi stores, Coop Konsum, Coop Extra, Ica Supermarket, Ica Kvantum	Service stations/mini-markets 17% ↘ 1,000–3,000 items Price index 104–130 Traffic- or residential oriented Tempo, Handlar'n, Ica Nära, 7-Eleven, Service stations, Coop Nära
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Market share/trend: Based on a total market in 2009 of approx. SEK 210 bn incl. VAT. Trend pertains to overall development for the profiles in the segment along with a number of generic stores.

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

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

²⁾ City Gross has been moved from the discount to the hypermarkets segment compared with a year ago.

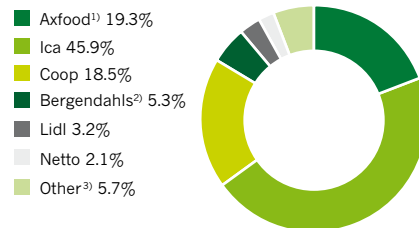
Source/interpretation: Axfood. Some data are estimates in cases where statistics were not available for 2009.

Despite the weak economy in 2009, volume growth increased in the Swedish food retail market. Sales measured in current prices rose 4.8% for the year. The increase in grocery prices during the first half of the year was mainly attributable to the periodically weak Swedish currency. However, the rate of inflation subsided during the second half.

The price and calendar effect for the food retail market was 2.8%, entailing that sales volume in the food retail market rose 1.9%.

In contrast to many other countries in the Western world, where the store trend is towards a compact metropolitan format, in Sweden volume is mainly in the discount and hypermarket segments.

Market shares, largest competitors in Sweden 2009



Source: Sales figures for ICA, Coop, Bergendahls, Lidl and Netto have been obtained from a compilation performed by the trade journal *Fri Köpenskap*. Axfood's figures include own estimates of sales for the Tempo, Handlar'n, Vi and other collaborating stores as per December 2009.

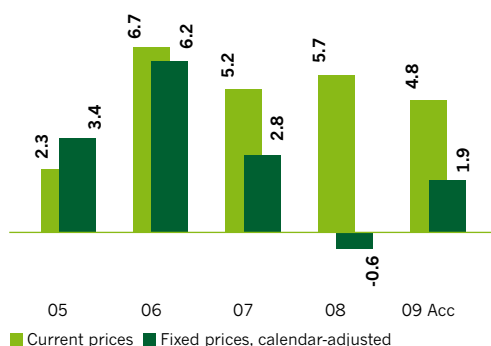
Axfood's figures include own estimates of sales for the Tempo, Handlar'n, Vi and other collaborating stores.

¹⁾ Willys, Hemköp (Group-owned & franchise stores), PrisXtra, Tempo, Handlar'n, Vi and other collaborating stores.

²⁾ AG's, City Gross, Eko, Matöppet and other stores.

³⁾ Other convenience stores, mini-markets and service station stores.

Sales trend for retail food trade, %



Source: SCB Retail Trade Index and the Swedish Retail Institute (HUI).

Earnings improvement and clearer structure **Hemköp**

Hemköp strives to offer its customers a wide array of attractively priced products and to provide inspiring food ideas with a high level of service in order to meet and exceed customers' expectations. Knowledge about food and health is central to this strategy and under constant development.

Business concept

Hemköp develops Sweden's best food stores. We promote the well-being of our customers by helping them find healthy foods.

Customer structure

Due to the location of Hemköp's stores, in cities and residential areas, customers shop more frequently and for lower average amounts. Hemköp customers are looking for inspiring food ideas yet competitive prices, and they are attracted to Hemköp's broad product selection and accent on fresh products, health and personal service.

Store facts

Hemköp's stores, which range in size from 400 to 4,000 square metres of retail space, are centrally located in city centres and residential areas. At year-end the Hemköp chain comprised a total of 158 stores, of which 72 were Group-owned. Hemköp stores carry approximately 10,000–12,000 items.

2009 REVIEW

Hemköp reversed its earnings performance during the year and reported an operating profit of SEK 28 m (-8), despite booked structural costs of SEK 46 m.

Structural measures and improved cost control generated favourable earnings effects and increasingly stable operations for Hemköp in 2009, even though much remains to be done. The action programme that was adopted in autumn 2008 set the tone for activities throughout the year.

Focus has mainly been on improving control over gross profit and on increasing sales, among other things by ensuring that the individual stores have the right offering and by fine-tuning the price strategy. In addition, better personnel planning played a decisive role.

During the year, work was begun on reviewing the store structure, entailing among other things the conversion of three stores to Willys and the closure or sale of ten stores – five Group-owned and five proprietor-run. Restructuring measures gave rise to costs of approximately SEK 46 m for the full year.

The review of the store structure also led to a clearer categorization of stores into regional stores, stores in shopping centres and central city locations, and stores grouped according to size and customer base. This, in turn, will be of importance for the product range strategy, to enable Hemköp to meet customer demand with locally adapted product offerings. This can involve, for example, the selection of ready-made meals on display or adaptations to the size of households in the respective catchment areas.

Hemköp's customer loyalty card continued its successful development, and the goal of having 300,000 cardholders by year-end 2009 was achieved. The loyalty card is a key part of Hemköp's long-term work on boosting customer loyalty along with sales and market shares.

The private label share increased during the year to 16.1%.

FUTURE CHALLENGES

Hemköp's overarching challenge is to achieve satisfactory performance within three years, both in terms of sales and the operating margin. The Hemköp brand has strong recognition, and stewarding this asset is a critical success factor.

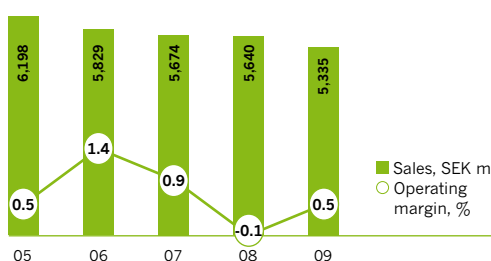
PRIORITIES 2010

The overhaul of the store structure will continue into 2010, as will the work on adapting the product selection to local customer structures, demand and lifestyles in various parts of the country. On the whole it is a matter of achieving greater flexibility in the number of products offered. However, all Hemköp stores will continue to feature a wide selection of fresh products.

Branding activities continue to have priority, emphasizing that Hemköp stands for passion for food and healthy, wholesome food. Hemköp shall also be associated with freedom of choice, local food and knowledgeable customer service.

Hemköp also plans to develop a new price strategy and is starting out the year with extensive advertising activities.

Sales and operating margin



Key ratios

(SEK m)	2009	2008
Store sales incl. proprietor-run stores	9,194	9,514
Net sales	5,335	5,640
Like-for-like change in sales, %	-2.7	-3.0
Operating profit	28	-8
Operating margin, %	0.5	-0.1
Number of Group-owned stores	72	80
Average number of employees during the year	1,573	1,705
Private label share	16.1	14.6



Focus during the coming years will be on sales growth, a clearer profile and a new product range and price strategy.



Focus on sales growth

WILLYS

Willys has been successful in adapting to an increasingly price-focused market and in defending its position as “Sweden’s cheapest bag of groceries”.

Business concept

Willys strives to lead and set the trend in the discount retail food segment by offering “Sweden’s cheapest bag of groceries” and giving its customers an inspiring shopping experience.

Customer structure

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

Store facts

Willys is Sweden’s leading discount chain, with 147 wholly owned stores, of which 34 are Willys hemma. Willys stores can be found nationwide in shopping centres and other locations just outside city centres. A few also have central locations. Willys stores range in size from 1,100 to 4,700 square metres of retail space and approximately 9,000 items, while Willys hemma stores range from 300 to 1,200 square metres, with approximately 5,000 items.

2009 REVIEW

Sales and earnings were stable during the year, and the number of customer rose steadily. A well-balanced price and product range strategy has helped Willys consolidate and develop its leading position in the discount segment.

Three Hemköp stores were converted to Willys during the year, while three new Willys and three Willys hemma stores were opened.

The modernization of Willys stores that was begun in 2008 continued into 2009, when a further ten stores were remodelled. Including conversions and new store establishment, the project was carried out at 28 stores by year-end.

The introduction of self-service checkouts continued during the year, and the system is now in use at some 20 stores. Self-service checkouts create a smoother flow in stores and shorter checkout queues. They also benefit checkout cashiers in terms of ergonomics.

During the year, the implementation of Autoorder was completed, as was the changeover to centrally packaged meat, which received a positive customer response.

A new non-food product strategy has been adopted, entailing a narrowing of the product offering and stronger focus on products that are related to the core business, i.e., food.

The work on instilling Axfood’s core values is a long term undertaking and will be a dynamic process in the years ahead. A major activity programme was completed in 2009 involving training in leadership and the core values for mid-level managers, while activities conducted according to the theme of core values in practice were also conducted.

E-learning courses are also carried out at regular intervals, and during the year 1,158 store employees completed courses and received certification in knowledge about handling perishables.

To step up the pace of environmental work at Willys, toward the end of the year an environmental strategy collaboration was entered into with the Swedish Society for Nature Conservation (SSNC). Parallel

with this Willys applied for permission to ecolabel all 150 of its stores with SSNC’s Bra Miljöval (“Good Environmental Choice”) designation. The Bra Miljöval label certifies that stores have ample access to ecolabelled and organic products, and that they have adopted good environmental practices in general, such as through ambitious waste sorting, recycling and energy efficiency programmes.

FUTURE CHALLENGES

The food retail market is characterized by steadily intensifying competition in the discount segment. A growing number of retailers, such as hypermarkets, are gravitating toward this segment through an increasingly prevalent focus on prices.

Customers’ rising demands on the overall shopping experience are also presenting a major challenge. To meet this demand, new features are being added to the discount retailing concept, such as a focus on fresh products. This also requires a greater sales orientation and level of customer service that lives up to customers’ expectations.

PRIORITIES 2010

Willys continues to prioritize sales growth and profitability, and consolidating its position as the leading discount grocery chain. Growth will be pursued primarily through greater sales and new establishment.

High priority will also be given to further developing a positive shopping experience and sales-oriented customer service as well as more efficient store operations. Parallel with this, modernization of Willys stores continues.

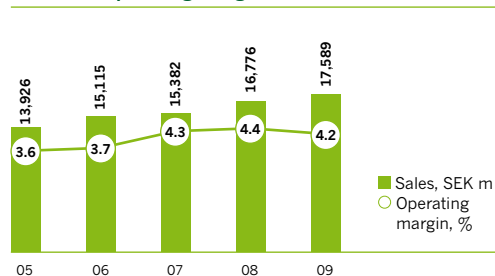
Private label products will also play a key role in achieving improved profitability. Through promotion of the Garant Ekologiska brand of organic products, Willys will also strive to be “Sweden’s cheapest bag of organic groceries”.

Environmental work will continue to be strengthened in connection with the collaboration with the Swedish Society for Nature Conservation, involving environmental certification of stores and joint activities and campaigns.

The introduction of self-service checkouts continued during the year. Self-service checkouts create a smoother flow in stores and shorter queues.



Sales and operating margin



Key ratios

(SEK m)	2009	2008
Net sales	17,589	16,776
Like-for-like sales growth, %	1.7	7.3
Operating profit	731	730
Operating margin, %	4.2	4.4
Number of Group-owned stores	147	140
Average no. of employees during the year	3,110	3,077
Private label share (Willys/Willys hemma)	23.6/28.3	23.4/27.1

Stockholm's best grocery shopping experience



PrisXtra is a grocery chain with six stores in the Greater Stockholm area. PrisXtra's business concept is to provide an inspiring shopping experience and offer a wide product range that caters to food lovers.

Business concept

PrisXtra strives to offer Stockholm's best grocery shopping experience, at the lowest price.

Customer structure

PrisXtra caters to a broad spectrum of price-conscious metropolitan customers with an eye for premium products.

Store facts

PrisXtra is a grocery chain that serves the Stockholm market, comprising six stores plus an online store at year-end. Its stores, which range in size from 1,100 to 3,500 square metres of retail space, are located in central Stockholm and near-lying suburbs.

PrisXtra's concept involves positioning itself as the most attractively priced alternative for food lovers, irrespective of whether they are shopping in the discount, staples or premium segments. The basic product range consists of brand-name goods combined with discount items and a distinctive offering of premium products at attractive prices.

PrisXtra's loyalty card is a vital marketing tool, offering the market's highest rebate, 2%, from the very first purchase.

2009 REVIEW

Sales and earnings fell short of expectations for the year. One contributing factor is that the two largest stores were hurt by major traffic re-routing and road construction. For example, construction of the Norra länken traffic connector has choked traffic flow by an average of 30,000 cars per day past the largest store, which is located at the Norra Station area.

PrisXtra was acquired in 2008, and work during the year was dominated by the integration process with Axfood. The areas affected were IT systems, control and management systems, and purchasing routines. All of these projects had been concluded at year-end.

Focus during the autumn was on strengthening store operations and the customer offering. As part of this work, an overhaul of the entire product range has

been initiated. The goal is to create strategies for every product category, including Axfood's private label products, which began to be introduced at the stores in 2008.

Markus Lönnroth took office as the new President of PrisXtra on 1 September.

Operation of the online store, NetXtra, was transferred to Axfood Snabbgross on 1 January 2010.

FUTURE CHALLENGES

PrisXtra's main challenge is to create conditions for profitable expansion through sales growth and lower costs.

The chain's goal is to grow to ten stores in the Stockholm area in the coming years.

PRIORITIES 2010

Most efforts in 2010 will be directed towards building a foundation for profitable growth. Accordingly, PrisXtra will continue develop store operations and its customer offer.

In an effort to streamline store restocking routines, the plan is to implement Dagab's automated ordering system, Autoorder, in 2010.

In addition, all employees will attend core training in environmental matters, safety and the product range in order to further strengthen store operations.

Sales and operating margin



Key ratios

(SEK m)	2009	2008
Net sales	725	653
Operating profit	6	9
Operating margin, %	0.8	1.4
Number of Group-owned stores	6	6
Average no. of employees during the year	192	193

PrisXtra's loyalty card is a vital marketing tool, offering the market's highest rebate, 2%, from the very first purchase.



Stable performance amidst fierce competition



Axfood Närlivs is Axfood's open wholesaling business with responsibility for market cultivation of all stores in the grocery and convenience store segment that are not owned by the Axfood Group, excluding Hemköp franchises and the Vi stores, which are served by Dagab. The organization is structured into three business areas: Wholesaling (Närlivs), Retailing (Tempo) and Cash and Carry (Axfood Snabbgross).

Business concept

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

Customer structure

Customers are in four segments: own profiles, chain customers, other convenience retailers, and cash and carry customers. Own profiles consist of the Tempo and Handlar'n grocery stores. Chain customers include service stations and convenience stores, while other convenience retailers consist of small, independent businesses such as newsstands and convenience stores. Axfood Snabbgross offers cash and carry business primarily to restaurants and foodservice operators, as well as to convenience store customers, associations and offices.

Axfood Närlivs contributes to development of convenience retailing by providing know-how, simplicity and a long-term commitment. This is accomplished, among other things, by developing business together with major chain customers. This model has made Axfood Närlivs the market leader in its segment.

2009 REVIEW

Despite fierce competition and a weak economy, Axfood Närlivs showed continued stable performance in 2009. This was driven primarily by sales growth at Axfood Snabbgross and favourable volume development for two new logistics flows: automotive accessories and fast food.

Growth for Axfood Snabbgross is attributable to a considerable improvement in store operation and a conscious positioning toward restaurants and food-service operators. During the year, the decision was made to move Axfood Snabbgross's operations in Solna and Malmö to new premises, which have better locations as well as a more modern and more customer-adapted function.

In the wholesale segment, a new marketplace and sales channel was established via an e-commerce portal in which Axfood Närlivs' customers can conveniently place orders from the entire product range. The portal was a rapid success and had 1,000 registered customers after two months.

A new three-year agreement was signed with EMAB AB*, covering the supply of newsstand and retail food products as well as automotive accessories to EMAB's members. The agreement also covers Food Court, a fast food cooperation concept, and the new fast food logistics flow.

At year-end, Food Court, which Axfood Närlivs has developed in cooperation with EMAB, had been established at 25 locations. The concept covers the entire supply chain, from furnishings to product selection, according to the principle of one order, one delivery, one invoice. In addition to EMAB, the new fast food concept has now been expanded to Reitan's convenience retailing business and the OKQ8 service stations.

Axfood's own Tempo and Handlar'n grocery store profiles have been affected to varying degrees by the recession. While Handlar'n has performed in a positive direction, Tempo's performance has been more dampened. The difference is most likely attributable to the fact that customers see Handlar'n more as a convenience store and are thus not as price-sensitive

in their shopping. Brand-building work continued for both profiles during the year.

In an effort to expand Axfood Snabbgross's business, cooperation was begun in 2008 with the Internet-based food delivery company Middagsfrid. Under the cooperation agreement, Axfood Snabbgross is responsible for purchasing, picking and packing of grocery bags for households. This work is conducted at the cash and carry outlets in Solna, Gothenburg and Malmö.

Effective 1 January 2010, NetXtra has been transferred from PrisXtra to Axfood Snabbgross. NetXtra has more than ten years of experience in online retailing to private customers and companies in the Stockholm area. The integration of NetXtra with Axfood Snabbgross will create synergies and development opportunities.

Nicholas Pettersson took office as the new President of Axfood Närlivs AB in August 2009.

FUTURE CHALLENGES

Axfood Närlivs' primary challenge is to generate continued growth with sustained profitability. This requires continuous adaptation to a changing market, with new demands on the product offering and faster lead times, such as a shift in the product offering at service station stores toward a greater share of fresh products and fast food.

Reducing Axfood Närlivs' environmental impact is another challenge involving efficiency improvements in transport, for example. Along these lines, eco-driving has been introduced, resulting in lower fuel consumption through efficient driving techniques. Better route planning is also contributing to more efficient transports and higher capacity utilization. Together with a Group-wide working group, routines are also being reviewed in an effort to achieve better waste handling and sorting.

PRIORITIES 2010

Axfood Närlivs will continue in its efforts to meet strong growth in demand for fast food at convenience stores. This will be achieved through development of the fast food logistics flow, among other things.

The work on strengthening accessibility for customers through e-commerce is an important issue. Consequently, development of e-commerce solutions will continue in 2010.

Developing and fine-tuning logistics in existing and new flows are another way of ensuring continued good profitability.

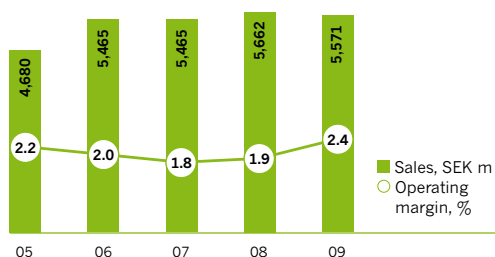
*EMAB is a cooperation organization for independent service station stores and has approximately 400 members from the Shell, Statoil 1 2 3, Hydro, Bilisten and Preem chains.



Growth for Axfood Snabbgross is attributable to a considerable improvement in store operation and a conscious positioning toward restaurants and foodservice operators.



Sales and operating margin



Key ratios

(SEK m)	2009	2008
Net sales	5,571	5,662
Distributed sales	4,737	4,566
Operating profit	132	110
Operating margin, %	2.4	1.9
No. of stores (Tempo/Handlar'n)	358	349
No. of cash and carry outlets (Axfood Snabbgross)	19	19
Average no. of employees during the year	625	595
Delivery reliability	97.4	97.1

Cost control and stable operations

Dagab

Dagab is a logistics partner for the Axfood Group's own store chains – Willys, Hemköp, PrisXtra and Tempo – and starting in November 2009, also the Vi stores. Deliveries are made to some 400 stores across Sweden from the company's two main distribution centres – Backa in Gothenburg and Jordbro in Stockholm – and from two complementary cold storage warehouses in Borlänge and Jönköping.

Business concept

Dagab helps boost sales and profitability for stores through efficient, adapted logistics solutions.

Customer structure

Dagab's customer structure consists of the store chains of the Axfood Group and the Vi chain.

2009 REVIEW

The day-to-day work at Dagab during the year continued to be characterized by the strategic focus on deepening integration in the Group along with improvements in delivery reliability and efficiency. Delivery reliability has been strengthened, and measures to increase the accuracy of deliveries have led to improved quality and fewer returns.

Voice directed picking of products is one method that has been employed to streamline product handling. Voice picking replaces written order forms with verbal instructions via a headset for the person putting together orders. This increases accuracy and efficiency while offering ergonomic benefits. The system was first introduced in 2008, and in 2009 its use was expanded to include fresh products at the Jordbro and Backa facilities, meats & charcuterie products at the Transportgatan facility in Gothenburg, and tinned products in Backa. Voice picking has thereby been implemented for all product categories with the exception of tinned goods in Backa and Jordbro, and frozen products in Backa.

Autoorder, Axfood's automated restocking system, was successively implemented in stores throughout the Group's chains during the year. Autoorder has thereby now been implemented in all Willys stores and all Group-owned Hemköp stores. Autoorder frees up personnel resources at stores to perform other duties than product ordering while improving the efficiency of the supply chain. Well-stocked stores also contribute to higher sales.

Work on instilling Axfood's core values was intensified during the year to include all employees.

Cooperation with the Vi Retailers Association was resumed in November. The five-year agreement covers 59 stores with combined annual sales of approximately SEK 3.4 billion.

Benny Hast, formerly President of Axfood Närlivs, took office in August as the new President of Dagab.

FUTURE CHALLENGES

Dagab's primary challenge is to contribute to increasingly stronger and effective integration in the Axfood Group. With small margins, demands on cost control and efficiency improvement are constantly at the fore and require continuous work on finding new solutions and new processes.

PRIORITIES 2010

Continuous efficiency improvements will be made in the day-to-day operations and will involve, among other things, further development of Autoorder and category picking. The latter entails inventory layouts that better reflect the categorical layout of stores. A new transport administrative system will lead to better control over leased-in transports.

Greater focus will also be directed to environmental concerns in logistics, with a concentration on energy and fuel efficiency at facilities as well as in transports. New routines for waste handling and sorting are also being drawn up in cooperation with a Group-wide working group.

Sales and operating margin



Key ratios

(SEK m)	2009	2008
Net sales	24,052	23,424
Distributed sales	16,229	15,327
Operating profit	147	138
Operating margin, %	0.6	0.6
Average no. of employees during the year	902	907
Delivery reliability	96.8	96.2

In 2009 delivery reliability was strengthened, and measures to increase customer orientation have led to improved quality and fewer returns.



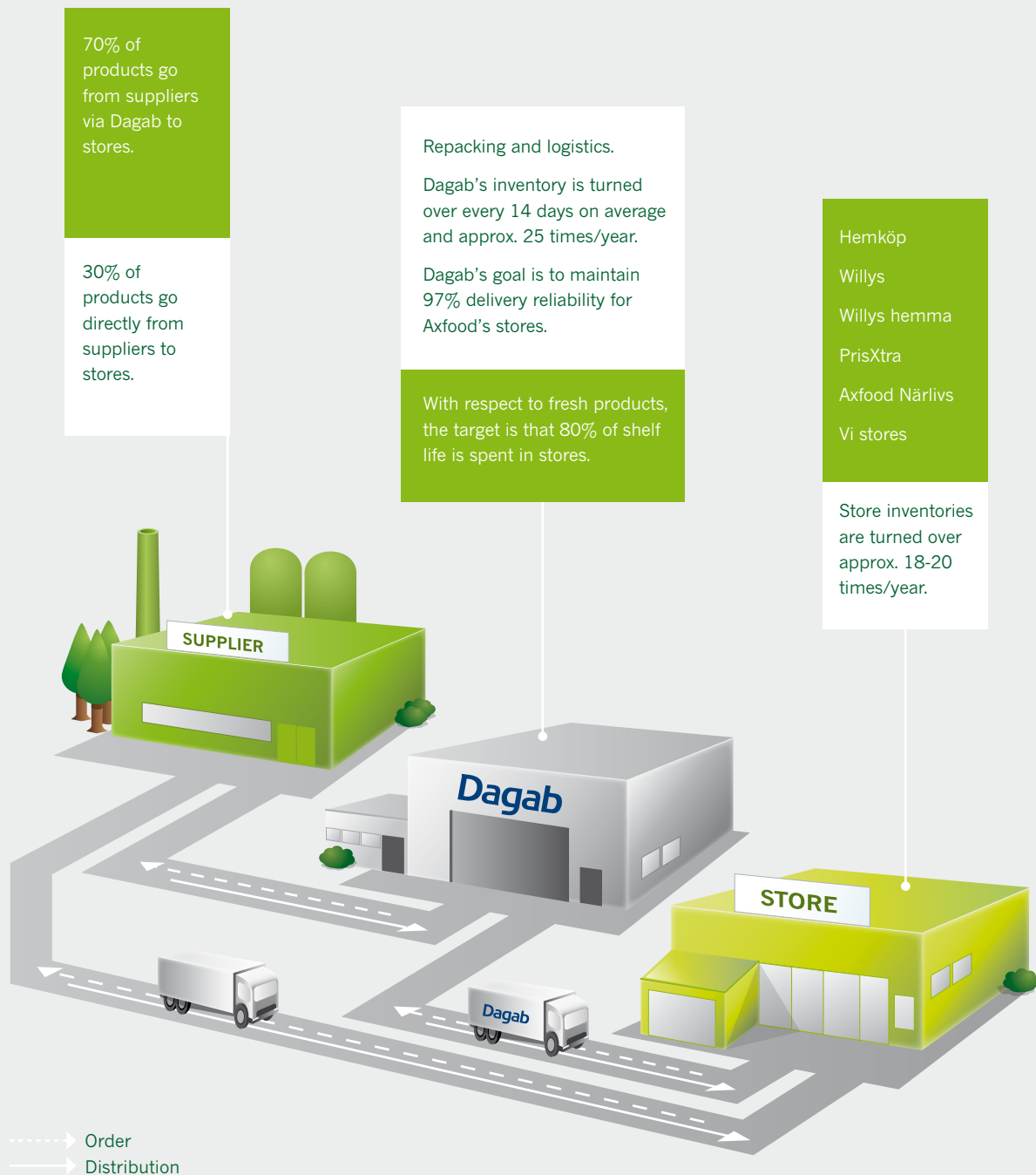
Optimal operation and cost efficiency

Efficiency in every respect is a key component of Axfood's strategy for profitable growth. From product range to purchasing, inventorying and distribution, continuous work is being channelled into extracting cost and quality benefits from every link in the supply chain.

Dagab is the hub of Axfood's logistics flow, where roughly 70% of products ordered from various suppliers are gathered for repacking and inventorying. From Dagab's warehouses, products are then distributed to the stores according to their respective orders.

Which products are purchased is determined by the store chains' product strategies and is handled by a central purchasing function that negotiates all of Axfood's supplier contracts. Economies of scale are achieved through this centralized purchasing function.

Axfood's purchasing and logistics model is being continuously improved in an effort to achieve faster inventory turnover, more efficient product ordering and distribution, and more efficient transports.

THE FLOW FROM SUPPLIERS TO STORES

A matter of trust and value creation

Axfood is one of Sweden's leading food retail companies. The ability to take responsibility for sustainable development is essential for earning the trust of the Company's stakeholders. Ultimately it is also a prerequisite for a successful business enterprise.

Axfood's strategic objective is to be an active driver of work for the environment and sustainable development and thereby be the best in the industry in this regard.

Axfood's sustainability work is based on the UN definition of sustainability – "Development that meets the needs of the present without compromising the ability of future generations to meet their own needs".

In 2009 a new sustainability programme was adopted which encompasses environmental matters as well as social matters and animal welfare.

Axfood reports on its sustainability work in accordance with the Global Reporting Initiative (GRI) guidelines. Starting in 2009 this work is reported in accordance with Level B. The indicators must be relevant, correct and possible to monitor. Axfood's sustainability work is currently not subject to external audit.

STAKEHOLDERS IN FOCUS IN SUSTAINABILITY WORK

Customers

Axfood's customers are becoming increasingly conscious about the environment and health, and expect Axfood to meet the growing demand for environmentally adapted, healthy and safe food at competitive prices. Axfood is meeting this demand with a steadily growing range of organic, fair trade certified and "Keyhole"-labelled products as well as thorough stringent quality assurance of its private label products. The Group's internal inspection programme at stores and warehouses is also contributing to food safety.

The environment

Environmental responsibility is a key part of Axfood's sustainability work. For the business activities, the climate issue has top priority, and initiatives are focused on increasing energy efficiency in stores, logistics and transports, as well as on product range development. In addition, Axfood has decided to change over to renewable energy. Waste, such as packaging and boxes, also has a climate impact and is a priority area for the Group's environmental work.

Suppliers

Axfood's supplier relationships are to be characterized by high ethics and good business morals. A guiding framework in this relationship is the Company's Code of Conduct, which among other things prohibits bribes and other forms of corruption and stipulates that suppliers must comply with the UN's and ILO's conventions on human rights and rights of the child. Social audits are conducted mainly of suppliers outside the EU, however, during the year social audits were conducted of a large number of cleaning companies in Sweden. Axfood encourages an open dialogue that is of mutual benefit both for Axfood and the companies it purchases from in its efforts to contribute to a more sustainable society.

Society

Axfood's stakeholders also include lawmakers, authorities and non-profit organizations. Axfood participates in numerous cooperation ventures and dialogues with state agencies and municipal administrations, either on its own or through trade organizations. Axfood is also participating to an increasing degree in cooperation projects with non-profit organizations on matters concerning the environment and social responsibility.

Employees

Axfood strives to be an employer of choice, with proud and committed employees in a collaborative and effective organization. Tools used in this area include extensive investment in internal training, competence development and management development. It is the Company's conviction that work on sustainable development – together with Axfood's core values – contributes to greater pride and job satisfaction among the employees.

Owners

Axfood's goals and strategies are designed to create shareholder value. The Company's main strategies rest on the conviction that environmental and social responsibility, a strong customer orientation, and proud, committed employees are vital driving forces in the Company's value creation. Moreover, Axfood's corporate governance aims to create clarity and openness towards owners and the capital market.

AXFOOD'S STAKEHOLDERS



Axfood's key stakeholders consist of the groups that are affected most by and/or affect the Company's operations. The issues that are perceived as the most important by the Company's stakeholders provide guidance in the Group's sustainability and CSR work. Some aspects of operations, such as environmental and climate issues, are important for all stakeholders. Others, such as offering a wider range of organic products, are driven by customers at stores and by non-

profit organizations. For the employees and society in general, it is important that Axfood is a good employer. Customers and owners alike require that Axfood promotes good working conditions among its suppliers.

Axfood's core values and Code of Conduct are the foundation of the Company's actions. Through a firmly rooted set of core values and responsible business practices, value is also created for the Company's shareholders.



A product offering that customers want

Axfood's customers are increasingly asking for competitively priced food products with a health profile. Axfood is meeting this interest through continuous development of its selection of organic, "Keyhole"-labelled* and fair trade certified products as well as by ensuring broad availability of products for diabetics and people with various food allergies. The number of health-profile products on store shelves is rising steadily, as is their share of total sales.

Customers should also feel confident in the products they buy, which is why Axfood dedicates extensive attention to food safety – both with respect to its private label products and products from external suppliers.

Animal welfare measures

Concern for animal welfare is prompting growing numbers of consumers to buy organic products.

To meet this rising demand, during the year Axfood more than doubled its offering of organic beef and pork products. Parallel with this, the decision was made to focus particularly on organic meat with Sweden's own KRAV certification, which has considerably more stringent animal welfare standards than other organic certifications.

In its procurement of non-organic meat, Axfood now adheres to the animal welfare criteria that apply for pigs in the UK, i.e., the requirements that have been set for Danish pork that is imported by certain grocery chains in the UK.

In addition, PrisXtra – and earlier also Hemköp – has stopped selling eggs from caged hens.

In 2008 Axfood adopted a fish policy that entails, among other things, that fish and shellfish from threatened populations may not be sold in Axfood stores. The WWF's red list is used as a guideline for which populations are threatened. The policy is dynamic and is updated in pace with changed condi-

tions regarding which types of fish are red-listed. In general, Axfood has also improved and increased the proportion of eco-labelled fish that is sold in its stores.

Organic and fair trade certified products

Garant Ekologiska is Axfood's own organic brand. The aim of the Garant Ekologiska brand is to offer organic everyday items at a reasonable price. The products are sold in all of Axfood's store concepts. At year-end the brand comprised 71 items, and it is being continuously expanded. Garant Ekologiska products are described in more detail on a dedicated website, www.garant-eko.se.

At the start of the year a fair trade certified line of products – called Aware – was launched and met a positive reception from customers. At year-end the product line encompassed 12 items, including coffee, tea and chocolate.

Quality assurance of private label products

Axfood's private label products are a vital part of the Group's work on offering the best possible customer benefit. Axfood has two quality levels for its private label products: mid-range, encompassing the Willys, Hemköp, Func and Fixa brands – and now also the Garant brand as from autumn 2009 – and budget, under the Eldorado brand. Added to these are the Garant Ekologiska brand of organic products and the fair trade certified brand Aware.

Regardless of product, food safety is a keystone on which no compromises can be made. Axfood is working to ensure that all suppliers of the Group's private label products are certified according to any of the standards approved by the Global Food Safety Initiative or ISO 22000. Suppliers that have not completed certification can request dispensation if they can present a realistic timetable for certification.

*See page 100, Definitions and explanations.

	Hemköp			Willys			Willys hemma			PrisXtra
	2009	2008	2007	2009	2008	2007	2009	2008	2007	2009
Number of "Keyhole"-labelled products	2,015	1,551	1,197	1,260	899	629	586	484	501	787
Sales as % of total	10	10	8	10	9	8	10	10	9	4
Number of organic products	1,120	966	504	549	487	275	208	172	164	522
Sales as % of total	2.88	2.98	1.55	1.49	1.04	0.53	2.13	1.52	0.84	1.17
Number of fair trade certified products	80	51	39	55	31	22	31	18	15	54
Sales as % of total	0.13	0.13	0.06	0.10	0.07	0.04	0.15	0.12	0.06	0.04
Number of hypoallergenic products	369	255	224	230	154	142	86	66	67	117



Rädda Barnen

Save the Children Sweden

Collaboration with Save the Children

In a collaboration project started in 2009, Axfood is contributing to work on promoting children's rights and improving the living conditions for at-risk children. Willys customers can now choose to donate the money they receive in bottle and can deposits to Save the Children Sweden. And in December, Save the Children Sweden's Christmas calendars were sold in all Axfood stores.

To ensure the ongoing work on food safety for its private label products, each year Axfood's quality assurance inspectors conduct their own microbiological and chemical analyses of products based on the relevant risks for each individual product.

Prior to launch, every mid-range product is blind-tested by an external consumer panel of some 60 people, and to make it all the way to store shelves, it must receive comparable marks to the market-leading product.

Budget products are tested in the same manner internally in Axfood's own test kitchen to ensure that they, as a minimum, are comparable to other budget products on the market.

Quality assurance of private label products

	2009	2008	2007
Product recalls from stores, private label	49	22	29
Product recalls from stores, other	64	70	36
Share of private label suppliers,* %	94	93	84

* Approved according to GFSI

Control programmes at stores and warehouses

Axfood is increasingly being expected to perform internal controls of various parts of its operations to ensure compliance with regulatory requirements and that its own quality standards are being met.

Internal control programmes are an important tool for such follow-up. Axfood conducts regular internal inspections in the areas of food safety, product shelf life and systematic fire safety work.

Food safety

Axfood applies an internal control programme in both its retail and wholesale operations to ensure customers' right to safe food.

In cooperation with the trade organization Svensk Dagligvaruhandel and others, Axfood has participated in the creation of an internal control programme called "Safe food in your store", which has been endorsed by the Swedish National Food Administration. The programme is in place at all of Axfood's stores.

Under this control programme, stores perform certain daily controls, delivery arrival controls and tem-

perature controls at the departmental level. Clear routines are in place for handling unpackaged foods to ensure food hygiene and the integrity of the cold chain. All controls are documented on checklists, which are kept on hand in the respective departments.

Axfood also has a Group-wide agreement with a food safety firm that visits the Group-owned stores four times a year. During these visits, microbiological tests are taken and an assessment is made of the stores' internal control work. Food safety is a key control point in the bi-yearly quality follow-up inspections that are conducted at each store.

Municipal environment and health departments conduct inspections at both wholesale and retail facilities. In connection with these inspections, controls are made to ensure that the facilities meet the statutory requirements for food handling permits.

Alcohol, tobacco, gambling and pharmaceuticals

Sweden has a minimum legal age of 18 for the sale of tobacco, alcoholic beverages and over-the-counter pharmaceuticals. The same also applies for all types of betting, except for lottery tickets.

To ensure compliance with the minimum age requirement, Axfood conducts its own internal control programme, consisting of staff training and routines for checking ID. Axfood requires all checkout employees to check IDs of customers purchasing age-restricted products who appear to be 25 or younger. Internal controls are also conducted that measure stores' performance in requesting customer IDs in accordance with this policy.

Ethical exclusions

In its wholly owned stores, Axfood has decided to refrain from selling products that are contrary to the Company's values. This includes magazines with a pornographic content as well as cider and so-called alcopop (fruit drinks with an alcohol content of more than 2.25%). Nor are concentrated energy drinks (shots) sold in Axfood stores. In 2009 Axfood decided to also introduce an age limit of 15 to purchase energy drinks.



Sustainable environment part of day-to-day activities



Ecolabelling of Willys

An environmental strategy collaboration has been entered into with the Swedish Society for Nature Conservation (SSNC) to step up the pace of work at Willys to establish itself as a sustainable grocery store chain. The collaboration will cover joint activities and campaigns. In addition, Willys has applied for permission to ecolabel all 150 of its stores with SSNC's Bra Miljöval ("Good Environmental Choice") label.

One of Axfood's strategic goals is to be an active driver of work for sustainable development regarding environmental matters and thereby strive for Axfood to be the best in the industry in this regard. In the day-to-day activities, sustainability concerns are therefore integrated with product purchasing as well as with logistics, transports, store operations and waste handling.

Axfood believes that sustainability work and sound economics go hand in hand. By being a driver of sustainability issues, Axfood creates the right offering for its customers, which in turn leads to better business.

Priority areas for Axfood's sustainability work in the environmental area include energy use, transports and waste handling. All of these areas are of major importance for Axfood's business and have major potential for improvement.

In 2009 Axfood adopted a new sustainability policy that integrates general principles and goals with the policies that have already been adopted regarding the environment and social responsibility. Axfood will be reducing the climate impact of its own operations by 75% by 2020. This new climate target is part of the new sustainability programme adopted by the Executive Committee during the year.

To achieve this goal, Axfood will be changing over to renewable energy, improving the handling of refrigerants, reducing the use of diesel, improving energy efficiency at stores and warehouses, and climate-neutralizing air travel.

Energy consumption

Axfood's business is conducted in large stores and warehouses with energy-intensive installations such as refrigerators, freezer displays and stockrooms. Consequently, Axfood attaches great importance to continuous development work aimed at reducing the amount of energy consumed in its operations.

Transports

Axfood's business requires extensive product flows. Axfood strives to ensure that these transports are long-term sustainable as far as possible.

Axfood manages its logistics flows through the subsidiary Dagab and through a central purchasing and product range function. Transports are conducted under own management via the subsidiaries Dagab and Axfood Närlivs as well as through subcontracted freight companies. Axfood's own delivery fleet currently includes 143 vehicles.

All vehicles are to have well planned routes and shall always be driven as fully loaded as possible.

When renewing the fleet, vehicles with the environmentally best and commercially most viable engines are to be chosen.

To minimize environmental impact, Dagab and Axfood Närlivs work continuously with a range of measures, including:

- Maximizing loads, i.e., making sure that delivery vehicles are always filled as much as possible
- Reducing fuel consumption by setting a maximum speed limit of 85 km/h
- Restricting use of diesel fuel to environmental grade 1.

Both Dagab and Axfood Närlivs use so-called eco-driving techniques to reduce fuel consumption by the Company's delivery vehicles. An incentive for drivers has been coupled to this: the profits gained from lower fuel consumption are shared between the company and drivers who save fuel. The goal is that these measures will reduce fuel consumption by 10% by 2015.

In 2005 Dagab signed a declaration of intent "for environmental and traffic safety in transports for the retail food industry" together with the (Swedish) National Traffic Safety Board. One concrete measure in line with this is that all new delivery vehicles purchased by the Group are equipped with alcohol ignition locks. Currently approximately 80% of Axfood's vehicles are fitted with alcohol ignition locks.

Travel and company cars

Axfood strives to reduce internal travel. Accordingly, employees are required to always consider videoconferencing as an alternative to travel. In addition, the Group's business travel policy calls for an increase in the share of business travel by rail instead of by car or air. The goal is for rail travel to account for 10% of business trips by 2010.

When choosing a company car, Axfood's employees are required to select an environmental car according to the current definitions. Axfood's goal is that 100% of its company car fleet will be environmental cars by 2010.

Waste

All of Axfood's offices, stores and warehouses have waste sorting routines in place. The ambition is to improve waste sorting in all activities. Since 2002 sorting instructions have been printed on the packaging of all of Axfood's private label products.

One urgent area – both for environmental and economic reasons – involves reducing shrinkage of perishables, i.e., food that must be discarded by stores for various reasons.

CO₂ emissions, business travel

	2009
CO ₂ air travel, tonnes*	770
CO ₂ rail travel, tonnes*	0
CO ₂ car travel, tonnes	1,030

*Pertains to business travel booked by travel agencies.

CO₂ emissions, refrigerants

	2008	2007
CO ₂ refrigerants, tonnes	4,255	4,678

In 2009 a Group-wide committee was established to draw up new, high-quality guidelines for waste sorting in all producer liability fractions. The aim is that the waste that is generated shall be recycled to the greatest extent possible and to identify ways of generating revenue from sorted waste. An employee training course in waste sorting is also being developed. In 2009 a set of indicators was developed to measure the Group's waste handling. These will be gradually implemented in the operations.

Product purchasing and selection

The choice of products in Axfood's offering has an environmental impact in production, transport and consumption. Consequently, Axfood strives to choose products in its purchasing that have the least environmental impact. In addition, Axfood strives to make it easier for consumers to buy organic products.

All fruits and vegetables purchased by the Group must be certified according to the rules for integrated production. This entails taking environmental considerations into account and avoiding the use of insecticides, pesticides, etc.

In 2009, Axfood decided to purchase green palm oil certificates corresponding to the volume of palm oil used in the production of its private label products or to change over to other vegetable oils than palm oil.

The use of palm oil is controversial, since in many locations, oil palm plantations have been established on land that was once rain forest. When a food manufacturer buys certificates, it entails that money goes to growers who produce palm oil using sustainable production practices.

During the year, guidelines were established for product purchasing from the perspective of environmental and social responsibility for various product categories. This work will be concluded in 2010.

Priorities 2010

In 2010 priority will be given to implementation of the new sustainability programme and to continued efforts to improve energy efficiency and waste sorting at stores.

CO₂ emissions, transports¹⁾

	2009	2008	2007
Total CO ₂ , tonnes	10,476	10,680	10,598
CO ₂ kg/tonne products	24.32	25.09	26.84
CO ₂ kg/SEK m in sales ²⁾	899.96	976.72	1,097.64
Number of own vehicles	143	145	152

¹⁾ Total volume for Dagab's and Axfood Närlivs' own delivery vehicles – transports from own warehouses to stores.

²⁾ Pertains to delivered value using own vehicles.

SUSTAINABILITY PROGRAMME

Axfood's sustainability policy provides guidance for all aspects of operations. Sustainability work is conducted throughout the Company and involves all employees. Axfood aims to help its customers make conscious environmental choices and takes an active role in supporting best practice in the food retail industry.

Axfood works according to the ISO 14001 guidelines with respect to policies, management, governance and monitoring of sustainability work.

Data on the Company's environmental impact is to be reported on yearly. The ambition is to develop reporting in such a way that it provides a comprehensive picture of the Company's environmental impact and sustainability work.

Sustainability initiatives within the Group are headed by Axfood's head of environmental affairs, who is also responsible for the overall focus of sustainability work conducted by Willys, Hemköp, PrisXtra, Dagab and Närlivs. The head of environmental affairs is co-opted to the Executive Committee on discussions and overall decisions regarding sustainability issues.

However, every company in the Group bears own responsibility for its internal operative sustainability work. Environmental coordinators have been appointed for all companies.

The head of environmental affairs is responsible for ensuring that the sustainability programme is updated annually. This programme describes goals, strategies and actions while serving as a means of following up the Group's environmental work.

Axfood's executive management takes a regular look at environmental aspects of the business.

Axfood's sustainability policy is presented in its entirety on the Company's website: www.axfood.se.

Electricity consumption for Group-owned stores and wholesale operations, MWh³⁾

	2009	2008	2007
Retail units	289,272	281,296	273,748
Wholesale facilities	36,961	38,821	39,453
Total	326,233	320,117	313,201
Number of stores	225	226	217
Electricity use kWh/sq.m., stores	611	637	627
Electricity use kWh/sq.m., wholesale facilities	248	260	264
Total CO ₂ per tonne	36,212	39,374	38,524

³⁾ Estimated values.

⁴⁾ Total volume for Axfood's wholly owned stores and distribution centres, based on a generation mix of 18% nuclear power, 23% fossil-based fuel and 59% renewable energy.



Responsibility among suppliers

Code of Conduct

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

A new Code of Conduct was adopted in spring 2009, which is based on internationally recognized conventions on human rights and workers' rights as well as international environmental regulations. The Code of Conduct clarifies Axfood's position and commitment to its suppliers as well as to the Group's own employees and other partners.

Companies that supply products or services to Axfood Group companies are required to meet the requirements stipulated in the Code of Conduct. In addition, all suppliers of products and services are responsible for ensuring that their subcontractors also meet the Code's requirements.

Business ethics policy

In line with the Code of Conduct, Axfood is committed to conducting its business in accordance with generally accepted business practice and high standards of business ethics in relation to its suppliers and other business partners. To ensure uniform conduct among all employees, since 2004 Axfood has had a policy that lays out the Group's position on the offering and accepting of bribes, corruption, and general collaboration within the industry. This policy is updated annually, and pertinent employees are required to certify in writing that they have read and acknowledge the policy.

818 employees signed the policy in 2009.

Human rights inspections

Axfood's Code of Conduct stipulates that suppliers that produce goods for Axfood's stores must be in

compliance with the UN's and ILO's conventions on human rights and rights of the child.

Together with local auditors, Axfood visits production facilities of selected suppliers to find out how well they comply with the laws in their own countries with respect to workers' rights and working conditions, as well as to the above-mentioned conventions. These visits are based on SA 8000, the internationally recognized standard for social audits. Axfood's primary focus is on such factors as child labour, workers' rights, work environments and housing conditions.

Deviations from laws and conventions are addressed in a dialogue between Axfood and the supplier and lead in most cases to improvements at many companies visited. In the event no improvements are made, Axfood may choose to terminate the cooperation.

In 2009 Axfood conducted eight social audits, including follow-up audits at a grill factory in China, a tuna plant in Colombia and cleaning services in Sweden. Axfood's work is focused on having effective follow-up of audits. The report from the follow-up audit of the grill factory in China showed that the audit had contributed to significant improvements. Ahead of 2010 Axfood is raising its level of ambition and plans to conduct ten social audits.

Axfood's representative office in Shanghai, China, plays a key role in improving risk assessments. The office participates in purchasing from China and Southeast Asia, builds up supplier contacts and monitors developments in markets in China and Southeast Asia. The office serves as a vital resource in recruiting good suppliers and avoiding quality problems as well as doing business with suppliers that do not live up to Axfood's Code of Conduct. The office also conducts follow-up work of social audits.

Priorities 2010

In 2010 Axfood will be working on improving its follow-up of social audits.

Promoting better animal husbandry

Axfood promotes organic meat with the KRAV certification, which has far-reaching criteria for animal welfare.



Regional breakdown of imports of private label products

	Number	Share, %
Europe, incl. Sweden	1,871	94.0
Asia	112	5.6
Africa	–	–
North America	4	0.2
South America	3	0.2
Total	1,990	100.0

Dialogue with society at large



Axfood participates on a regular basis in consultations and discussions with public agencies on current issues. Above all it is the Swedish National Food Administration, the Swedish Board of Agriculture and the Swedish Environmental Protection Agency whose purview concerns Axfood's operations.

In addition, industry-wide matters are conducted within the framework of the trade organization Svensk Dagligvaruhandel, which has its own environmental council. Examples of activities here include standards as well as how to implement EU legislation in Sweden's national regulatory framework. Other trade organizations, such as for packaging and newspaper recycling, are also contact interfaces with society at large.

In January 2009 Axfood was the first food retail company to join BLICC (Business Leaders Initiative on Climate Change), a network accessible only to companies that work actively and concretely with climate impact matters. Membership in BLICC provides a contact interface and opportunities to exchange knowledge with enterprises in other industries in efforts to further systematize and improve the effectiveness of environmental work.

BLICC members include – among others – Coca-Cola, Fortum, JM, Procter & Gamble, Statoil, Stena

Metall, Vasakronan and SMHI (the Swedish Meteorological and Hydrological Institute – expertise partner).

Axfood's intention is to establish long-term collaborations with non-profit organizations on sustainability initiatives, such as the Swedish Society for Nature Conservation (SSNC), WWF and Greenpeace. In 2009 discussions were held with SSNC, WWF, Greenpeace, Animal Rights Sweden and Fairtrade.

A long-term collaboration was launched between Willys and the Swedish Society for Nature Conservation, in which SSNC is serving as an environmental strategy partner for Willys and thereby a resource in Axfood's sustainability work. In association with this, Willys applied for permission to ecolabel all of its stores with SSNC's Bra Miljöval ("Good Environmental Choice") label.

Also during the year, Axfood applied for membership in the Roundtable on Sustainable Palm Oil (RSPO) in an effort to contribute to the protection of the world's rain forests. RSPO's mission is to establish a credible and practical system for trading in certified palm oil.

Axfood does not side with any political parties in the positions it takes on various issues.

Participation and membership in collaborative organizations

BLICC (Business Leadership Initiative on Climate Change)

CSR Sweden

Swedish Association of Environmental Managers

Global Compact

Carbon Disclosure Project

Swedish Society for Nature Conservation



Tea plantation

In 2005 Axfood conducted the first inspection of its Indian tea supplier. Since then, the social conditions for workers at the plantation have improved significantly. The most recent visit to the plant was made in 2009.



A collaborative organization

Axfood wants proud and committed employees who work according to the Company's core values in a collaborative and business-driven organization.

Priority activities therefore include the following:

- Continue the roll-out of Axfood's core values
- Measure leadership
- Develop e-learning
- Develop managers' recruitment competence
- Evaluate reward systems

A dynamic foundation of values

The work on instilling the shared core values and building a shared foundation of values is intended to promote an entrepreneurial culture throughout the Group. Axfood's five core values are designed to strengthen cohesion and integration within the Group and provide guidance in the day-to-day activities for managers and employees alike. In 2009 all employees in the Group participated in some form of activity in order to translate the core values into practice – both individually and at the workplace – through knowledge-sharing, training and dialogue. Axfood wants employees who are willing, able and empowered to generate tangible results in concert with co-workers and customers.

Satisfied employees

A new structure for Axfood's employee survey was introduced in autumn 2009. The survey consists of some 40 questions and measures the work climate from a profitability perspective, in which leadership is a key component.

Focus areas of the survey are:

- Respect
- Cooperation
- Delegation and influence
- Feedback

The results of the survey are compiled in an Employee Satisfaction Index, which is reported to the individual work groups with a summation for entire units as well as for the organization as a whole. At the overall level the survey shows how many groups are working well and which ones affect profitability adversely and need support.

Responses are compared with 3 million responses from employees of other companies and organizations. Axfood's Employee Satisfaction Index score is currently 86%. The average for companies is 82%–

83%. Axfood's results will be followed up through systematic feedback and dialogue between managers and employees.

Growing with Axfood

The Axfood Academy is the Group's centre for seminars and trainee programmes. The Academy provides training to employees in store and warehouse operations as well as leadership programmes for managers within the Group. 997 employees participated in a total of 2,190 days of training conducted under the Axfood Academy's direction in 2009.

The Axfood Academy's curriculum includes training for managers and leaders in recruitment. The aim is to help managers make more qualitative recruitments based on the group's competency needs. The recruitment training was developed as a pilot project and was carried out the first time in spring 2009.

Axfood has a structured approach to the Company's succession planning in order to meet future competency needs. Every year an inventory is taken of potential leaders within the Group and of which employees are ready to take on a leadership position.

To ensure access to talented store managers, every year a trainee programme is carried out for 12–14 candidates for store manager positions. The programme blends theory, practical training and project work and caters to employees who show an interest in developing toward greater challenges.



Growing with Axfood

Offering a wide array of different training courses is one way Axfood gives employees opportunities to grow in their work. Interactive e-learning courses are carried out extensively throughout the course of the year. An example is a course that some 1,158 Willys employees completed that gave them certification in knowledge about perishables.

In 2009 Axfood was awarded with the “Year’s Rocket” distinction by the Swedish student survey Universum, as the company that has climbed the most in the survey’s annual ranking of employers of choice among university students.

Equal opportunity and diversity

Axfood has an explicit objective of achieving an even gender balance in leadership positions, entailing representation of men and women within a span of 40%–60% by 2015 at the latest. During the year, the share of women store managers increased from 18% to 22%.

Axfood has a Group-wide equal opportunity and diversity policy. Based on this, all companies within the Group are required to draw up plans as support in their local equal opportunity and diversity work.

In 2009 Axfood achieved a number two ranking among Swedish listed companies in the insurance company Folksam’s survey of gender balance on company boards. Axfood’s board has four women and three men.

Health and balance

Axfood’s employees are encouraged to take parental leave, and the Company tops up the state benefit to ensure that employees receive 80% of their salary during leave if their salary exceeds the ceiling amount provided by the social insurance office. Employees are also encouraged to participate in fitness activities, through a fitness subsidy from Axfood. A growing number of employees are taking advantage of this opportunity.

Company health services are provided in close proximity to the respective workplaces and are primarily geared towards preventive care. Compared with the food retail industry as a whole, Axfood has a relatively low rate of sickness-related absenteeism.

Axfood conducts systematic work environment and safety activities in all operations to ensure safe and sound workplaces. This work, which involves all employees, is based on identifying risks as early as possible and ensuring that business is conducted in compliance with the Work Environment Act and the regulations of the Swedish Work Environment Authority. Local responsibility for initiatives rests with the respective site managers. Reporting is conducted to the respective companies’ boards to guarantee that work environment matters are brought to the attention of the Executive Committee.

Collective agreements cover everyone

Depending on what business they are engaged in, Axfood AB and its subsidiaries are bound by at least

one of the three nationwide collective bargaining agreements that exist for the retail trade, the wholesale trade, or salaried employees. The union counterparts for the first two of these are the Commercial Employees Union, and for the last one the Salaried Employees Union (“Unionen”). All employees are covered by collective bargaining agreements, since individual employment contracts refer to such agreements with respect to general terms of employment. The collective bargaining agreements stipulate the minimum level of benefits. Thus in certain areas more favourable terms may exist than those stipulated by collective agreements.

The collective agreements contain rules on terms of notice whose length varies from one to six months, depending on the employee’s age and length of employment. They also describe the importance of performance reviews for identifying a need for competence-raising measures.

Priorities 2010

Axfood has evaluated a reward system that is designed to increase sales and reward good work. The result of this evaluation was favourable, and in 2010 Axfood will be introducing a sales premium in all Group-owned stores. The premium provides a financial reward to employees who actively contribute to greater sales in their respective stores. In 2010 Axfood will be carrying out a Group trainee programme, sales and recruitment training, and continued activities aimed at instilling the Group’s core values. During the coming year, the employee survey will be conducted once again in the aim of evaluating Axfood as an employer.

Employee statistics

	2009	2008	2007
Work attendance, retail, %	94.9	94.7	93.8
Work attendance, wholesale, %	93.9	93.5	93.8
Employee turnover rate, %	9.8	8.4	9.0
Men/women, %	9.5/10.0	8.9/8.1	–
Age category, –29, %	13.2	9.4	–
Age category, 30–49, %	7.1	7.9	–
Age category, 50–, %	10.3	8.3	–
Average service time, years	8.9	8.7	9.8
Number of full-time employees	3,840	4,178	4,251
Number of part-time employees	4,298	3,257	3,509
Average number of employees	6,816	6,847	6,463
Number of men	3,135	3,112	2,947
Number of women	3,681	3,735	3,516



Corporate governance at Axfood



A WORD FROM THE CHAIRMAN

Axfood's business affects many people in their everyday lives. Everyone wants good, reasonably priced food on their table, bought in appealing and inspiring grocery stores with knowledgeable and engaged service from store staff. More and more people are also thinking about what they eat, how their food is produced, how animals are cared for, and how production and transports affect the environment and the climate.

All of these factors together present a great challenge in an industry such as ours, with tough competition and narrow margins. Ultimately, through our goals and decisions, we must also create value for the Company's shareholders through profitable growth.

The Board's role and involvement in Axfood is based on the premise that we continuously have a good picture of developments in the Company's operating environment and the expectations that are placed on us by the market and other stakeholders, so that our strategic map is an accurate reflection of our surrounding environment.

Therefore it is essential that we always maintain effective corporate governance, where responsibility and decision-making paths are clear and simple, so that strategic objectives can be translated into practice with the support of orderly structures, effective internal control and an ethical approach to doing business. This is what we want to communicate in a transparent manner to our owners, the capital market and other stakeholders.

The new, integrated business system, whose implementation was previously announced and which will be implemented in all parts of Axfood's organization between 2010 and 2013, is a major and important source of support in achieving better governance and control. The business system is one component in a change programme that is the biggest in Axfood's history.

This is definitely an investment in the future. Better governance and control will help us achieve our strategic profitability objectives. But even more so, investing in effective processes at every level is something that benefits our customers and provides scope for an attractive product range and customer offers. In this way we will also in the future be able to ensure that we are providing our customers with the best shopping experience.

Fredrik Persson, Chairman of the Board

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Corporate governance

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

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

External governance systems

The external governance systems that make up the framework for Axfood's corporate governance activities include the Swedish Companies Act, the Swedish Annual Accounts Act, other relevant laws, Nasdaq OMX Stockholm AB's rules for issuers and the Swedish Code of Corporate Governance. Governance, management and control are divided among the shareholders at the Annual General Meeting, the Board of Directors and the CEO pursuant to Swedish corporate law, the Swedish Code of Corporate Governance and the Company's Articles of Association.

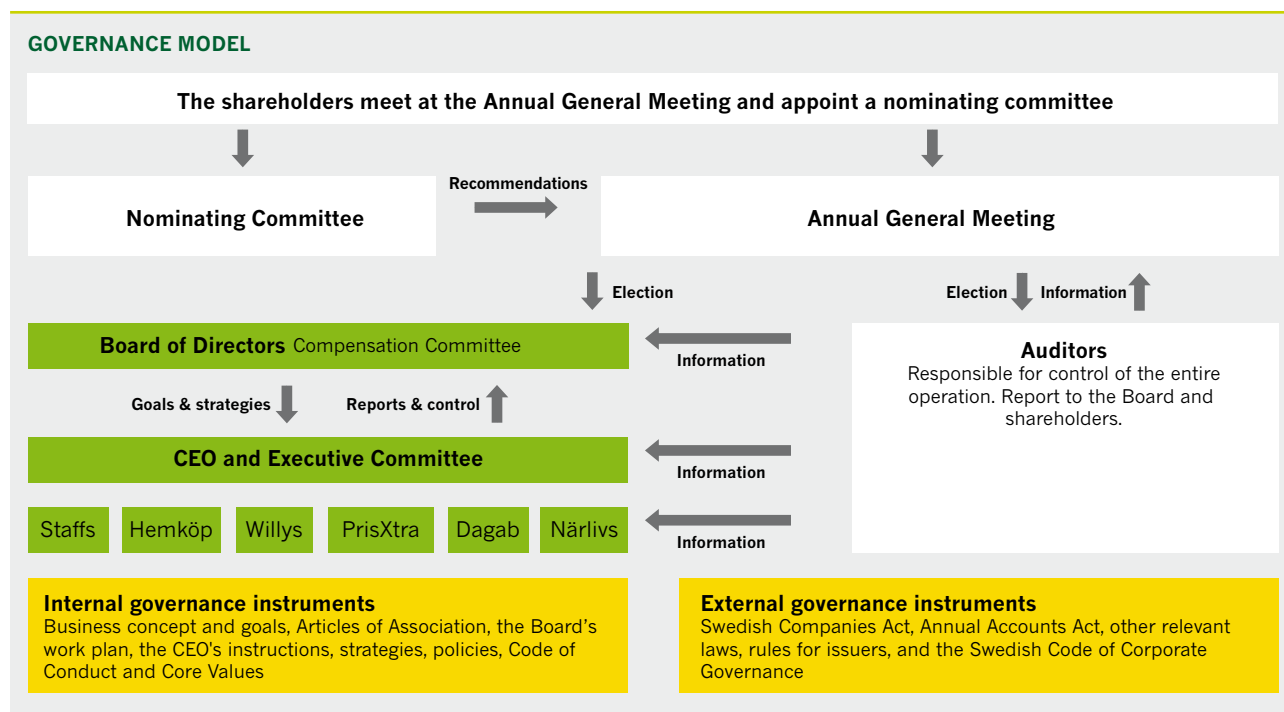
Internal governance systems

The Articles of Association adopted by the Annual General Meeting is the most important internal governance instrument, followed by the Board's work plan and the Board's instruction for the CEO. In addition, the Board has adopted numerous policies, guidelines and instructions that contain binding rules for all of the Group's operations.

FURTHER INFORMATION CAN BE FOUND AT www.axfood.se

- Articles of Association
- Code of Conduct
- Information from previous AGMs, starting in 2001 (notices, minutes, resolutions, CEO's addresses)
- Information on the nomination process
- Information on compensation principles for senior executives
- Corporate governance reports starting in 2005
- Information ahead of the 2010 AGM

Responsibility for governance, management and control at Axfood is divided among the shareholders at the Annual General Meeting, the Board of Directors and the CEO pursuant to Swedish corporate law, the Swedish Code of Corporate Governance and the Company's Articles of Association.



Corporate Governance Report 2009

This report has not been reviewed by the Company's auditors. Axfood applies the Swedish Code of Corporate Governance ("the Code"), with departures pertaining to the following points:

DEPARTURES FROM THE CODE

Rule (2.5):

According to the Swedish Code of Corporate Governance, the composition of the nominating committee shall be publicly announced not later than six months prior to the Annual General Meeting (AGM).

Explanation:

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

Rule (10.1):

The board shall establish an audit committee. The entire board can perform the audit committee's duties.

Explanation:

Axfood's board has opted to allow the entire board to be responsible for making sure that the Company's audit effectively ensures that the Group has satisfactory routines for internal control as well as correct, high quality financial reporting.

SHAREHOLDERS

Axfood's shares have been listed since 1997 and have been traded since October 2006 on Nasdaq OMX Stockholm AB's Large Cap list. The number of shares outstanding amounts to 52,467,678, and the number of shareholders at year-end was 13,404. All shares carry equal voting rights and equal right to the Company's profit and equity.

The largest single owner since the Company's stock market introduction has been Axel Johnson AB.

At year-end Axel Johnson AB's ownership share in Axfood was 46.3%. At year-end, private individuals and closely held companies owned 56.7% of the shares, while foreign shareholders owned 27.0%. For further information on Axfood's shares, see page 94.

2009 ANNUAL GENERAL MEETING

Axfood's Annual General Meeting was held in Stockholm on 10 March 2009. A total of 247 shareholders and representatives were in attendance at the AGM, representing approximately 60% of the number of votes.

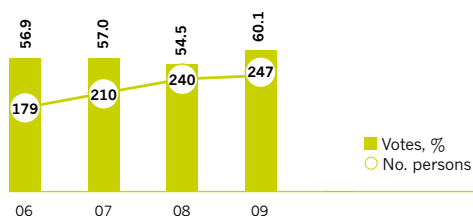
Resolutions

The AGM made the following resolutions:

- In accordance with the Board's recommendation, to pay a dividend of SEK 8 per share for the 2008 financial year (12)
- That the Board shall consist of seven members. Antonia Ax:son Johnson, Peggy Bruzelius, Maria Curman, Fredrik Persson, Marcus Storch and Annika Åhnberg were re-elected. Odd Reitan was elected as a new member of the Board. Fredrik Persson was elected as Chairman of the Board
- That directors' fees shall be payable in a combined amount of SEK 2,225,000 (previous year SEK 2,500,000), of which SEK 500,000 to the Chairman of the Board, SEK 350,000 to the Vice Chairman of the Board, and SEK 275,000 to each of the other non-executive directors. Fees shall be paid to the auditors on account
- To adopt the Board's proposed principles for compensation and other terms of employment for members of the executive management
- To adopt the Board's proposed guidelines for appointment of a nominating committee

For further information, please refer to the complete minutes of the Annual General Meeting, which is available on Axfood's website: www.axfood.se.

AGM attendance 2006–2009



Composition of Nominating Committee

Name	Representing	Share of votes as per 31/8/2009, %
Göran Ennerfelt	Axel Johnson AB, committee chair	46.3
Christian Smeby	Reitan Handel AS	10.1
Hans Ek	SEB funds	1.7
Kerstin Stenberg	Swedbank Robur funds	1.7
Jonas Hillhammar	Axfood's Shareholder Association	0.2*

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

* Share of ownership according to proxies held by the Shareholder Association at the 2009 AGM.

The largest shareholders

- Axel Johnson AB
- Reitan Handel AS
- Swedbank Robur funds
- SEB funds
- Nordea funds

NOMINATING COMMITTEE AHEAD OF 2010 AGM

The principles for appointment of the Nominating Committee are that shareholders who own shares corresponding to a minimum of 40% of all votes, after consulting with the three subsequently largest shareholders, shall appoint a nominating committee consisting of five persons. The members of the Nominating Committee shall be publicly announced no later than in connection with the publication of the third quarter interim report.

In October 2009, ahead of the 2010 Annual General Meeting, Axfood AB's principal owners appointed a nominating committee, based on the ownership structure as at 31 August 2009, with the task of submitting recommendations on the number of directors and the composition of the Board of Directors. The Nominating Committee's members represent 60% of the shareholders' votes. The members of the Nominating Committee were announced via a press release and on Axfood's website on 21 October 2009. Axfood's Chairman, Fredrik Persson, is a co-opted member of the Nominating Committee.

The Nominating Committee is tasked with making recommendations ahead of the Annual General Meeting on the number of directors, the Board's composition and fees, and on any special fees that may be payable for directors' committee work. In addition, the Nominating Committee is tasked with submitting recommendations for the person to be elected as Chairman of the Board, a chairman to preside over the Annual General Meeting and, where applicable, for election of auditors and their fees. At the 2008 AGM, KPMG AB was elected as the Company's auditor for a term until the 2012 AGM.

In the course of its assignment, the Nominating Committee shall fulfil the duties which, according to the Swedish Code of Corporate Governance, are incumbent upon a nominating committee.

As documentation for the Nominating Committee's work, Chairman of the Board Fredrik Persson presented an evaluation of the Board's work during the year. The evaluation was conducted via a questionnaire for the members of the Board. All of the members responded to the questionnaire. As a complement to the questionnaire, talks were held with all of the board members. The Nominating Committee discussed the evaluation as well as the Board's size and composition based on the requirements made in the Swedish Code of Corporate Governance. The Nominating Committee held two meetings during the year.

No fees were paid to the members of the Nominating Committee for their work.

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

EVALUATION OF THE BOARD'S WORK

Chairman of the Board Fredrik Persson is responsible for evaluating the Board's work. During the year the board members were requested to respond to a Web-based questionnaire, and all members responded. In addition, talks were held with all of the board members. The results of this evaluation were then reported to the Board and the Nominating Committee. The interviews focused on questions regarding the directors' views of the effectiveness of the board work and on whether the Board is well-balanced in terms of competence. The aim of the evaluation is to gain an idea about the board members' views on how the board work is conducted and on which measures can be taken to improve the effectiveness of the Board's work.

A written report on the results of the evaluation was presented to the Nominating Committee in December 2009. The evaluation served as important documentation for the Nominating Committee in its work ahead of the 2010 AGM.

BOARD OF DIRECTORS

The Articles of Association prescribe that Axfood's board of directors shall consist of three to ten AGM-elected directors with a maximum of two deputies. In 2009 Axfood's board consisted of seven AGM-elected directors, which was one less than in 2008. No deputies were elected, and three employee representatives with one deputy were elected by the employees. The CEO, Anders Strålmán, is not a director on the Board, but participates at board meetings by presenting reports. Karin Hygrell-Jonsson, Axfood's Chief Financial Officer, serves as company secretary.

The composition of the Board of Directors is shown in the table on page 39.

Independence

Axfood's board has been judged to meet the requirements for directors' independence stipulated by the Code, as all of the AGM-elected directors are consid-

ered to be independent in relation to the Company and two directors are also considered to be independent in relation to the Company's major shareholders.

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

Antonia Ax:son Johnson has not been found to be independent in relation to the Company's major shareholders. Antonia Ax:son Johnson is Chairman of the Board of Axel Johnson AB.

Nor have Peggy Bruzelius and Marcus Storch have been found to be independent in relation to the Company's major shareholders. Peggy Bruzelius and Marcus Storch are directors on the board of Axel Johnson AB.

Odd Reitan has not been found to be independent in relation to the Company's major shareholders. Odd Reitan is Chairman of the Board of Reitangruppen AS. Reitangruppen owns Reitan Handel AS, which owns 10.1% of the shares in Axfood.

Changes in the Board during 2009

Odd Reitan was elected as a new board member. Fredrik Persson was elected as Chairman of the Board. Göran Ennerfelt resigned as Chairman and director, and Gunnar Söderling left his seat as director. At the statutory board meeting, Marcus Storch was elected as the new Vice Chairman of the Board.

As from the 2009 Annual General Meeting, the Board consists of seven AGM-elected directors, compared with eight previously.

The Board's work

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

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

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

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

Board work during the year

The Board held seven regular meetings in 2009, of which one was the statutory meeting. Prior to the board meetings, the directors received written material covering the items of business to be dealt with at each meeting. Apart from continuing follow-up of results, quarterly reports, and competitor and market analyses, important matters that were discussed during the year included:

Composition of the Board of Directors

Name	Year elected	Independent	Total fee [*]	Compensation Committee	ATTENDANCE	
					Board meetings	Committee meetings
Fredrik Persson (Chairman of the Board)	2008	No	500,000	Yes	7/7	4/4
Marcus Storch (Vice Chairman of the Board)	2000	No	350,000	Yes	7/7	4/4
Antonia Ax:son Johnson	2000	No	275,000	Yes	6/7	4/4
Peggy Bruzelius	2000	No	275,000	–	6/7	–
Maria Curman	2003	Yes	275,000	–	7/7	–
Odd Reitan **	2009	No	275,000	–	5/7	–
Annika Åhnberg	2000	Yes	275,000	–	7/7	–
Sven-Erik Brandt (Employee representative)	2006	–	–	–	7/7	–
Ulla-May Iwahr Rydén (Empl. representative)	2006	–	–	–	7/7	–
Lars Östberg (Employee representative) ***	2009	–	–	–	4/7	–
Total			2,225,000			

* Fee as per decision by the 2009 AGM.

** Board member starting with 2008 AGM.

*** Board member as from June 2009.

- Strategic matters
- The action programme for Hemköp
- Store investments and other structural matters
- Implementation of a new business system
- Concept and format strategies, consumer trends and the future organizational structure
- The 2010 business plan and forecasts for 2008
- Internal control

Compensation Committee

The Compensation Committee is tasked with discussing, deciding and making recommendations on the salaries of the CEO and other members of Executive Committee as well as on other terms of employment and incentive programmes. The Compensation Committee reports and makes recommendations to the Board. At the start of each year the Committee sets targets for variable compensation for the CEO and members of the Executive Committee. The committee also sets the pension benefits for members of the Executive Committee.

The members of the Compensation Committee as from 10 March 2009 were Fredrik Persson (committee chair), Antonia Ax:son Johnson and Marcus Storch. Axfood's CEO, Anders Strålmán, is a co-opted member of the Compensation Committee.

During the year, the committee discussed terms of employment, variable compensation and outcomes for senior executives of the Group.

The Compensation Committee met on four occasions in 2009. No fees have been paid to committee members for their work on the committee.

AUDITORS

The Nominating Committee's duties include recommending an auditor for election by the Annual General Meeting for a term of four years. At the 2008 Annual General Meeting, KPMG AB was elected, with Author-

ized Public Accountant Thomas Thiel as chief auditor for the period extending up until the 2012 Annual General Meeting. On this point, Axfood has changed its principle in favour of election of an auditing firm, with chief auditors, instead of electing auditors as previously.

When requesting additional services from KPMG aside from its auditing assignment, such services are provided only to an extent that is compatible with the rules of the Auditors Act (Revisorslagen 2003:881) and FAR SRS's professional ethics rules regarding auditors' impartiality and independence.

EXECUTIVE COMMITTEE

Members and work of the Executive Committee

Apart from the President and CEO, Axfood's Executive Committee consists of three presidents of operating companies and six heads of staffs. The Executive Committee meets once a month for ongoing matters and discussions, and holds a more in-depth strategy meeting once a year.

The Executive Committee has a store-establishment and financing committee tied to it which meets once a month for regulatory and decision matters concerning store investments, store divestments, new leases and renewals of existing leases.

An annual business plan is drafted by the companies and the Executive Committee during the last four months of the year and is presented to the Board at the end of the year. The business planning process engages employees on several levels within the Group. The business plan for the current year is revised prior to the start of each quarter, with new forecasts, and is thus a dynamic planning document.

Companies within the Axfood Group are governed through internal boards. The chairman of all operating companies is Axfood's CEO, Anders Strålmán, except for Hemköpskedjan AB, whose chairman is the Group

Auditor

As Chief Auditor, Thomas Thiel has ultimate responsibility for the auditing services provided to Axfood. Thomas Thiel is an Authorized Public Accountant and partner of KPMG since 1985. In addition to his assignment for Axfood, he is also the auditor for Atlas Copco, Swedish Match, SKF, Stena, Ratos and Peab AB.

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



Auditors' fees 2006–2009 (KPMG AB)

SEK m	GROUP			PARENT COMPANY		
	2009	2008	2007	2009	2008	2007
Auditing fees	4	5	5	1	1	1
Consulting fees	1	1	1	0	1	1
Total	5	6	6	1	2	2

CFO, Karin Hygrel-Jonsson. Other boards comprise various constellations of the Executive Committee. The companies have board meetings at least four times a year.

Principles for compensation and other terms of employment for the members of the Executive Committee

The 2009 AGM adopted the principles for compensation for the members of Axfood's Executive Committee, which includes the CEO and other nine members of the Executive Committee.

Compared with the principles that were adopted by the 2008 AGM, changes were only made with respect to retirement age and retirement benefits for a member of the Executive Committee. In addition, a clarification was made that severance pay can be payable for a maximum of 12 months, compared with 18 months previously.

The principles are mainly that the Company shall strive to offer compensation that is in line with the going rate in the market and that such compensation shall be set by a special compensation committee within the Board. The criteria shall be based on the importance of the work duties, demands on competence, experience and performance, and that compensation shall consist of the following components:

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

The fixed base salary shall be secure and attractive compared with the market. It shall constitute compensation for a committed work contribution at a high professional level that creates value-added for Axfood's customers, owners and employees.

Variable compensation shall be based on the achievement of Axfood's earnings and sales growth targets as well as personal objectives for the financial year. Axfood's compensation committee sets the targets at the start of each year. The total variable compensation has a cap of 70% of base salary for the CEO and 40%–55% for other members of the Executive Committee. The maximum compensation for other members of the Executive Committee is thereby unchanged from 2008 to 2009.

Retirement benefits are set by the Compensation Committee. For the CEO and one other member of the Executive Committee, an annual contribution corresponding to 35% of base salary is secured through insurance premiums. For the other members of the Executive Committee, the basic retirement benefit consists of the so-called ITP plan. Added to this is a defined-contribution pension corresponding to 25% of salary amounts ranging between 30–50 times the Base Amount, which is secured through insurance.

The complete principles adopted by the 2009 AGM are described in the AGM minutes, which are available on Axfood's website: www.axfood.se.

Ahead of the 2009 Annual General Meeting, no changes have been proposed in the principles for compensation of Axfood's Executive Committee.

Share-based incentive programmes

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

THE BOARD'S DESCRIPTION OF INTERNAL CONTROL

According to the Swedish Companies Act, the Board is responsible for ensuring that the Company's organization is designed in such way so as to ensure satisfactory control of the bookkeeping, financial management and of the Company's financial conditions in

Salary and compensation of CEO and other senior executives

KSEK	Year	Base salary	Variable compensation	Other benefits	Other compensation	Total
CEO	2009	4,801	2,524	299	–	7,624
	2008	4,626	1,910	387	6	6,929
Executive Committee, others	2009	15,722	6,112	914	3	22,751
	2008	15,697	3,970	988	1	20,656
Total	2009	20,523	8,636	1,213	3	30,375
	2008	20,323	5,880	1,375	7	27,585

Pension costs for the Executive Committee are shown in Note 8 on page 76.

general. The Swedish Code of Corporate Governance clarifies this and prescribes that the Board is responsible for internal control.

Axfood has elected to describe how its internal control is organized in the way proposed by the Confederation of Swedish Enterprise and FAR/SRS in their guide for the Swedish Code of Corporate Governance. Axfood's board has opted to integrate the Board's report on internal control in the corporate governance report and only to describe how it is organized without issuing any statement on how well it has worked and without submitting it to the auditors for their review. In addition, the description is limited further to dealing with internal control regarding the financial reporting in accordance with the Swedish Code of Corporate Governance, points 10.5 and 10.6. Neither the documented organization of internal control nor the content in the respective areas is to be viewed as being static; these are continuously adapted to Axfood's operations and external environment.

Axfood's Chief Financial Officer has ultimate responsibility for ensuring that follow-up of Axfood's internal control is conducted in accordance with the method decided on by the Board. A steering committee under the direction of the CFO leads the Group's work with internal control. This steering committee reports its conclusions to the Board on a regular basis. Major emphasis is put on adapting the work on internal control to changes in Axfood's operations.

Axfood's internal control structure is based on the COSO model, whose framework has been applied to Axfood's operations and conditions. According to the COSO model, a review and assessment are performed in the areas of control environment, risk assessment, control activities, information and communication, and follow-up. Based on this review, certain development areas are identified and assigned priority in the ongoing internal control activities. In 2009, particular focus was dedicated to assessment of new risks and the review of control activities. Considerable effort was also put on the making of demands regarding, among other things, authorizations and system-based controls in the new business system, which includes a Segregation of Duties that outlines lists of authorizations, roles and limitations combined with various roles. This work will continue during the implementation phase moving forward.

Control environment

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

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

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

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

Risk assessment

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

In the course of this review, Axfood identifies a number of items in the financial statements, as well as administrative flows and processes, where there is an elevated risk for errors. The Company works continuously on strengthening controls surrounding these risks, and in 2009 this was done in a couple of areas, including with respect to implementation of a new business and payroll system and new flows in connection with centrally packaged meat. In the coming years as well, implementation of the new business system will affect risk assessment considerably, as new administrative flows are built in to Axfood's operations.

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

Control activities

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

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

Examples of control activities in these processes are random inspections, reconciliations and reviews of undertakings. In 2009, special focus was directed to control activities in the areas of revenues, receivables, account reviews and non-current assets.

Information and communication

Axfood's critical, governing documentation in the form of policies, guidelines and manuals, to the extent it pertains to financial reporting, is communicated primarily via the Group's intranet and the Group's financial manual. The financial manual is published on the Group's intranet and is updated on a continuous basis based on changes in external requirements and

changes in Axfood's operations that require clarification and instructions. Communication also takes place in connection with monthly controller meetings attended by all subsidiary financial managers. The Group CFO works on a continuing basis with the financial managers of all subsidiaries on matters related to risk analyses and control activities. Joint reviews are also conducted of the continuous updates that are made of the financial manual.

For communication with internal and external parties, Axfood adheres to a communication and IR policy that stipulates guidelines for how this communication should take place. The purpose of the policy is to provide assurances that all information obligations are met in a correct and complete manner. Internal communication aims to ensure that every employee understands Axfood's values and business. To achieve the objective of having informed employees, active work is conducted internally in which information is communicated on a regular basis via the Group's intranet.

Within the framework of internal control activities, Axfood works continuously on improving information security. In December 2008 a new information security policy was adopted for the Group, and in 2009 work continued on implementing this policy.

Follow-up

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

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

Stockholm, 5 February 2010
The Board of Directors of Axfood AB



Fredrik Persson, b. 1968

CHAIRMAN

Director since 2008

OTHER ASSIGNMENTS: President and CEO of Axel Johnson AB

CHAIRMAN OF: Axel Johnson International AB, Novax AB, Servera R&S AB, Svensk Bevaknings-Tjänst AB, Åhléns AB and Mekonomen AB

VICE CHAIRMAN OF: the Swedish Trade Federation

DIRECTOR OF: AxFast AB, Lancelot Holding AB, Svenska Handelsbanken Region Stockholm, the Confederation of Swedish Enterprise and Svensk Handel

EDUCATION: B.Sc. Econ., the Stockholm School of Economics, studies at Wharton School, USA

PROFESSIONAL EXPERIENCE: Head of Analysis at Aros Securities. Employed by Axel Johnson Group since 2000, previously as Executive Vice President and CFO of Axel Johnson AB

COMMITTEE MEMBERSHIP: Compensation Committee

CURRENT SHAREHOLDING IN AXFOOD: 1,200

Independent in relation to the Company and Executive Committee. Non-independent in relation to major shareholders in the Company.



Marcus Storch, b. 1942

VICE CHAIRMAN

Director since 2000

OTHER ASSIGNMENTS:

CHAIRMAN OF: the Nobel Foundation and the Min Stora Dag foundation

VICE CHAIRMAN OF: Axel Johnson AB and Mekonomen AB

DIRECTOR OF: NCC AB, AB Hannells Industrier, Nordstjernan AB, the Royal Swedish Academy of Sciences and the Royal Swedish Academy of Engineering Sciences

EDUCATION: M.Sc. Eng., Royal Swedish Institute of Technology, Honorary Doctor of Medicine

PROFESSIONAL EXPERIENCE: President and CEO of AGA

COMMITTEE MEMBERSHIP: Compensation Committee

CURRENT SHAREHOLDING IN AXFOOD: 12,000

Independent in relation to the Company and Executive Committee. Non-independent in relation to major shareholders in the Company.



Antonia Ax:son Johnson, b. 1943

Director since 2000

OTHER ASSIGNMENTS:

CHAIRMAN OF: Axel Johnson AB, Axel Johnson Inc., and the Axel and Margaret Ax:son Johnson Foundation

VICE CHAIRMAN OF: Nordstjernan AB and the Axel and Margaret Ax:son Johnson Foundation for Public Service

DIRECTOR OF: AxFast AB, NCC AB, Mekonomen AB and the World Childhood Foundation

EDUCATION: BA, Stockholm University

PROFESSIONAL EXPERIENCE: Active in the family-owned company Axel Johnson Gruppen since the 1970s

COMMITTEE MEMBERSHIP: Compensation Committee and Nominating Committee

CURRENT SHAREHOLDING IN AXFOOD: 24,280,066

Independent in relation to the Company and Executive Committee. Non-independent in relation to major shareholders in the Company.



Peggy Bruzelius, b. 1949

Director since 2000

OTHER ASSIGNMENTS:

CHAIRMAN OF: Lancelot Holding AB

VICE CHAIRMAN OF: AB Electrolux

DIRECTOR OF: Axel Johnson AB, Akzo Nobel N.V., Scania AB, Syngenta AB, the Stockholm School of Economics Association, Husqvarna AB, Diageo plc, the Swedish Industry and Commerce Stock Exchange Committee and the Royal Swedish Academy of Engineering Sciences

EDUCATION: MBA, Stockholm School of Economics, Honorary Doctor of Economics

PROFESSIONAL EXPERIENCE: President and CEO of ABB Financial Services

CURRENT SHAREHOLDING IN AXFOOD: 1,500

Independent in relation to the Company and Executive Committee. Non-independent in relation to major shareholders in the Company.



Maria Curman, b. 1950

Director since 2003

OTHER ASSIGNMENTS: CEO of Bonnier Books

CHAIRMAN OF: Bonnierförlagen AB, Cappelen Damm AS (Norway), OY Tammi (Finland), Bonnier Media Deutschland, Autumn Publishing Group UK and AdLibris AB

DIRECTOR OF: Teracom AB

EDUCATION: M.Sc. Econ., Stockholm School of Economics

PROFESSIONAL EXPERIENCE: CEO of Bonnierförlagen AB, President of Sveriges Television

CURRENT SHAREHOLDING IN AXFOOD: 1,000

Independent in relation to the Company and Executive Committee, and to major shareholders in the Company.



Odd Reitan, b. 1951

Director since 2009

OTHER ASSIGNMENTS:

CHAIRMAN OF: Reitangruppen AS

DIRECTOR OF: Reitan handel AS, Rema 1000 AS, Reitan Servicehandel AS, Uno X gruppen AS, Reitan Eiendom AS and Nordenfjeldske Damskibsselskap AS

EDUCATION: Varehandelens Høgskole

PROFESSIONAL EXPERIENCE: Started own store in 1972 and has been an executive in own companies

CURRENT SHAREHOLDING IN AXFOOD: 5,300,000

Independent in relation to the Company and Executive Committee. Non-independent in relation to major shareholders in the Company.



Annika Åhnberg, b. 1949

Director since 2000

OTHER ASSIGNMENTS:

CHAIRMAN OF: the general department of the Royal Swedish Academy of Agriculture and Forestry, and Save the Children Sweden (Ystad chapter)

VICE CHAIRMAN OF: IVA, department X

DIRECTOR OF: SLU Holding AB, the Royal Swedish Academy of Agriculture and Forestry, the Strategic Centre for Functional Genetics, Högestads & Christinehofs Fideikommiss AB, the Prince Gustav and Princess Sibylla Memorial Fund, the Antonia Ax:son Johnson foundation for the environment and development and the Swedish Seed Association

EDUCATION: Graduate of Social Studies, Department of Social Work, Stockholm University

PROFESSIONAL EXPERIENCE: Consultant in own firm, Tankeföda AB, former Minister for Agriculture

CURRENT SHAREHOLDING IN AXFOOD: 200

Independent in relation to the Company and Executive Committee, and to major shareholders in the Company.



Sven-Erik Brandt, b. 1947

Employee representative

Director since 2006

OTHER ASSIGNMENTS: Employee representative on Dagab AB's board

EDUCATION/PROFESSIONAL EXPERIENCE:

Swedish Trade Union Confederation course on company board work. Dagab employee since 1976. Former director of Axfood

CURRENT SHAREHOLDING IN AXFOOD: 0

Non-independent in relation to the Company and Executive Committee.



Ulla-May Iwahr Rydén, b. 1951

Employee representative

Director since 2006

OTHER ASSIGNMENTS: Employee representative on Axfood Närlivs AB's board

EDUCATION/PROFESSIONAL EXPERIENCE:

Interior design education. PTK's course on company board work as employee representative. Interior designer at H&M

CURRENT SHAREHOLDING IN AXFOOD: 0

Non-independent in relation to the Company and Executive Committee.



Lars Östberg, b. 1968

Employee representative

Director since 2009

OTHER ASSIGNMENTS: Employee representative on Willys AB's board and director of Unionen, department 20

PROFESSIONAL EXPERIENCE: Willys employee since 2002

CURRENT SHAREHOLDING IN AXFOOD: 0

Non-independent in relation to the Company and Executive Committee.



Anders Strålmán, b. 1953

President and CEO, Axfood AB; President of Hemköpskedjan AB

EMPLOYED SINCE: 1993*

OTHER ASSIGNMENTS: Vice Chairman of Svensk Dagligvaruhandel, Director of Bergendahls El Gruppen AB, Svensk Handel AB and Returpack Svenska AB

EDUCATION: M.Sc. Econ., University of Gothenburg

PROFESSIONAL EXPERIENCE: President of Willys, CFO and CEO of Billhälls, CFO and head of operations for Bergendahls El & Installation AB. Member of Axfood's Executive Committee since 2000

CURRENT SHAREHOLDING IN AXFOOD: 16,500

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



Karin Hygrell-Jonsson, b. 1955

Chief Financial Officer

EMPLOYED SINCE: 1991*

OTHER ASSIGNMENTS: Director of Fujifilm Sverige AB

EDUCATION: M.Sc. Econ., Stockholm School of Economics

PROFESSIONAL EXPERIENCE: Chief Financial Officer, Axfood AB; financial manager, Axfood AB; financial manager, Axel Johnson AB; financial manager, Dagab; Manager Cash & Currency, SAS; Banker, PKbanken. Member of Axfood's Executive Committee since 2007

CURRENT SHAREHOLDING IN AXFOOD: 500

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



Mats Sjö Dahl, b. 1961

Purchasing Director

EMPLOYED SINCE: 1994*

EDUCATION: Degree in Market Economics, IHM

PROFESSIONAL EXPERIENCE: Business area head/Assistant Purchasing Director, Axfood AB; Chief Negotiator, Axfood AB; Purchasing Director, Willys AB. Member of Axfood's Executive Committee since 2005

CURRENT SHAREHOLDING IN AXFOOD: 2,507

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



Louise Ring, b. 1955

Head of Human Resources

EMPLOYED SINCE: 2003

EDUCATION: University studies in behavioural sciences, Umeå University; HR executive IFL

PROFESSIONAL EXPERIENCE: CFO and HR manager, ICA Handlarnas AB; store manager, head of training, organizational and operating matters, H&M. Member of Axfood's Executive Committee since 2005

CURRENT SHAREHOLDING IN AXFOOD: 100



Camilla Weiner, b. 1968

Head of Corporate Communications

EMPLOYED SINCE: 2008

EDUCATION: M.Sc. Econ., Uppsala University

PROFESSIONAL EXPERIENCE: Information Manager, Ahlsell AB; PR & IR Manager, Securitas AB; Financial Controller, Securitas AB; Auditor, Price Waterhouse. Member of Axfood's Executive Committee since 2008

CURRENT SHAREHOLDING IN AXFOOD: 0



Jan Lindmark, b. 1959

Head of IT

EMPLOYED SINCE: 2001

EDUCATION: M.Sc. Econ., Stockholm University

PROFESSIONAL EXPERIENCE: IT director, Fritidsresgruppen; IT manager, Posten Brev; Consultant at Enator. Member of Axfood's Executive Committee since 2007

CURRENT SHAREHOLDING IN AXFOOD: 0

**Thomas Evertsson**, b. 1964

President of Willys AB

EMPLOYED SINCE: 2008**EDUCATION:** M.Sc. Econ., University of Gothenburg, School of Economics, Business and Law**PROFESSIONAL EXPERIENCE:** Hypermarket manager, head of chain operations, Coop Supermarkets; President, Coop Sverige AB; Vice President, Coop Norden AB. Member of Axfood's Executive Committee since 2008**CURRENT SHAREHOLDING IN AXFOOD:** 2,300**Benny Hast**, b. 1955

President of Dagab AB

EMPLOYED SINCE: 1985***EDUCATION:** M.Sc. Econ., University of Gothenburg**PROFESSIONAL EXPERIENCE:** CFO of Dagab AB, CFO of Axfood Närlivs AB, President of Axfood Närlivs AB. Member of Axfood's Executive Committee since 2004**CURRENT SHAREHOLDING IN AXFOOD:** 900** Pertains to employment with companies that are now part of the Axfood Group.***Anders Quist**, b. 1953

Head of Business Development

EMPLOYED SINCE: 1995***OTHER ASSIGNMENTS:** Director of GS1 Sweden AB and GS1 Sweden Services AB**EDUCATION:** Secondary school degree, grocer training, diverse training in retailing**PROFESSIONAL EXPERIENCE:** Vice President, Bilhälls; Vice President, Willys; store manager, operations manager, grocer, sales manager, Dagab väst. Member of Axfood's Executive Committee since 2007**CURRENT SHAREHOLDING IN AXFOOD:** 1,500** Pertains to employment with companies that are now part of the Axfood Group.***Nicholas Pettersson**, b. 1976

President of Axfood Närlivs AB

EMPLOYED SINCE: 2004***EDUCATION:** M.Sc. Econ., Växjö University**PROFESSIONAL EXPERIENCE:** Marketing Manager, Axfood Närlivs; Business Area Head, Axfood Snabbgross; Supply Chain Manager, AB Svenska Shell; Business Analyst, Shell Detaljist AB. Member of Axfood's Executive Committee since 2009**CURRENT SHAREHOLDING IN AXFOOD:** 100** Pertains to employment with companies that are now part of the Axfood Group.***Ola Andersson**, b. 1968

President of Hemköpskedjan AB (from May 2010)

EDUCATION: M.Sc. Econ., Lund University**PROFESSIONAL EXPERIENCE:** Head of Private Labels, ICA Sverige AB; Head of Products & Purchasing, ICA Sverige AB; business area manager, ICA Supermarket; Regional Manager and operations developer, ICA Kvantum



Axfood strives to make it easier for customers to buy organic products.

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Administration report

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

The Board of Directors and President of Axfood AB (publ), with domicile in Stockholm, Sweden, herewith submit the annual report and consolidated accounts for the 2009 financial year.

OPERATIONS

Axfood conducts food retail and wholesale operations in Sweden. Retail operations are conducted via the Willys, Hemköp and PrisXtra chains, with a total of 225 Group-owned stores at year-end (226). During the year a number of stores were established, sold or closed. Store conversions are also conducted between Axfood's various retail concepts. In 2009 five stores were established or acquired and six stores were closed or sold. In addition, three stores were converted from Hemköp to Willys during the year. In addition to Group-owned stores, Axfood collaborates with a large number of proprietor-run stores that are tied to Axfood through agreements, including stores within the Hemköp and Willys chains, but also stores operating under the Handlar'n, Tempo and Direkten brands. In all, Axfood collaborates with more than 840 proprietor-run stores.

Wholesaling is conducted by Dagab, where 95% of distributed sales are made to Group-owned or collaborating stores, and Axfood Närlivs, whose customers consist primarily of mini-markets, service stations and other convenience stores. In addition, Axfood Närlivs operates 19 cash and carry outlets via its subsidiary Axfood Snabbgross.

IMPORTANT EVENTS 2009

The year was characterized by a weak economy and pessimism among Swedish consumers. At the same time, competition in the Swedish retail food market remained high, with an increase in the number of campaign activities and fierce price competition, among other things. Despite this, 2009 earnings were strong. Operating profit was SEK 1,128 m, compared with SEK 1,077 m a year ago, and sales totalled SEK 32,378 m (31,663).

Hemköp is showing favourable development, which is the result of the action programme that was launched in 2008 with focus on cost control, improved gross profit and a changed price and product offering strategy. As part of this action programme, Hemköp has closed or converted unprofitable stores – eight Group-owned and five that were proprietor-run. The number of stores at year-end was 158 (169), of which 86 (89) are proprietor-run. Operating profit was SEK 28 m (-8), despite SEK 46 m (-) in restructuring costs.

In 2009 *Willys* worked on further developing its price and product range strategies as well as customers' shopping experience. The modernization and development of the chain's stores has continued as planned, and at year-end 28 stores had been renovated. The number of stores was 147 (140). Operating profit was SEK 731 m (730).

PrisXtra's work during the year was characterized mainly by the integration process with Axfood. The project was concluded during the autumn, and the focus going forward is on strengthening store

operations and the customer offering. *PrisXtra's* performance during the year was hurt by road construction around the two largest stores. During the third quarter Markus Lönnroth took office as the new President of *PrisXtra*. *PrisXtra* had six stores (6) at year-end. Operating profit was SEK 6 m (9).

Axfood Närlivs is showing continued stable development with good profitability in all areas. Sales for the cash and carry business were very favourable as a result of improved store operations and development of the product offering. During the second quarter, Nicholas Pettersson took office as the new President of *Axfood Närlivs*. Operating profit for *Axfood Närlivs* in 2009 was SEK 132 m (110).

Dagab has continued with the implementation of Autoorder as well as the launch of voice directed picking in the warehouse operations. Delivery reliability has been strengthened, and measures to increase customer focus have led to improved delivery quality. In December 2008 Axfood and the Vi stores entered into a cooperation agreement. The agreement, which covers five years, began in November 2009 and entails that the Axfood Group – through Dagab – will deliver retail food products to the Vi stores. During the second quarter Benny Hast took office as the new President of Dagab. Operating profit for Dagab in 2009 was SEK 147 m (138).

Work on implementing a new, integrated business support system, which began during the second half of 2008, continued during the year. The system's main modules cover accounting & finance, price & product range and product supply, and will replace large parts of existing systems in the Axfood Group. First in line for implementation is the accounting & finance module, which was put in production on 7 February 2010. The entire system is expected to be operating by 2013.

NET SALES

Retail sales rose 2.3% to SEK 32,378 m (31,663). Sales for Group-owned stores including Hemköp franchises amounted to SEK 27,508 m (26,943), an increase of 2.1% compared with the preceding year. Sales for Group-owned stores rose 2.5% during the year, with a 0.9% rise in like-for-like sales. A breakdown of sales per chain is shown in the table below. Sales for the Swedish food retail market increased by 4.8% in 2009 compared with 2008.

Store sales, group-owned and franchises

	2009, SEK m	% ¹⁾	Like-for-like sales ¹⁾
Hemköp	5,275	-5.5	-2.7
Hemköp franchises	3,919	-0.3	0.8
Hemköp total	9,194	-3.4	-1.2
Willys total	17,589	4.8	1.7
PrisXtra total	725	11.0	-9.4
Total	27,508	2.1	0.8

¹⁾ Percentage change compared with the corresponding period a year ago. The comparison period for *PrisXtra* is February–December.

EARNINGS

Operating profit was SEK 1,128 m (1,077). The operating margin was 3.5% (3.4%). After net financial items of SEK -46 m (-66), profit for the year was SEK 1,082 m (1,011). After taxes of SEK -289 m (-274), net profit for the year was SEK 793 m (737).

Condensed statement of comprehensive income

	2009	2008
Net sales, SEK m	32,378	31,663
Operating profit, SEK m	1,128	1,077
Operating margin, %	3.5	3.4
Profit after financial items, SEK m	1,082	1,011
Net profit for the year, SEK m	793	737
Earnings per share, SEK	15.13	14.05
Earnings per shares after dilution, SEK	15.13	14.05

FUTURE OUTLOOK

Axfood's goal for 2010 is to achieve an operating profit at the same level as in 2009.

CAPITAL EXPENDITURES

Capital expenditures for the year totalled SEK 633 m (1,158). Of these, SEK 4 m (477) pertained to acquisitions of businesses, SEK 277 m (371) to investments in non-current assets in the retailing operations, SEK 113 m (128) to investments in non-current assets in the wholesaling operations, and SEK 184 m (129) to investments in IT development.

FINANCIAL POSITION

Cash and cash equivalents held by the Group amounted to SEK 316 m (312) at 31 December 2009. Cash flow from operating activities amounted to SEK 1,558 m (1,152). After net capital expenditures of SEK -593 m (-1,108), and net borrowings and payment of the dividend, together totalling SEK -974 m (-213), cash flow for the year was SEK 4 m (-159).

Interest-bearing assets, including cash and cash equivalents, decreased by SEK 9 m to SEK 316 m (325), and interest-bearing liabilities and provisions decreased by SEK 546 m to SEK 848 m (1,394).

Interest-bearing liabilities include SEK 357 m (353) in provisions for pensions. Interest-bearing net debt decreased by SEK 537 m to SEK 532 m (1,069).

The equity ratio was 36.7% (30.7%), and the debt-equity ratio, net, was 0.2 (0.5).

PARENT COMPANY

Other operating income for the Parent Company amounted to SEK 165 m (165) for the year. After selling and administrative expenses of SEK 191 m (205) and net financial items of SEK -20 m (-45), the result after financial items was SEK -46 m (-85). Capital expenditures totalled SEK 1 m (403). Cash and cash equivalents held by the Parent Company totalled SEK - m (0).

Interest-bearing receivables outside the Group amounted to SEK - m (13) at year-end. Interest-bearing net debt decreased by SEK 345 m and was SEK 1,187 m (1,532) at year-end.

RISKS AND RISK MANAGEMENT

Like all businesses, Axfood is exposed to risks. By risks is meant defective handling or events or decisions outside of the Company's control that could lead to business interruption, damage or loss with substantial impact for the entire Group. Consequently, to prevent risk or minimize the effects and loss, processes are continuously implemented to identify and manage risks in all parts of the Group. For example, new store establishment and acquisitions are preceded by very thorough

market analyses of the competition as well as demographics, where every investment calculation stretches over several years.

Axfood categorizes risk in the following areas:

- Operational and strategic risks
- Financial risks
- Risks for errors in financial reporting

Operational risks and strategic risks, and financial risks are described in more detail in the Risk and risk management section, on page 54. Financial risks are also described below. Risks for errors in financial reporting are described in the Corporate Governance Report on page 37.

FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Axfood Group is exposed to financial risks mainly pertaining to financing and liquidity risk, interest rate risk, currency risk and credit risk.

To limit the risk of the Axfood Group at any given time not being able to finance the Group's operations, Axfood's work with respect to financing and liquidity is based on a finance policy adopted by the Board of Directors. According to the finance policy, the refinancing risk reserve shall amount to at least SEK 500 m, broken down into both short-term and long-term available reserves. Responsibility for monitoring and overseeing the refinancing risk reserve rests with Axfood's finance department.

According to the finance policy, the Axfood Group's interest rate risk shall be limited. The norm is to have terms of fixed interest that entail a risk-neutral position, which is judged to be achieved when the Group has a remaining average term of fixed interest of 12 months. Axfood's finance department is given the opportunity to act within the framework of a deviation mandate of SEK 4 m, that is, the amount that would affect earnings in the event of a 1 percentage point change in the interest rate. At year-end, the deviation from the fixed interest norm was SEK -0.4 m (-0.4).

Axfood uses forward exchange contracts to hedge its transaction exposure in foreign currencies, which arises exclusively in connection with purchases from foreign suppliers. The finance policy prescribes that 100% of orders in foreign currency shall be hedged at the time of the order. As per 31 December 2009, outstanding contracts amounted to SEK 264 m (268). 88% of hedges are in EUR, and the rest are spread among USD, DKK, NOK and GBP.

In the Axfood Group, the majority of credit risks and loan losses are attributable to trade accounts receivable, with a minor portion coupled to a few, minor guarantee commitments. The Group has drawn up a credit policy for how customer credits should be handled.

A more in-depth discussion of financial risks can be found on page 56.

EMPLOYEES

In 2009 Axfood had an average of 6,816 full-time employees. The number of employees in the preceding year was 6,847. The gender balance is 46% men (45%) and 54% women (55%). Slightly fewer than 75% of employees work in stores (75%) and just under 20% work in the wholesale operations (20%).

The work on instilling the Group's core values and on building a shared foundation of values continued in 2009. The five core values are intended to strengthen cohesion and integration and provide guidance in the day-to-day work of managers and employees alike. In 2009 all employees of the Group participated in some form of activity aimed at putting the core values to work in practice – both individually and at the workplace – through knowledge sharing, training and dialogue. Priority activities include the continued rollout of the core

values, measuring leadership, developing e-learning, training managers' competency in recruitment, and evaluating reward systems.

A new structure for Axfood's employee survey was implemented in autumn 2009. Focus areas are respect, cooperation, delegation & influence, and feedback. Responses are compared with three million responses from employees of different companies and organizations. Axfood's Customer Satisfaction Index score was 86%, while the average for companies is 82%–83%. Axfood's performance will be followed up through systematic feedback and dialogue between managers and employees.

Providing a large array of training is one way Axfood gives employees opportunities to grow in their work. Interactive e-learning courses are carried out to a broad extent continuously during the year. For example, 1,158 Willys store employees participated in training that led to certification in perishables knowledge.

Axfood has collective bargaining agreements with the Commercial Employees Union (retail and wholesale employees) and Unionen (the Salaried Employees Union). The collective agreements contain rules on terms of notice whose length varies from 1–6 months, depending on the employee's age and length of employment. They also describe the importance of performance reviews.

AXFOOD SHARES AND OWNERSHIP

The total number of shares outstanding is 52,467,678. Only one class of stock is in issue. The share capital amounts to SEK 262 m, and the share quota value is SEK 5. No changes were made during the year in the number of shares or share capital. Each share carries entitlement to one vote at the Annual General Meeting and extraordinary general meetings, and there are no limitations regarding how many votes each shareholder may vote for at general meetings of shareholders. There are no stipulations in Axfood AB's articles of association or any of Axfood AB's subsidiaries' articles of association that limit a shareholder's right to transfer shares. Axfood AB has not entered into any agreements that could be affected by a possible acquisition offer. The same applies for Axfood AB's subsidiaries.

Axfood is listed on Nasdaq OMX Stockholm AB's Large Cap list. The principal owner is Axel Johnson AB, with direct ownership of 46.2% of the shares (votes and capital), and indirect ownership of 0.1%. Reitan Handel AS owned 10.1% of the shares in Axfood at year-end. No other shareholder owns – directly or indirectly – more than 10% of the shares in Axfood (votes and capital). Both Axel Johnson AB's and Reitan Handel AS's ownership in Axfood was unchanged during the year.

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

COMPOSITION AND WORK OF THE BOARD OF DIRECTORS

Axfood's board consists of seven AGM-elected directors – which is one less than a year ago – plus three employee representatives with one deputy. At the 2009 AGM, Odd Reitan was elected as a new director, and Fredrik Persson was elected as the new Chairman of the Board. At the statutory board meeting, Marcus Storch was elected as the new Vice Chairman of the Board. According to Axfood's articles of association, the Board shall be composed of a minimum of three and a maximum of ten directors. The members of the Board are pre-

sented on pages 44–45. According to its work plan, the Board shall have at least five regular meetings a year.

In 2009 the Board met seven times, of which one was the statutory meeting. At each meeting held in connection with a quarterly report, the CEO presents an economic and financial report on operations. In addition, he furnishes the Board with monthly reports on significant events and summary financial information. Each year the Board reviews the auditors' report, which describes – among other things – the extent to which the Company's organization is structured so as to ensure satisfactory control of bookkeeping, cash management and the Company's financial position.

The Board has no audit committee. However, the Board meets with the Company's auditors at least once a year without the presence of the CEO or any other representative from the Company. The Board of Directors has a compensation committee, which handles, makes decisions on and submits recommendations on matters concerning salaries and other terms of employment for Axfood's CEO and other members of Executive Committee. The Compensation Committee reports to the Board. This committee shall have a minimum of three and a maximum of five members, with the Chairman of the Board serving as committee chair. The current members of the Compensation Committee are Fredrik Persson, Antonia Ax:son Johnson and Marcus Storch. Axfood's CEO, Anders Strålmán, makes presentations at meetings of the committee but is not a member.

Axfood's principal owners have appointed a nominating committee for the period up until the next Annual General Meeting. The Nominating Committee is tasked with making recommendations to the Annual General Meeting on 10 March 2010 on the number of directors serving on the Company's board, on directors' fees, and on the composition of the Board of Directors. The members of the Nominating Committee are Göran Ennerfelt (committee chair, representing Axel Johnson AB), Christian Smeby (representing Reitan Handel AS), Kerstin Stenberg (representing Swedbank Robur funds), Hans Ek (representing SEB funds) and Jonas Hillhammar (representing Axfood's Shareholder Association). Axfood's chairman, Fredrik Persson, is a co-opted member of the Nominating Committee.

GUIDELINES FOR COMPENSATION OF THE CEO AND OTHER SENIOR EXECUTIVES, AND OTHER TERMS OF EMPLOYMENT

The following guidelines were adopted by Axfood's Annual General Meeting on 10 March 2009. The principles for compensation and other terms of employment for members of the Executive Committee essentially entail that the Company shall strive to offer members of the Executive Committee compensation that is in line with the going rate in the market and that such compensation shall be set by a special compensation committee within the Board. The criteria shall be based on the importance of the work duties, demands on competence, experience and performance, and the compensation shall consist of the following components: fixed base salary, short-term variable compensation, long-term variable compensation, pension benefits, and other benefits and severance terms.

The Executive Committee consists of the CEO and nine other members. See pages 46–47.

Fixed base salary

Members of the Executive Committee shall have a secure base salary that is attractive compared with the market, consisting of a fixed, cash monthly salary. This shall constitute compensation for a committed work contribution at a high professional level which creates value-added for Axfood's customers, owners and employees.

Variable compensation

In addition to base salary, members of the Executive Committee shall be offered short-term and long-term variable compensation, both of which are based on the achievement of

- 1) Axfood's earnings target,
- 2) Axfood's sales growth target, and
- 3) the fulfilment of personal objectives for the financial year.

Short-term variable compensation is payable in the form of yearly, variable compensation. The target outcomes are set by the Compensation Committee at the start of the year. The long-term variable compensation shall support the long-term nature of the Executive Committee's decision-making. The variable compensation (short- and long-term compensation together) has the following maximum levels: 70% of base salary paid to the CEO during the year and 40%–55% of base salary paid out during the year to other members of the Executive Committee. The right to variable compensation expires in the event an employee gives notice prior to payment. Half of the variable compensation is paid in the year following the year in which it was earned, and the other half is paid the second year following the year in which it was earned. Variable compensation is paid after the AGM has approved the Group's statement of comprehensive income and statement of financial position. Previously approved variable compensation that has not yet fallen due for payment amounted to SEK 2.7 m as per 31 December 2009 (3.3).

Pension benefits

The Compensation Committee makes recommendations to the Board on the pension benefits for the CEO and sets the pension benefits for the other members of the Executive Committee. Axfood applies a retirement age of 65 for members of the Executive Committee. For the CEO and one other member of the Executive Committee, each year a provision is made corresponding to 35% of their base salary, which is secured through insurance premiums. For the other members of the Executive Committee, the basic pension benefit consists of the so-called ITP plan. As a supplement to this is a defined contribution pension corresponding to 25% of salary amounts ranging between 30 and 50 times the Base Amount, which is secured through insurance. Older pension agreements are adapted as far as possible to the plan described above.

Other benefits

A maximum term of notice of 12 months applies for members of Axfood's Executive Committee. In addition, severance pay corresponding to a maximum of 12 months' salary may be payable. Any earned income received from a new employer during the notice period or during the time that severance pay is being received is deducted from said amounts. The notice period for members of the Executive Committee, by their own initiative, is six months. If the Company serves notice, the CEO is entitled to a 12-month term of notice plus severance pay corresponding to 12 months' salary. The notice period for the CEO, by his own initiative, is six months.

The members of Axfood's Executive Committee receive, in addition to liability insurance, customary benefits for persons in corresponding positions, such as a company car, travel benefits and private healthcare insurance.

The Board's proposal for new guidelines for compensation of the CEO and other senior executives

Ahead of the 2010 Annual General Meeting, no changes are proposed in the principles for compensation and other terms of employment for members of the Executive Committee.

R&D ACTIVITIES

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

ENVIRONMENTAL IMPACT AND SUSTAINABLE DEVELOPMENT

No operations requiring a permit in accordance with the environmental code are conducted by Axfood AB or the Axfood Group. However, operations are conducted that require notification in accordance with the environmental code. This notification requirement pertains to a refrigeration system in the wholesale operation in which ammonia is used. This refrigeration system that is subject to the notification requirement handles products corresponding to approximately 3% of the Group's net sales.

One of Axfood's strategic objectives is to be an active driver of work for sustainable development regarding the environment. Accordingly, in the day-to-day activities, sustainability aspects are integrated in logistics, transports, store operations and waste handling. Priority areas for Axfood's sustainability work regarding the environment are energy consumption, transports and waste handling. All of these have major significance for Axfood's business and consequently have the greatest potential for improvement.

In 2009 Axfood adopted a new sustainability policy which integrates general principles and objectives with the already established policies pertaining to environment and social responsibility. Axfood has set the target of reducing the climate impact of its own operations by 75% by 2020, by changing over to renewable electricity, improving its handling of refrigerants, reducing the use of diesel fuel, improving the energy efficiency of stores and warehouses, and climate-neutralizing air travel.

With respect to policies, management, governance and monitoring of its environmental work, Axfood adheres to the ISO 14001 guidelines. Axfood's sustainability work is directed by the Group's head of environmental affairs, who is also responsible for the overall direction of environmental work at Willys, Hemköp, PrisXtra, Dagab and Närlivs. The head of environmental affairs is co-opted to Axfood's Executive Committee for discussions and overall decisions on environmental matters.

BUSINESS ETHICS AND PRODUCT LIABILITY

Axfood's relations with suppliers are to be characterized by generally accepted business practices and a high standard of business ethics. At the same time, it is important to make sure that suppliers comply with national laws and regulations, and that international conventions are respected. In 2009 Axfood adopted a new Code of Conduct, which is based on internationally recognized conventions on human rights and workers' rights as well as international environmental regulations. The Code of Conduct clarifies Axfood's position and obligations vis-à-vis its suppliers as well as Axfood's own employees and other partners. To ensure uniform conduct among all Axfood employees, since 2004 the Company has had a policy that lays out Axfood's position on the offering and accepting of bribes, corruption, and general collaboration within the industry. This policy is updated every year, and affected employees certify in writing that they have read and understand the policy. In 2009 818 employees signed the policy.

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

Risks and risk management

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

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

Financial risk management at Axfood is described in more detail on pages 56–57. In the Corporate Governance Report on pages 37–43, a detailed description is provided of the Company's *internal control* and risk assessment, which are intended to prevent errors in the *financial statements*. The preventive work for countering *liability risks* and *sustainability risks* is described in the Corporate Responsibility section, pages 25–34.

Crisis management

Axfood has a joint-Group crisis management and communication plan, which the Company's crisis management team conducts drills on at regular intervals. The plan is designed to ensure preparedness in the event of a crisis and that the right measures are taken on the right occasion by the designated key functions. The goal is to minimize acute damage in a situation in which normal routines are insufficient. In a prolonged crisis, the crisis management work would shift into continuity planning, where for example the time that operations are forced to a standstill is limited to a minimum.

Incident reporting

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

Insurance

Axfood has Group-wide insurance, which is reviewed yearly by an independent, external party. Insurance protection covers, among other things, property, business interruption, product liability, transports, and liability for directors and senior executives. Through active loss prevention work, Axfood has been able to lower its insurance costs in recent years.

OPERATIONAL AND STRATEGIC RISKS

Business risks

Fire is one of the most serious business risks that the Company must manage, especially regarding fire in a central warehouse, which would result in property loss and business interruption losses. There is a keen awareness in the Company that centralization elevates the Group's risk and vulnerability. This also applies to the *centralised IT structure*. Consequently, major emphasis is put on preventive work and the surrounding organization, as well as on plan-

ning for continuity of operations in the event of unforeseen events. In the event of a major disruption, IT operations are secured through duplicate resources and geographic spread of risk at the same time that Axfood continuously reviews what can be done to minimize the risks.

The Group's systematic fire safety work puts great emphasis on an effective fire safety organization and internal controls. The priority of fire safety work conducted at the Group's stores lies on how best to handle an evacuation, where the primary focus is on employee and customer safety.

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

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

Liability risks

As one of the leading companies in Sweden's retail food industry, Axfood's ability to manage *food safety, hygiene, the cold chain and product liability* for products that could cause property damage or personal injury is critical for maintaining customers' trust. Should serious defects be discovered in any of these areas, a major risk exists for financial loss as well as *damage to the brand*. A more detailed description of Axfood's work with quality assurance and food safety can be found in the Corporate Responsibility section, pages 25–34.

Sustainability risks

Environmental policy decisions as well as changes in supply and demand and environmental opinion could affect Axfood, not least in the form of higher taxes or compelling investments. The Company therefore monitors developments in this area and gives priority to climate and environmental aspects in all parts of its operations in order to proactively be able to comply with new stipulations and requirements. The Corporate Responsibility section, pages 25–34, includes a description of how Axfood's work with environmental and company liability is conducted.

Axfood does not conduct any operations requiring a permit in accordance with the environmental code. However, the Company is obligated to report its use of a refrigeration system that uses ammonia. This refrigeration system handles products corresponding to only 3% of the Group's net sales.

Violations of laws and of rules and regulations

For Axfood it is of great importance to comply with laws and other rules and regulations as well as to conduct business in accordance with generally accepted business practice. Violations or neglect in these areas could harm the Company's reputation and result in sanctions as well as fines. For risk prevention purposes, Axfood has therefore established a number of policies, a well-working system of *internal control*, and an ethical approach at all levels. Among other things, the Company

adopted a new Code of Conduct in 2009, which is described in more detail on page 31 in the Corporate Responsibility section.

Legislation and political decisions

A decision to halt new establishment of large stores – which has happened in several Nordic and European countries – poses a latent threat to Axfood. A similar decision in Sweden could affect new store establishment, but currently this is judged to be unlikely. In general, decisions on what measures shall be taken are made well in advance of implementation of new rules and regulations. See also the heading *Sustainability risks*.

Labour market conflicts

A strike or lockout at any level of operations could disrupt operations. However, in Sweden this is less common than in many other European countries. The labour market parties generally strive for a lack of conflict and several-year contracts. In addition, contracts are usually coordinated centrally, which limits the risk for protracted conflicts.

Competition and seasonal variations

How Axfood handles factors such as competition and shrinkage could have an impact on the Company's earnings. However, these should not be regarded as operational risks, but rather as a part of doing business. Axfood has no significant seasonal variations.

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

Likelihood – ■ low, □ medium, ■ high

Consequence – ■ low, □ medium, ■ high

^{*)} Fully or in part.

FINANCIAL RISKS

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

Axfood has a Group-wide finance policy that regulates the delegation of responsibility on financial matters between the Board, the CEO/CFO, the central finance department and other Group companies. The Group's external financial management is centralized in the central finance department of the Parent Company, Axfood AB.

The Group's finance department reports monthly to the CFO with a follow-up of the finance policy. The same report is also presented to the Board four times a year. This report also includes a follow-up of financing/liquidity risk, interest rate risk, currency exposure and credit risks.

Financing/liquidity risk

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

To limit the risk of the Axfood Group not being able to finance the Group's operations at any given time, a refinancing risk reserve has been established, which is broken down into a liquidity reserve, a financing reserve and an operating reserve, in accordance with the finance policy. The refinancing risk reserve must always amount to at least SEK 500 m. As per 31 December 2009, the refinancing risk reserve amounted to SEK 749 m (533). The finance department is responsible for monitoring and overseeing the refinancing risk reserve. The finance department works with moving 12-month liquidity forecasts covering all of the Group's units. These forecasts are used to manage liquidity risk and are updated on a monthly basis.

Both the long-term and short-term outstanding loans as per 31 December 2009 will be dissolved on the contracted maturity date without any negative effect on the refinancing risk reserve. Confirmed credit lines must have a minimum average remaining contract term of 12 months. As per 31/12/2009 the average remaining contract term was 817 days (422). Information on confirmed and drawn credit lines, as well as due dates for utilized credits, is provided in Note 29.

The Axfood Group's investment policy aims to ensure the Axfood Group's ability to pay in the short and long term. In addition, the investment policy is designed to reduce the Group's external borrowing as much as possible by coordinating the management of surplus liquidity within the Group and achieving the best possible balance of financial income and expense. Investments may only be made in highly liquid instruments with low credit risk, i.e., investments that can be converted to cash and cash equivalents at any given point in time. Approved instruments are account balances, deposits and investments in short-term debt instruments with approved counterparties.

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

Market risk

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

Interest rate risk

The Axfood Group's interest rate risk associated with interest-bearing assets is to be managed by investing cash and cash equivalents in such a way that maturity dates for investments with fixed rates of interest match the Axfood Group's known outflows and/or debt amortization. The goal is that no fixed-income investments shall be sold prior to their maturity date.

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. This interest risk norm applies only when the Group has a need for long-term borrowing. For commercial and administrative reasons, the finance department may also act within the framework of a limited deviation mandate. In terms of amount, this deviation mandate is set at SEK 4 m for a one percentage point parallel shift in the yield curve. As per 31 December 2009 the average term of fixed interest was 454 days (410), and the deviation from the fixed interest norm was SEK -0.4 m (-0.4). This was within the established deviation mandate and is the amount which, at the end of the reporting period, would affect earnings and shareholders' equity in the event of a one percentage point change in the interest rate.

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

Sensitivity analysis for interest rate risk

The effect on interest income and interest expense during the coming twelve-month period of a one percentage point increase or decrease in interest rates amounts to SEK 1.2 m (3.8) at the end of the reporting period, taking into account the interest-bearing assets and liabilities that do not carry fixed rates of interest and which were held as per the end of the reporting period.

As per the end of the reporting period, a one percentage point change in the interest rate would entail a change in the carrying amount of financial liabilities by SEK 2.3 m, of which the entire effect would affect net financial items in profit for the year.

Currency risks

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

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

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

Approved hedge instruments are spot contracts, forward exchange contracts and currency swap contracts. In 2009 hedges were taken out only through spot contracts and forward exchange contracts.

As per 31 December 2009, all outstanding foreign exchange contracts, totalling SEK 264 m (268), were restated to fair value. A compilation of outstanding forward exchange contracts is provided in Note 32.

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

Sensitivity analysis regarding currency risk

Currency	2009, SEK m	10% change in exchange rate vs. SEK m
EUR	1,799	179.9
USD	135	13.5
DKK	61	6.1
NOK	41	4.1
GBP	2	0.2
CAD	2	0.2
Total	2,040	204.0

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

Counterparty policy

The Axfood Group shall only cooperate with counterparties that are judged to be able to fulfil their commitments to the Axfood Group. The banks and financial institutions that the Group cooperates with shall have a high credit rating in order to be able to support the

Group over the long term. Limits per counterparty are established on a yearly basis.

Credit risks

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

Financial assets are reported in the statement of comprehensive income after deducting provisions for possible loan losses. Added to these provisions are provisions for possible losses on guarantee commitments made by Axfood. These pertain mainly to guarantees for bank financing for Hemköp franchisees. Axfood charges a going-rate commission for issuing these guarantees. Outstanding guarantee commitments amount to SEK 7 m (9) and are reported under contingent liabilities, see Note 31. There is no concentration of credit risks, neither through exposure to individual borrowers nor groups of borrowers whose financial situation is such that it can be expected to be affected in a similar manner by changes in the external environment. For further information on trade accounts receivable, see Note 25.

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

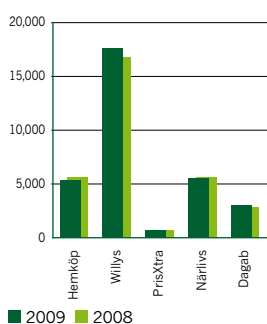
Financial risks	Risk management	RISK LEVEL	
		Likelihood	Financial loss
Financing/Liquidity risk			
The risk of Axfood at any given time not being able to finance the Group's operations.	The Group has access to the debt market, for both short-term and long-term loans as well as loan guarantees issued by Swedish banks.	<div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div></div>
Interest rate risk			
Interest rate risk pertains to the risk of negative impact on the Group's cash flow and earnings caused by changes in market interest rates.	Interest rate risk is limited by maintaining terms of fixed interest of normally 12 months.	<div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div></div>
Currency risk			
The risk of exchange rate movements having a negative impact on the Group's financial outcome.	Axfood's policy is to hedge 100% of orders placed in foreign currency.	<div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div></div>
Credit risk			
Potential losses on guarantee commitments made by Axfood.	Axfood's customers undergo credit checks on a regular basis. By coordinating its credit monitoring activities, among other things, Axfood ensures that its loan losses will be kept at a low level.	<div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div></div>
Risks for errors in financial reporting			
See also the section on internal control, page 41.		<div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div></div>

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

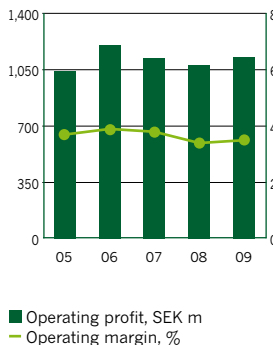
Statement of comprehensive income, Group

Amounts in SEK m	Note	2009	2008
Net sales	2, 5	32,378	31,663
Cost of goods sold	6	-27,912	-27,413
Gross profit		4,466	4,250
Selling expenses		-2,053	-2,020
Administrative expenses		-1,456	-1,343
Share of profit in associated companies	22	-1	0
Other operating income	7	217	198
Other operating expenses		-45	-8
Operating profit		1,128	1,077
Interest income and similar profit/loss items	13	5	8
Interest expense and similar profit/loss items	13	-51	-74
Net financial items		-46	-66
Profit before tax		1,082	1,011
Current tax	15	-293	-282
Deferred tax	15	4	8
Net profit for the year		793	737
Other comprehensive income			
Change in fair value of forward exchange contracts		0	0
Change in fair value of available-for-sale financial assets		4	-
Tax attributable to components in other comprehensive income	15	-1	0
Other comprehensive income for the year		3	0
Total comprehensive income for the year		796	737
Earnings per share before and after dilution, SEK	16	15.13	14.05
Operating profit includes depreciation/amortization of	10	535	526

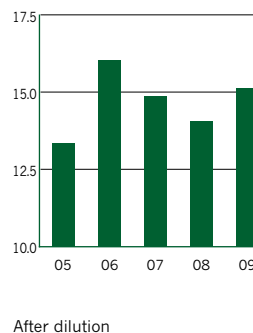
Consolidated external net sales per operating segment, SEK m



Consolidated operating profit and operating margin



Earnings per share, SEK



After dilution

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

STATEMENT OF COMPREHENSIVE INCOME

- Axfood's consolidated sales rose 2.3% during the year
- Like-for-like sales rose 0.9% for the year
- Operating profit increased to SEK 1,128 m (1,077)
- Earnings per share were SEK 15.13 (14.05)

Net sales

Consolidated net sales amounted to SEK 32,378 m (31,663), an increase of 2.3% compared with 2008. Of consolidated net sales, slightly less than 80% (80%) consist of store sales and slightly more than 20% (20%) consist of external wholesale turnover and store compensation. The increase is attributable primarily to price increases. For Group-owned retail operations, sales increased by 2.5%, with a 0.9% rise in like-for-like sales. Sales for Willys rose 4.8%, to SEK 17,589 m (16,776), with a 1.7% rise in like-for-like sales. Hemköp's sales decreased by 5.4%, to SEK 5,335 m (5,640), with a 2.7% decrease in like-for-like sales. The Group's gross margin rose from 13.4% to 13.8%.

Operating profit

Operating profit was SEK 1,128 m (1,077). Profit for the year includes SEK 46 m in discontinuation costs for unprofitable stores in the Hemköp chain. Operating profit includes depreciation of SEK 535 m (526). The operating margin was 3.5% (3.4%).

Net financial items

Net financial items improved during the year from SEK -66 m to SEK -46 m. The improvement is mainly attributable to a decrease in liabilities to credit institutions as a result of lower net investments in 2009 compared with 2008. In addition, interest expenses pertaining to current liabilities decreased as a result of low interest rates.

Tax, profit for the year, and earnings per share

The tax charge was SEK 289 m (274), corresponding to an effective tax rate of 26.7% (27.1%). Profit after tax for the year was SEK 793 m (737), or SEK 15.13 per share (14.05).

STATEMENT OF FINANCIAL POSITION

- The equity ratio was 36.7% (30.7%)
- The debt-equity ratio decreased to 0.3 (0.6)

Non-current assets

The Group's non-current assets increased during the year by SEK 46 m, from SEK 3,641 m to SEK 3,687 m. Non-current assets consist primarily of goodwill, totalling SEK 1,539 m (1,536), and machinery and equipment, totalling SEK 1,438 m (1,527). Of total goodwill, SEK 1,209 m (1,209) consists of consolidated acquisition goodwill. Total capital expenditures by the Group amounted to SEK 633 m (1,158). Of these, SEK 4 m (477) pertained to investments in operations and SEK 184 m (129) to investments in IT development.

Working capital

Of current assets, inventories make up the single largest item, totalling SEK 1,790 m (1,769). Inventories consist of finished retail goods – slightly more than 50% (50%) – and wholesale goods – slightly less than 50% (50%). Trade accounts receivable make up the largest item of current liabilities, SEK 1,835 m (1,849).

Shareholders' equity and liabilities

Shareholders' equity amounted to SEK 2,635 m (2,259), a net increase of SEK 376 m. During the year, SEK 420 m (630) was paid out in dividends to the Company's shareholders.

Provisions for pensions and similar obligations pertain primarily to the FPG/PRI system. Interest-bearing liabilities excluding interest-bearing pension provisions decreased from SEK 1,041 m to SEK 491 m. Interest-bearing net debt decreased from SEK 1,069 m as per 31 December 2008 to SEK 532 m as per 31 December 2009.

Change in interest-bearing net debt for the group

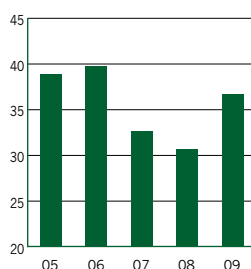
	31/12/2008	Cash flow	Change in borrowings	Other changes	31/12/2009
Cash and cash equivalents	312	4			316
Current interest-bearing receivables	13		-13		-
Non-current interest-bearing liabilities	-337		142	6	-189
Current interest-bearing liabilities	-704		405	-3	-302
Interest-bearing pensions	-353			-4	-357
Interest-bearing net debt	-1,069	4	534	-1	-532

Statement of financial position, Group

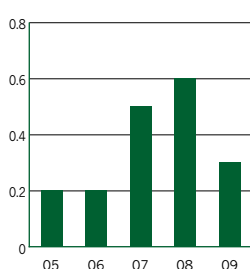
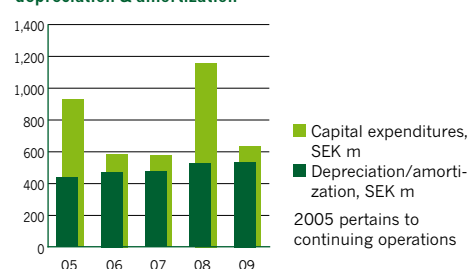
Amounts in SEK m	Note	31/12/2009	31/12/2008
ASSETS			
Non-current assets			
Intangible assets	17		
Goodwill		1,539	1,536
Other intangible assets		604	496
		2,143	2,032
Property, plant and equipment	18, 20		
Land and buildings		15	0
Equipment, tools and fixtures		1,438	1,527
Construction in progress		23	14
		1,476	1,541
Financial assets	23, 28		
Participations in associated companies	22	1	2
Other long-term securities holdings	23, 28	22	19
Other non-current receivables	24	7	12
		30	33
Deferred tax assets	15	38	35
Total non-current assets		3,687	3,641
Current assets			
Inventories			
Finished products and goods for resale		1,790	1,769
		1,790	1,769
Current receivables	28		
Accounts receivable – trade	25	539	736
Current tax assets		–	43
Other current receivables	24	98	117
Prepaid expenses and accrued income	26	743	732
		1,380	1,628
Cash and cash equivalents	28		
Cash and bank balances		316	312
		316	312
Total current assets		3,486	3,709
TOTAL ASSETS		7,173	7,350

Amounts in SEK m	Note	31/12/2009	31/12/2008
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	32		
Share capital		262	262
Other capital contribution		496	496
Reserves		1	-2
Profit brought forward		1,083	766
Profit for the year		793	737
		2,635	2,259
Non-current liabilities	20, 28, 29		
Provisions for pensions and similar obligations	27	357	353
Liabilities to credit institutions		159	300
Other interest-bearing liabilities		30	37
Deferred tax liability	15	201	200
Other non-current liabilities		3	30
		750	920
Current liabilities	28, 29		
Liabilities to credit institutions		266	671
Other interest-bearing liabilities		36	33
Accounts payable – trade		1,835	1,849
Liabilities to associated companies		0	0
Current tax liability		8	–
Other current liabilities		108	99
Accrued expenses and deferred income	19, 30	1,535	1,519
		3,788	4,171
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		7,173	7,350
CONTINGENT ASSETS, PLEDGED ASSETS AND CONTINGENT LIABILITIES	31		
Pledged assets		14	1
Contingent liabilities		19	24

Equity ratio, %



Debt-equity ratio, multiple

Capital expenditures/
depreciation & amortization

Statement of cash flows, Group

Amounts in SEK m	Note	2009	2008
Operating activities			
Profit after financial items		1,082	1,011
Depreciation/amortization charged against profit		513	508
Adjustments for non-cash items		57	1
Paid tax		-242	-283
Cash flow from operating activities before changes in working capital		1,410	1,237
Cash flow from changes in working capital			
Change in inventories		-14	-114
Change in current receivables		196	-66
Change in current liabilities		-34	95
Cash flow from operating activities		1,558	1,152
Investing activities			
Acquisitions of intangible assets		-185	-129
Acquisitions of property, plant and equipment		-426	-530
Acquisitions of operations	3	-7	-468
Earnings from associated companies		0	0
Sales of operations	4	1	2
Sales of property, plant and equipment		24	17
Change in other financial assets		13	10
Cash flow from investing activities		-580	-1,098
Financing activities			
Newly raised loans		–	450
Amortization of debt		-554	-33
Dividend paid out		-420	-630
Cash flow from financing activities		-974	-213
CASH FLOW FOR THE YEAR		4	-159
Cash and cash equivalents at start of year		312	471
Cash and cash equivalents at year-end		316	312

Statement of changes in equity, Group

Amounts in SEK m	Equity attributable to owners of the parent					
	Share capital	Other capital contributions	Fair value reserve	Hedging reserve	Profit brought forward	Total shareholders' equity
Opening shareholders' equity 2008	262	496	–	-2	1,396	2,152
Comprehensive income for the year	–	–	–	0	737	737
Shareholder dividend	–	–	–	–	-630	-630
Closing shareholders' equity 2008	262	496	–	-2	1,503	2,259
Comprehensive income for the year	–	–	3	0	793	796
Shareholder dividend	–	–	–	–	-420	-420
Closing shareholders' equity 2009	262	496	3	-2	1,876	2,635

The share capital as per 31/12/2009 amounted to SEK 262,338,390, distributed among 52,467,678 shares. The Board of Directors proposes a dividend of SEK 10 per share (8).

During the year, Axfood acquired 90% of a business that will be developing a private label product line for fish and shellfish, see Note 3. The minority interest in shareholders' equity as per 31/12/2009 was KSEK -212 (–). The minority interest in profit for the year was KSEK -212 (–).

The change in the fair value reserve pertains to the change in fair value of available-for-sale financial assets, totalling SEK 4 m (–), and deferred tax, totalling SEK -1 m (–).

The change in the hedging reserve pertains to the change in the fair value of forward contracts, totalling SEK 0 m (0), and deferred tax, totalling SEK 0 m (0).

COMMENTS ON THE STATEMENT OF CASH FLOWS AND THE STATEMENT OF CHANGES IN EQUITY

Group cash flow from operating activities

The Group's cash flow from operating activities before changes in working capital increased by SEK 173 m, to SEK 1,410 m (1,237), and consisted mainly of the net amount of purchases and sales of retail food products. Excluding SEK -242 m (-283) in paid tax, cash flow from operating activities before changes in working capital increased by SEK 132 m. Reversed depreciation has been adjusted for the remaining portion of leased assets, totalling SEK 22 m (18). Adjustment for non-cash items amounted to SEK 57 m (1), net, and pertained mainly to capital gains and disposals. Interest received during the year amounted to SEK 5 m (8), and interest paid amounted to SEK 34 m (56). The decrease in interest paid, totalling SEK 22 m, is due to lower borrowing from credit institutions in 2009. In addition, the Group's interest expense pertaining to current liabilities decreased due to low interest rates.

Capital expenditures and divestments

The Group's total capital expenditures amounted to SEK 633 m (1,158) and pertained primarily to investments of SEK 444 m (552) in machinery and equipment. Investments in operations amounted to SEK 4 m (477), and investments in IT development amounted to SEK 184 m (129). Of total capital expenditures, SEK 618 m (1,127) affected the Group's cash flow. In cash flow, capital expenditures have been adjusted in the amount of SEK -17 m (-23) for finance leases.

Financing activities

The Group's change in interest-bearing liabilities affected cash flow in the amount of SEK -554 m (417). During the year SEK – m (450) in new loans was raised. Current financing was handled during the year with cash flow from operating activities. The change in interest-bearing liabilities in 2009 compared with 2008 is attributable to the lower level of net capital expenditures. The dividend amounted to SEK 420 m (630), corresponding to SEK 8.00 per share (12.00).

Comments on shareholders' equity and capital management

The Group's shareholders' equity, which is defined as total reported shareholders' equity, amounted to SEK 2,635 m (2,259) at year-end. The return on shareholders' equity was 32.4% (33.4%).

According to Axfood's finance policy, the foundation of the Axfood Group's financial strategy is to create sound financial conditions for the Group's operations and development. Of major importance is that the Group's equity ratio target of a minimum level of 25% is maintained so that the Group's refinancing risk does not jeopardize the Group's current or planned operations. At year-end 2009 the equity ratio was 36.7% (30.7%).

Axfood's dividend policy calls for a minimum dividend payout of 50% of profit after tax. During the last five years, the ordinary dividend has averaged 67.6% of profit after tax. In addition to the ordinary dividend, the Group has paid extra dividends on three occasions, for the 2004, 2005 and 2006 financial years. The Board of Directors has proposed a dividend of SEK 10 per share (8) for 2009. Based 52,467,678 shares, the dividend will amount to SEK 525 m.

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

Income statement and balance sheet, Parent Company

INCOME STATEMENT, PARENT COMPANY

Amounts in SEK m	Note	2009	2008
Selling expenses		-1	-2
Administrative expenses		-190	-203
Other operating expenses	7	165	165
Operating result		-26	-40
Interest income and similar profit/loss items	13	9	6
Interest expense and similar profit/loss items	13	-29	-51
Result after financial items		-46	-85
Appropriations	14	1	0
Result before tax		-45	-85
Current tax	15	11	25
Deferred tax	15	0	0
Result for the year		-34	-60

BALANCE SHEET, PARENT COMPANY

Amounts in SEK m	Note	31/12/2009	31/12/2008
ASSETS			
Property, plant and equipment			
Equipment, tools and fixtures	18	9	17
		9	17
Financial assets	23, 28		
Participations in Group companies	21	3,468	3,468
Other long-term securities holdings	23, 28	3	3
Deferred tax assets	15	10	9
		3,481	3,480
Total non-current assets		3,490	3,497
Current assets			
Current receivables	28		
Accounts receivable – trade		0	0
Receivables from Group companies		1,804	1,826
Other current receivables	24	3	16
Prepaid expenses and accrued income	26	10	10
		1,817	1,852
Cash and cash equivalents	28		
Cash and bank balances		0	0
		0	0
Total current assets		1,817	1,852
TOTAL ASSETS		5,307	5,349

BALANCE SHEET, PARENT COMPANY

Amounts in SEK m	Note	31/12/2009	31/12/2008
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Restricted shareholders' equity			
Share capital		262	262
		262	262
Unrestricted shareholders' equity			
Share premium reserve		–	4
Profit brought forward		3,118	2,759
Result for the year		-34	-60
		3,084	2,703
Total shareholders' equity		3,346	2,965
Untaxed reserves	14	5	6
Non-current liabilities	28, 29		
Provisions for pensions	27	30	29
Liabilities to credit institutions		150	300
Other non-current liabilities		7	7
		187	336
Current liabilities	28, 29		
Liabilities to credit institutions		264	671
Accounts payable – trade		8	12
Liabilities to Group companies		1,417	1,328
Current tax liability		53	9
Other current liabilities		2	0
Accrued expenses and deferred income	19, 30	25	22
		1,769	2,042
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		5,307	5,349
CONTINGENT ASSETS, PLEDGED ASSETS AND CONTINGENT LIABILITIES	31		
Contingent liabilities		360	369

Cash flow statement and shareholders' equity, Parent Company

CASH FLOW STATEMENT, PARENT COMPANY

Amounts in SEK m	Note	2009	2008
Operating activities			
Result after financial items		-46	-85
Depreciation/amortization charged against the result		8	9
Adjustments for non-cash items		7	1
Paid tax		-242	-276
Cash flow from operating activities before changes in working capital		-273	-351
Cash flow from changes in working capital			
Change in current receivables		60	5
Change in current liabilities		143	14
Cash flow from operating activities		-70	-332
Investing activities			
Acquisitions of property, plant and equipment		0	-1
Acquisitions of operations	3	-	-510
Cash flow from investing activities		0	-511
Financing activities			
Newly raised loans		-	450
Amortization of debt		-556	-33
Dividend paid out		-420	-630
Group contributions received/rendered		1,046	1,056
Cash flow from financing activities		70	843
CASH FLOW FOR THE YEAR		0	0
Cash and cash equivalents at start of year		0	0
Cash and cash equivalents at year-end		0	0

SHAREHOLDERS' EQUITY, PARENT COMPANY

	Re- stricted share- holders' equity	Unrestricted share- holders' equity		Total share- hold- ers' equity
Amounts in SEK m	Share capital	Share premium reserve	Profit brought forward	Total
Opening shareholders' equity 2008	262	4	2,635	2,901
Shareholder dividend	–	–	-630	-630
Group contribution	–	–	1,046	1,046
Tax effect of Group contribution	–	–	-292	-292
Result for the year	–	–	-60	-60
Closing shareholders' equity 2008	262	4	2,699	2,965
Shareholder dividend	–	-4	-416	-420
Group contribution	–	–	1,133	1,133
Tax effect of Group contribution	–	–	-298	-298
Result for the year	–	–	-34	-34
Closing shareholders' equity 2009	262	–	3,084	3,346

Notes

NOTE 1. ACCOUNTING AND VALUATION POLICIES

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), as endorsed by the EU Commission for application within the EU. In addition, Swedish Financial Reporting Board recommendation RFR 1.2, Supplementary Reporting Rules for Groups, is used.

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

The Annual Report and consolidated financial statements were approved for publication by the Board of Directors on 5 February 2010. The Group's statement of comprehensive income and statement of financial position, and the Parent Company's income statement and balance sheet, are subject to adoption by the Annual General Meeting on 10 March 2010.

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

Basis of measurement applied in preparation of the financial statements

Assets and liabilities are stated at historical cost, except for certain financial assets and liabilities, which are stated at fair value. Financial assets and liabilities stated at fair value consist of derivative instruments and available-for-sale financial assets.

Functional currency and presentation currency

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

Estimations and assumptions in the financial statements

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

Significant accounting policies applied

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

Changed accounting policies 2009

Following is a description of changed accounting policies that the Group applies as from 1 January 2009. Other IFRS changes that apply as from 2009 have not had any material impact on the Group's accounting.

IAS 1 Presentation of Financial Statements. As from 1 January 2009, the Group applies the amended IAS 1 Presentation of Financial Statements (2007). The change entails that items of income and expense that were previously reported directly against shareholders' equity are now recognized in other comprehensive income, which Axfood presents after profit for the year in an extended earnings statement called the statement of comprehensive income. Axfood has chosen to use the new titles of the statements introduced in IAS 1 (2007) – statement of comprehensive income, statement of financial position, statement of changes in equity, and statement of cash flows.

Comparison periods have all been changed in the annual report so that they conform to the new layout. Since the changes have only affected the layout, no amounts have been changed, neither with respect to earnings per share nor other items in the financial statements.

IFRS 7 Financial Instruments: Disclosures. As from 1 January 2009 Axfood applies the amendments in IFRS 7 Financial Instruments: Disclosures. The changes mainly pertain to new disclosure requirements about financial instruments carried at fair value in the statement of financial position. Instruments are categorized into three levels depending on the quality of input data in the valuation. This breakdown into levels determines how and which disclosures are to be provided about the instruments. This disclosure requirement has mainly affected Note 28 below. In addition, the amendments to IFRS 7 entail a few changes regarding disclosures about liquidity risk.

According to the transitional stipulations of IFRS 7, during the first year of application, comparative disclosures do not need to be provided for the disclosures required by the changes. Nevertheless, Axfood has chosen to voluntarily provide comparative information for 2008 also regarding the disclosures that have been added as a result of the changes. Since the changes do not affect how reported amounts are to be determined, no adjustments have been made of amounts in the financial statements.

IFRS 8 Operating Segments. Since 1 January 2009 the Group has applied the new IFRS 8 Operating Segments, which replaces IAS 14 Segment Reporting. IFRS 8 introduces a management perspective of how operating segments are to be broken down and presented. The new policies are described further below among the accounting policies in this note. For Axfood, application of IFRS 8 has not entailed any change in the segmental classification, since the segments identified in accordance with IAS 14 corresponded to the ones followed up by management. The Company continues to apply the same accounting policies in operating segments as in the consolidated accounting, i.e., IFRS. Consequently, none of the amounts that have been reported have changed compared with previously reported amounts.

IAS 23 Borrowing Costs. Since 1 January 2009 the Group applies the amended IAS 23 Borrowing Costs. The change entails that Axfood capitalizes borrowing costs in the cost of qualifying assets that have a commencement date of 1 January 2009 or later. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Previously, borrowing costs were charged against profit in the period in which they were attributable instead of being capitalized. In accordance with the transitional rules in IAS 23, the change is applied prospectively. For a further description of the accounting policies, see the section further down in this note. During the year, no development project for a qualifying asset was commenced, and thus the change had no effect in 2009. Since the change is applied prospectively, it has no effect on previous years.

IFRIC 13 Customer Loyalty Programmes. Axfood applies IFRIC 13 Customer Loyalty Programmes since 1 January 2009, which addresses the reporting and valuation of a company's customer loyalty programmes and covers its obligation to provide free or discounted goods or services to customers who have qualified for such through previous purchases. Revenue from a customer's initial purchase is divided into two components, where deferred income is to be stated at fair value. Axfood already defers revenue pertaining to customer loyalty programmes in accordance with the requirements of IFRIC 13, and as a result, the amendment to IFRIC 13 does not have any material impact on Axfood's statement of comprehensive income, statement of financial position, statement of changes in equity or statement of cash flows.

In addition to IAS 1, IFRS 7, IFRS 8, IAS 23 and IFRIC 13 are amendments in IFRS 2 Share-based Payments – Vesting Conditions and Cancellations, IFRS 7 Financial Instruments: Disclosures, and IFRS 39 Financial Instruments: Recognition and Measurement – Disclosures Regarding Reclassifications, IAS 1 Presentation of Financial Statements and IAS 32 Financial Instruments: Presentation – Puttable Instruments and Obligations Arising on Liquidation, IAS 39 Financial Instruments: Recognition and Measurement, and IFRIC 9 Reassessment of Embedded Derivatives. The changes referred to here have been endorsed for application within the EU. The changes described above are not judged to have any effect on the Axfood Group's statement of comprehensive income, statement of financial position or statement of cash flows.

Changed accounting policies 2010

A number of new or amended standards and interpretations take effect in 2010 and have not been prospectively applied in the preparation of these financial statements. New policies or changes that are applicable as from the 2010 financial year are not planned to be applied prospectively. To the extent that anticipated effects on the financial statements of application of the following new or amended standards and interpretations are not described below, Axfood has not yet made any judgement about their effects.

IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Revised) entail the follow-

ing changes, among other things: the definition of business has been changed; contingent consideration shall be recognized at fair value as per the date of acquisition; and effects of revaluation of liabilities related to contingent consideration are reported as revenue or expense in profit for the year. The revised and amended standards will be applied as from the next financial year, i.e., from 1 January 2010, and will only have prospective effects for Axfood.

In addition to IFRS 3 and IAS 27 are amendments to IFRS 2 Share-based Payment involving cash-settled intra-Group payments, IAS 32 Financial Instruments: Presentation – pertaining to classification of new issues, IAS 39 Financial Instruments: Recognition and Measurement involving items qualifying for hedge accounting, IFRIC 12 Service Concession Arrangements, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 16 Hedges of a Net Investment in a Foreign Operation, IFRIC 17 Distribution of Non-cash Assets to Owners, and IFRIC 18 Transfers of Assets from Customers.

Classification of current and non-current items

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

Operating segment reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses and for which discrete financial information is available. Operating segments are reported in a manner that is in agreement with the internal reporting that is presented to the chief operating decision-maker at Axfood. The chief operating decision-maker has been identified as the Group's Executive Committee, which evaluates the results and allocates resources to the operating segments. For more information on operating segments, see Note 2, Operating segments.

CONSOLIDATED ACCOUNTING (PRINCIPLES OF CONSOLIDATION)

General

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

In the preparation of the consolidated financial statements, the purchase method has been used, with the exception of the 2000 merger of Hemköp and Axfood Sverige (formerly D&D Dagligvaror), which is accounted for using the pooling of interests method, whereby no surplus values are reported. According to the purchase method, shareholders' equity in an acquired subsidiary is based on a fair valuation of identifiable assets and liabilities taken over at the

time of acquisition. In the event the cost of the shares in the subsidiary exceeds the fair value of acquired assets and liabilities as per the above, the difference is carried as goodwill in the statement of financial position. When the difference is negative, this is recognized directly in profit or loss. Goodwill is not amortized, but is tested annually for impairment, see Note 17.

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

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

Associated companies

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

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

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

Principles for internal pricing

For internal sales of goods between units in the Axfood Group, prices are set on commercial terms. This means that internal customers are not treated in another manner than external customers.

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

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

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

INCOME

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

Franchise fees

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

Rental income

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

Government support

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

Insurance indemnification

Upon the theft or damage to any of the Group's assets, insurance indemnification may be received, normally less a set deductible. In cases of loss or damage to property, plant or equipment, claims for compensation from another party caused by such and the subsequent purchase or restoration of a replacement asset are reported separately. The same applies for other costs that are not capitalized in the statement of financial position. Insurance indemnification is reported as other operating income, while deductibles are reported through profit or loss as other administrative expense. Insurance indemnification that has been granted but not paid out as per the end of the reporting is reported as a pending receivable.

EXPENSES

Operating expenses

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

Operating leases

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

Finance leases

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

FINANCIAL INCOME AND EXPENSES

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

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

Foreign exchange gains and losses are reported net.

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

Receivables and liabilities in foreign currency

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

TAXES

The Group's taxes consist of current tax and deferred tax. Taxes are reported in profit for the year except for when the underlying transaction is recognized in other comprehensive income or reported against shareholders' equity, whereby the associated tax effect is rec-

ognized in other comprehensive income or reported in shareholders' equity. Current tax is tax that is to be paid or received in the current year. This also includes adjustments of current tax pertaining to earlier periods. Deferred tax is calculated in accordance with the balance sheet method and is based on the temporary difference between the reported and taxable value of assets and liabilities. These amounts are calculated based on how the temporary differences are expected to be smoothened and using the tax rates and tax rules that have been decided on or notified as per the end of the reporting period.

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

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

INTANGIBLE ASSETS

Goodwill

In connection with acquisitions of operations, goodwill is reported in the statement of financial position in cases where the cost exceeds the fair value of the acquired identifiable assets and liabilities taken over. With respect to goodwill attributable to acquisitions that took place before 1 January 2004, the Group has not applied IFRS retrospectively, which means that the reported value of goodwill as per 1 January 2004 will continue to constitute the Group's cost after testing for impairment, see Note 17.

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

If the net fair value of the acquired operation's identifiable assets, liabilities and contingent liabilities exceeds their cost, the surplus is recognized immediately in profit or loss.

Other intangible assets

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

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

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

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

costs are capitalized with respect to retained development costs for software development.

Amortization of intangible assets

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

IT projects	10–20
Leaseholds	Remaining lease period
Customer relationships	33
Other intangible assets	20–33

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

Useful life is reassessed every year.

PROPERTY, PLANT AND EQUIPMENT

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

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

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

Leased assets

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

Depreciation of property, plant and equipment

Depreciation of property, plant and equipment is based on the estimated useful life of the assets. Depreciation is done on a straight-line

basis over the estimated useful life of the assets. The following percentages have been applied:

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

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

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

FINANCIAL INSTRUMENTS

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

Reporting of financial assets and liabilities

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

A financial asset is derecognized from the statement of financial position when the rights to the agreement are realized, mature, or the Company loses control over it. The same applies for a part of a financial asset. A financial liability is derecognized from the statement of financial position when the obligation in the agreement is fulfilled or becomes extinguished in some other way. The same applies for a part of a financial liability. Spot purchases and spot sales of derivative instruments are reported on the transaction date.

Classification and valuation

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

- Financial assets and liabilities carried at fair value through profit or loss. Axfood has no financial instruments classified in this category.
- Held-to-maturity investments. Axfood has no financial instruments classified in this category.
- Loan receivables and trade accounts receivable. Axfood's interest-bearing receivables, other receivables, trade accounts receivable, and cash and cash equivalents are included in this category.
- Available-for-sale financial assets. This category consists of financial assets that are not classified in any other category, such as shares and participations in both listed and unlisted companies. Axfood's ownership of tenant-owner rights is included in this category.
- Financial liabilities carried at amortized cost. Axfood's trade accounts payable and borrowings are included in this category.

Loan receivables and trade accounts receivable

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

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

Cash and cash equivalents

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

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

Available-for-sale financial assets

The category "available-for-sale financial assets" includes financial assets that cannot be classified in any other category. Holdings of

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

Financial liabilities carried at amortized cost

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

Derivatives and hedge accounting

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

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

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

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

INVENTORIES

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

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

IMPAIRMENT

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

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

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

PROVISIONS

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

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

EMPLOYEE BENEFITS

Short-term compensation

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

Post-employment compensation

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

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

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

Alecta

Retirement pension and family pension obligations for employees in Sweden are secured partly through insurance with Alecta. According

to pronouncement UFR 3 issued by the Swedish Financial Reporting Board (RFR), this is classified as a multi-employer defined benefit plan. For the 2009 financial year Axfood did not have access to such information that makes it possible to report this plan as a defined benefit plan. The ITP pension plan that is secured through insurance with Alecta is therefore reported as a defined contribution plan. See also Note 27.

Compensation upon termination

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

CONTINGENT LIABILITIES/FINANCIAL GUARANTEES

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

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

PARENT COMPANY ACCOUNTING POLICIES

The Parent Company complies with the Swedish Annual Accounts Act and Swedish Financial Reporting Board recommendation RFR 2.2 Reporting for Legal Entities. Application of RFR 2.2 entails that the Parent Company, in the annual report for the legal entity, shall comply with all EU-endorsed IFRSs and pronouncements as far as possible within the framework of the Annual Accounts Act, the Pension Obligations Vesting Act (*Tryggandelagen*), and taking into

account the connection between reporting and taxation. The recommendation indicates which exceptions from and amendments to IFRS are to be made. The differences between the Parent Company's and Group's accounting policies are described below.

Changed accounting policies

The Parent Company's accounting policies are unchanged compared with the 2008 Annual Report. In other respects, reference is made to the changed accounting policies for the Group, described above.

Classification and presentation format

The Parent Company's income statement and balance sheet are presented in accordance with the format prescribed in the Annual Accounts Act. The difference compared with IAS 1 Presentation of Financial Statements, which is applied in the format of the consolidated financial statements, pertains to statements' titles and presentation format.

Subsidiaries and associated companies

Participations in subsidiaries and associated companies are reported in the Parent Company in accordance with the purchase method.

Employee benefits/defined benefit pension plans

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

Financial guarantees

The Parent Company applies the relief rule in RFR 2.2 point 72, which entails that legal entities are not required to apply the rule in IAS 39 pertaining to the reporting of guarantee agreements for the benefit of subsidiaries and associated companies. In these cases, the rules of IAS 37, points 14 and 36, are applied, which entail that financial guarantee agreements are to be reported as a provision in the balance sheet when Axfood has a legal or constructive obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation. In addition, it must be possible to make a reliable estimate of the amount of the obligation.

Leased assets

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

Taxes

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

Group contributions and shareholder contributions

The Parent Company reports group contributions and shareholder contributions in accordance with pronouncement UFR 2 issued by the Swedish Financial Reporting Board. Shareholder contributions are taken directly to shareholders' equity by the receiver and capitalized in the shares and participations by the giver, to the extent that there is no need to recognize impairment. Group contributions are reported based on their economic significance. This means that Group contributions rendered for the purpose of minimizing the

Group's total tax are reported directly against retained profits after deducting their current tax effect.

Mergers

Mergers are reported in accordance with Swedish Accounting Standards Board general recommendation BFNAR 1999:1 Mergers of Wholly Owned Stock Companies. The so-called consolidated value method has been applied, which means that the assets and liabilities of the merged subsidiaries have been reported in the respective companies' parent company at the values these had in the consolidated accounts. No mergers took place during the year within the Group.

Changed accounting policies 2010

See the changed accounting policies for the Group on page 67.

NOTE 2. OPERATING SEGMENTS

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

External sales pertain exclusively to sales of products, and all sales take place in Sweden. No impairment losses were recognized in 2008 or 2009. No significant items not affecting cash flow other than depreciation/amortization were booked in 2008 or 2009.

Axfood's operating segments have been identified as follows:

Willys. Sale of retail food products/groceries at discount prices.

Hemköp. Sale of retail food products/groceries with a broad product offering and high level of service.

PrisXtra. Sale of retail food products/groceries in a segment between Willys and Hemköp.

Dagab. Wholesaling business, with slightly less than 90% of sales to the Group's own store chains.

Närlivs. Wholesaling and cash and carry business; sales primarily to retailers, chain operators and other convenience stores.

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

	Hemköp		Willys		PrisXtra*		Axfood Närlivs		Dagab		Other		Eliminations		Total	
Per operating segment	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Result																
External net sales	5,335	5,640	17,589	16,776	725	653	5,552	5,645	3,003	2,799	174	150			32,378	31,663
Internal net sales							19	17	21,049	20,625	3,190	1,831	-24,258	-22,473	-	-
Net sales	5,335	5,640	17,589	16,776	725	653	5,571	5,662	24,052	23,424	3,364	1,981	-24,258	-22,473	32,378	31,663
Depreciation/ amortization	-118	-134	-175	-180	-13	-11	-30	-25	-52	-51	-147	-125			-535	-526
Share of profit in associated companies	-1	0													-1	0
Operating profit	28	-8	731	730	6	9	132	110	147	138	84	98			1,128	1,077
Financial items, net															-46	-66
Consolidated profit before tax															1,082	1,011
Other disclosures																
Investments in non- current assets **	51	109	205	235	10	17	48	39	65	89	239	183			618	672

*The comparison period in 2008 for PrisXtra is February–December.

** Tangible and intangible non-current assets.

NOTE 3. ACQUIRED OPERATIONS

During the year three stores and three in-store service counters were acquired. The stores were converted to Willys hemma. In addition, Axfood acquired 90% of an operation that will develop a private label range of products for fish and shellfish.

The combined consideration for acquisitions in 2009 was SEK 8 m, of which payment of SEK 1 m has not been settled. The consideration was paid in cash. Acquired assets and liabilities are carried at fair value in Axfood's statement of financial position.

The following assets and liabilities were acquired in 2009:

	Carrying amount before acquisition	Fair value adjustments	Fair value reported in Group
Intangible assets	1	–	1
Property, plant and equipment	18	–	18
Current assets	11	–	11
Deferred tax liability	-1	–	-1
Other non-current liabilities	-14	–	-14
Other current liabilities	-10	–	-10
Total identified net assets	5	–	5
Goodwill			3
Consideration			8
Cash and cash equivalents in acquired companies			0
Consideration not yet settled			-1
Impact of acquisitions of companies on cash and cash equivalents since the start of the year			7

Identified goodwill is entirely attributable to the synergies that will become available in connection with the acquisitions. Additional adjustments of carrying amounts to fair value in accordance with IFRS have not been necessary. Acquired goodwill amounted to SEK 3 m in 2009. Axfood's share of ownership in stores and in-store service counters amounts to 100% after the acquisitions.

In the months following the acquisitions of operations, the acquired operations contributed SEK -4 m to consolidated profit after tax. The operations have combined annual sales of approximately SEK 129 m. If the acquisitions had been made as per 1 January 2009, the Group's income would have been approximately SEK 68 m higher, i.e., a total of approximately SEK 32,446 m. The profit/loss effect from 1 January 2009 until the date of acquisition is difficult to estimate since the stores were initially charged with one-time costs.

For information on the year's change in consolidated goodwill in general, see Notes 4 and 17. During the period 31 December 2009 – 5 February 2010, the Group did not acquire any operations.

ACQUISITIONS IN PRECEDING YEAR

PrisXtra

On 28 January 2008, Axfood acquired all of the shares of PrisXtra Förvaltning AB (PrisXtra). PrisXtra is consolidated in the Axfood Group as from 1 February 2008. At the time of the acquisition, PrisXtra consisted of five stores plus an online store, and annual sales at the time of the acquisition were estimated at approximately SEK 700 m. Axfood continues to run the company as a standalone concept, and PrisXtra is also reported as a separate operating segment. The consideration was SEK 400 m and was paid in cash. No part of the consideration remains to be paid.

The following carrying amounts of assets and liabilities in PrisXtra and in the Group after the acquisition were acquired:

	Carrying amount before acquisition	Fair value adjustments	Fair value reported in Group
Trademarks	–	80	80
Other intangible assets	0	29	29
Property, plant and equipment	77	-8	69
Current assets	70	–	70
Deferred tax liability	-4	-28	-32
Other current liabilities	-102	–	-102
Total identified net assets	41	73	114
Goodwill			286
Consideration			400
Cash and cash equivalents in acquired companies			-3
Impact of acquisitions of companies on cash and cash equivalents since the start of the year			397

Of other intangible assets, customer relationships account for SEK 15 m and leaseholds SEK 14 m. Identified goodwill of SEK 286 m is entirely attributable to the synergies that will be available to Axfood as a result of the acquisition. After the acquisition, Axfood's share of ownership in PrisXtra is 100%.

Other acquisitions

In addition to PrisXtra, three stores and four in-store service counters were acquired. Of these, two stores were converted to Hemköp and one to Willys.

Total

The combined consideration for acquisitions in 2008 was SEK 482 m and was paid for in cash. No part of any consideration remains to be paid. Acquired assets and liabilities are carried on Axfood's statement of financial position at fair value.

The following assets and liabilities were acquired in 2008:

	Carrying amount before acquisition	Fair value adjustments	Fair value reported in Group
Trademarks	–	80	80
Other intangible assets	3	29	32
Property, plant and equipment	79	-8	71
Current assets	92	–	92
Deferred tax liability	-5	-28	-33
Other current liabilities	-114	–	-114
Total identified net assets	55	73	128
Goodwill			354
Consideration			482
Cash and cash equivalents in acquired companies			-14
Impact of acquisitions of companies on cash and cash equivalents since the start of the year			468

Of the fair value adjustment of intangible assets, SEK 15 m pertained to customer relationships and SEK 14 m to leaseholds. Identified goodwill is entirely attributable to the synergies that will be available as a result of the acquisition. Additional adjustments of carrying amounts to fair value in accordance with IFRS have not been necessary. Acquired goodwill amounted to SEK 354 m in 2008. Axfood's share of ownership after the acquisitions is 100%.

In the months following the company acquisitions, the acquired operations contributed SEK -6 m to consolidated profit after tax. The stores have combined annual sales of approximately SEK 920 m. If the acquisitions had been made as per 1 January 2008, the Group's income would have been approximately SEK 150 m higher, i.e., a total of approximately SEK 31,813 m. The profit/loss effect from 1 January 2008 until the date of acquisition is difficult to estimate since the stores were initially charged with one-time costs.

Parent Company

During the year, the Parent Company increased the value of its shares in Group companies by SEK – m (510). The increase in the preceding year is attributable to the acquisition of PrisXtra, SEK 400 m, and to intra-Group restructuring.

NOTE 4. DISCONTINUED OPERATIONS**Sold operations**

As in the preceding year, in 2009 one store operation was sold. The divestments during the year and the preceding year consisted of operating assets and liabilities. These sales were not of such size that they need to be reported separately as discontinued operations in the statement of comprehensive income and statement of financial position.

Impact on cash flow of divested/sold operations

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

	Group	
Amounts in SEK m	2009	2008
Cash flow from sales of operating assets and liabilities	1	2
Total cash flow from sales of operations	1	2

The consideration for the sale of an operation during the year has been settled. In the Parent Company, no operations were divested/sold during the year or preceding year.

NOTE 5. BREAKDOWN OF INCOME

Group	2009	2008
Net sales:		
Sales of products	32,144	31,456
Other sales	234	207
Total net sales	32,378	31,663
Other operating income	217	198
Total	32,595	31,861

NOTE 6. BREAKDOWN OF EXPENSES

Group	2009	2008
Cost of goods for resale	24,693	24,366
Payroll costs	3,635	3,498
Depreciation/amortization	535	526
Other	2,604	2,394
Total	31,467	30,784

NOTE 7. INFORMATION ON INTRA-GROUP INCOME AND EXPENSES

The Parent Company's income from subsidiaries amounted to SEK 163 m (157). The Parent Company's expenses from subsidiaries amounted to SEK 25 m (33). The Parent Company's sales to subsidiaries consisted mainly of compensation to cover shared costs for rents, central administration and shared systems. The Parent Company's compensation from subsidiaries consists mainly of compensation for system support.

NOTE 8. INFORMATION ON EMPLOYEES; COMPENSATION OF DIRECTORS, THE CEO AND OTHER SENIOR EXECUTIVES**Average number of employees¹⁾**

	2009	Of whom, men	2008	Of whom, men
Parent Company				
Sweden	87	22	87	20
Subsidiaries				
Sweden	6,729	3,113	6,760	3,092
TOTAL, GROUP	6,816	3,135	6,847	3,112

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

Note 8, continued from preceding page

Wages, salaries and other remuneration, and social security charges

	2009			2008		
	Wages, salaries and other remuneration	Social security charges	Of which, pension costs	Wages, salaries and other remuneration	Social security charges	Of which, pension costs
Parent Company						
Sweden	58	29	11	51	26	9
Subsidiaries						
Sweden	2,474	885	192	2,379	870	159
TOTAL, GROUP	2,532	914	203	2,430	896	168

Gender breakdown, Group, number

	Boards of Directors		Other senior executives	
	2009	2008	2009	2008
Men	27	28	52	49
Women	12	12	11	10
Total	39	40	63	59

Gender breakdown, Parent Company, number

	Board of Directors		Other senior executives	
	2009	2008	2009	2008
Men	3	4	7	7
Women	4	4	3	3
Total	7	8	10	10

Sickness-related absence as % of total working time

	Men		Women		Total	
	2009	2008	2009	2008	2009	2008
Parent Company						
< 29 years	2.94	1.65	4.87	0.90	4.06	1.09
30–49 years	2.11	0.69	4.67	4.21	4.26	3.63
> 50 years	1.39	1.67	1.99	4.19	1.79	3.46
					2009	2008
Total sickness-related absence as % of total working time					3.28	3.17

The share of sickness-related absence lasting for an uninterrupted period of 60 days or more is 40% (54%).

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

	2009		2008	
	Boards, presidents and other senior executives	Other employees	Boards, presidents and other senior executives	Other employees
Parent Company				
Sweden ¹⁾	31	42	29	37
Subsidiaries				
Sweden ¹⁾	53	2,406	53	2,311
TOTAL, GROUP	84	2,448	82	2,348

¹⁾ Of the Parent Company's salaries and other remuneration to senior executives, SEK 16 m (15) pertains to compensation from other Group companies.

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

	2009		2008	
	Directors' fee	Other compensation	Directors' fee	Other compensation
Parent Company				
Chairman of the Board ¹⁾	500	–	500	–
Vice Chairman of the Board ²⁾	350	–	350	–
Other board members:				
Antonia Ax:son Johnson	275	–	275	–
Peggy Bruzelius	275	–	275	–
Maria Curman	275	–	275	–
Odd Reitan	275	–	–	–
Marcus Storch ²⁾	–	–	275	–
Gunnar Söderling	–	–	275	–
Annika Åhnberg	275	–	275	–
Sven-Erik Brandt ³⁾	–	–	–	–
Ulla-May Iwahr Rydén ³⁾	–	–	–	–
Lars Östberg ³⁾	–	–	–	–
Total	2,225	–	2,500	–

¹⁾ Fredrik Persson is Chairman of the Board; in 2008 Göran Ennerfelt was Chairman of the Board.

²⁾ Marcus Storch is Vice Chairman of the Board; in 2008 Fredrik Persson was Vice Chairman of the Board.

³⁾ Employee representatives.

Note 8, continued from preceding page**Salaries and other benefits paid to other senior executives, KSEK**

2009						
	Base salary	Variable compensation	Other benefits	Pension cost	Other compensation	Total
CEO ¹⁾	4,801	2,524	299	2,069	–	9,693
Other senior executives, Parent Company ^{2, 3)}	15,722	6,112	914	6,247	3	28,998
Total	20,523	8,636	1,213	8,316	3	38,691
Other senior executives, subsidiaries ^{2, 3)}	45,970	6,800	2,019	14,855	59	69,703
TOTAL, GROUP	66,493	15,436	3,232	23,171	62	108,394
2008						
CEO ¹⁾	4,626	1,910	387	1,994	6	8,923
Other senior executives, Parent Company ^{3, 4)}	15,697	3,970	988	5,239	1	25,895
Total	20,323	5,880	1,375	7,233	7	34,818
Other senior executives, subsidiaries ³⁾	44,861	7,818	2,401	12,384	73	67,537
TOTAL, GROUP	65,184	13,698	3,776	19,617	80	102,355

¹⁾ Anders Strålman is CEO of the Parent Company.

²⁾ The Axfood Group's Executive Committee in 2009 (excluding the CEO) consisted of Karin Hygrel-Jonsson, Mats Sjödal, Anders Quist, Louise Ring, Jan Lindmark, Benny Hast, Nicholas Pettersson, Thomas Evertsson and Camilla Weiner.

³⁾ Of base salary, variable compensation and other remuneration paid out by the Parent Company, KSEK 15,777 (15,126) pertains to compensation that the senior executives received from other Group companies. Of the Parent Company's other benefits, KSEK 664 (743) pertains to compensation from other Group companies.

⁴⁾ The Axfood Group's Executive Committee in 2008 (excluding the CEO) consisted of Karin Hygrel-Jonsson, Mats Sjödal, Anders Quist, Louise Ring, Jan Lindmark, Benny Hast, Thomas Evertsson, Håkan Åkerström and Camilla Weiner.

Comments, Note 8**Board of Directors**

A fee is payable to the Chairman of the Board and the directors in accordance with a decision made by the Annual General Meeting. No separate fee is paid for committee work. Employee representatives do not receive any directors' fees. According to a decision by the 2009 Annual General Meeting, the annual fee payable to directors was set at KSEK 2,225 (2,500), of which KSEK 500 (500) is payable to the Chairman. Seventy-five per cent of the fee was paid out in 2009, and the remainder will be paid out after year-end. Expensed compensation paid to the Company directors is shown in a table on the preceding page.

CEO

Axfood's CEO, Anders Strålman, received salary and other benefits in 2009 totalling SEK 7.3 m (6.5), including SEK 2.5 m (1.9) in variable compensation. The CEO's variable compensation is based on the performance and development of the business. The variable compensation can amount to a maximum of 70% of his yearly salary. Fifty per cent of the set variable compensation is paid out after the Annual General Meeting in the year following the year in which it was earned. The remaining 50% will be paid out after the 2011 Annual General Meeting, provided he is still employed.

In addition, the CEO has a taxable housing and travel benefit, a car benefit and private healthcare insurance. The CEO is entitled to retirement pension from 65 years of age, and a right to pension provisions corresponding to 35% of his yearly cash salary. The provision as per 31 December 2009 amounted to SEK 5.2 m (3.8). In the event Axfood serves notice, the CEO is entitled to a 12-month term of notice plus severance pay corresponding to 12 months' salary, on account. In the event the CEO gives notice, the notice period is six months.

Other senior executives

Salary and other benefits paid to senior executives of the Parent Company amounted to SEK 21.8 m (19.7), including SEK 6.1 m (4.0) in variable compensation. By other senior executives is meant the nine persons who together with the CEO form Axfood's Executive Committee. See pages 46–47 for the composition of the Executive Committee. Variable compensation is mostly based on the Group's earnings and sales performance, and partly on personal targets. Variable compensation can amount to a maximum of 55% of the executives' yearly salary. Other senior executives have customary terms of employment and are entitled to salary during the notice period plus severance pay corresponding to 12 months' salary, on account. The notice period is between six and 12 months if the Company serves notice, and six months if the employee gives notice.

The retirement age has been set at 65 years. The ITP plan serves as the main cost framework, with the addition of a defined contribution pension amounting to 25% of salary amounts between 30–50 times the Price Base Amount. The Board's compensation committee makes decisions on salary and other terms of employment for other senior executives, according to the principles decided on by the Annual General Meeting. The Compensation Committee makes recommendations to the Board regarding the salary and other terms of employment for the CEO.

NOTE 9. AUDITORS' FEES

	Group		Parent Company	
	2009	2008	2009	2008
KPMG				
Auditing fees	4	5	1	1
Consulting fees	1	1	0	1
Total	5	6	1	2

NOTE 10. DEPRECIATION AND AMORTIZATION

Group	Other intangible assets		Land and buildings		Equipment, tools and fixtures		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
Cost of goods sold	37	36	0	–	359	352	396	388
Selling expenses	0	0	0	0	36	35	36	35
Administrative expenses	41	28	–	0	62	75	103	103
Total depreciation/amortization	78	64	0	0	457	462	535	526

The Parent Company's depreciation of SEK 8 m (9) pertains to equipment, tools and fixtures under administrative expenses.

NOTE 11. OPERATING LEASES

	Group		Parent Company	
	2009	2008	2009	2008
Minimum lease payments during the financial year	1,106	1,004	28	28
Variable charges	18	32	–	–
Total leasing costs during the financial year¹⁾	1,124	1,036	28	28
Leasing income pertaining to sublet premises	91	82	23	23
Contracted future minimum lease payments				
Within one year	1,030	1,018	28	25
Between one and five years	2,182	2,239	29	56
Longer than five years	523	609	–	–
Total future lease payments	3,735	3,866	57	81

¹⁾ Of which, rents for premises SEK 1,086 m (1,014) for the Group and SEK 28 m (26) for the Parent Company.

Axfood rents warehouse and store premises. Renting is done from outside parties, while subletting is mainly done to Group companies and to franchisees. The terms of rental agreements are in line with the going rate in the market with respect to price as well as duration. The variable charge consists of an arrangement whereby certain rental agreements have minimum rents plus a sales-based portion.

NOTE 12. RELATED PARTY TRANSACTIONS

The Axfood Group's transactions with related parties, aside from those covered by the consolidated accounting, consist of transactions with associated companies and with subsidiaries of the Axel Johnson Group. During the year, no purchases were made from associated companies, compared with SEK 2 m in the preceding year. Sales to associated companies totalled SEK 33 m (54) and consisted primarily of sales of goods. All prices are set at going rates in the market.

Axfood AB is 46.3%-owned by Axel Johnson AB. Axfood AB and Axel Johnson AB have signed joint purchasing agreements in the areas of telephony, travel, transport and lodging in connection with business travel. No transactions between the companies with respect to these agreements took place during the year.

Servera R&S AB, a subsidiary of Axel Johnson AB, delivers food-service supplies to Axfood companies. Purchases in 2009 from Servera amounted to SEK 21 m (18). Axfood's sales to Servera in 2009 amounted to SEK 21 m (40). As per 31 December 2009, the Axfood Group's current liabilities to Servera amounted to SEK 1 m (1), and current receivables totalled SEK 1 m (3).

Axfast AB, a company in the Axel Johnson Group, leases property to companies in the Axfood Group. During the year Axfood's profit was charged with SEK 53 m (53) in rents to Axfast AB. All rents have been set according to going rates in the market. As per 31 December 2009, the Axfood Group's current liabilities to Axfast AB amounted to SEK 15 m (16).

Associated companies owned no shares in Axfood AB as per 31 December 2009.

NOTE 13. NET FINANCIAL ITEMS

	Group		Parent Company	
	2009	2008	2009	2008
Interest income from bank deposits	0	1	0	0
Interest income from non-impaired loan receivables and trade accounts receivable ¹⁾	5	7	9	6
Interest income from impaired loan receivables and trade accounts receivable	0	0	–	–
Exchange rate movements	0	0	0	0
Other financial income	–	0	–	–
Total financial income	5	8	9	6

Interest expenses on financial liabilities carried at amortized cost

	2009	2008	2009	2008
Borrowings (bank loans and bank lines of credit) ²⁾	-27	-47	-26	-48
Trade accounts receivable and other current liabilities	-4	-6	0	0
Pension liability	-17	-18	0	-1
Other financial expenses	-3	-3	-3	-2
Total financial expenses	-51	-74	-29	-51
Net financial items	-46	-66	-20	-45

¹⁾ Interest income in the Parent Company from Group companies amounted to SEK 9 m (5).

²⁾ Interest expense in the Parent Company to Group companies amounted to SEK – m (–).

NOTE 14. APPROPRIATIONS AND UNTAXED RESERVES

	Parent Company	
	2009	2008
Appropriations		
Change in accumulated excess depreciation	1	0
Total	1	0
Untaxed reserves		
Accumulated excess depreciation	5	6
Total	5	6

NOTE 15. TAXES

	Group		Parent Company	
	2009	2008	2009	2008
Current tax				
Current tax on profit/loss for the year	-293	-281	11	25
Adjustment of current tax from previous years	0	-1	-	-
	-293	-282	11	25
Deferred tax				
Deferred tax pertaining to temporary differences	4	-3	0	1
Adjustment of deferred tax pertaining to previous years	0	0	-	0
Revaluation of deferred tax	-	11	-	-1
	4	8	0	0
Total reported tax charge	-289	-274	11	25

Group – reconciliation of applicable tax rate and effective tax rate

	2009	%	2008	%
Reported profit before tax	1,082		1,011	
Tax based on applicable tax rate for Parent Company	-285	-26.3	-283	-28.0
Tax effect of:				
Other non-deductible expenses	-4	-0.4	-3	-0.3
Other tax-exempt revenues	0	0.0	2	0.2
Adjustments of current tax	0	0.0	-1	-0.1
Adjustments of deferred tax pertaining to previous years	0	0.0	0	0.0
Revaluation of deferred tax	-	-	11	1.1
Reported tax charge/ effective tax rate	-289	-26.7	-274	-27.1
Current and deferred tax items reported directly against shareholders' equity via other comprehensive income	-1		0	

Parent Company – reconciliation of current tax rate and effective tax rate

	2009	%	2008	%
Reported result before tax	-45		-85	
Tax according to applicable tax rate for Parent Company	12	26.3	24	28.0
Tax effect of:				
Other non-deductible expenses	-1	-1.1	0	-0.5
Other tax-exempt revenues	0	0.1	2	2.4
Adjustment of deferred tax pertaining to previous years	-	-	0	0.0
Revaluation of deferred tax	-	-	-1	-0.7
Reported tax charge/ effective tax rate	11	25.3	25	29.2
Current and deferred tax items reported directly against shareholders' equity	-298		-292	

Reported deferred tax assets and tax liabilities

	Group		Parent Company	
	2009	2008	2009	2008
Intangible assets	-70	-67	-	-
Land and buildings	-1	-	-	-
Equipment, tools and fixtures	11	12	-	-
Other receivables	7	8	-	-
Untaxed reserves	-120	-123	-	-
Provisions	4	0	10	9
Other liabilities	6	5	0	0
Total deferred tax asset (+)/ deferred tax liability (-), net	-163	-165	10	9
Deferred tax asset	38	35	10	9
Deferred tax liability	-201	-200	-	-

The Group has no unreported deferred tax assets or tax liabilities pertaining to temporary differences.

Change in deferred tax in temporary differences and tax-loss carryforwards during the year, Group

	Amount at start of year	Reported in profit for the year	Reported in other comprehensive income	Plus: from acquired operations	Amount at end of year
Intangible assets	-67	-3	-	-	-70
Land and buildings	-	-	-	-1	-1
Equipment, tools and fixtures	12	-1	-	-	11
Other receivables	8	0	-1	-	7
Untaxed reserves	-123	3	-	-	-120
Provisions	0	4	-	-	4
Other liabilities	5	1	-	-	6
Total	-165	4	-1	-1	-163

NOTE 16. EARNINGS PER SHARE

Since Axfood does not have, or has not during the year had any outstanding convertible or stock option programmes, there is no dilutive result in calculations of earnings per share.

The number of shares outstanding amounted to 52,467,678 (52,467,678), and the average number of shares outstanding was 52,467,678 (52,467,678).

NOTE 17. INTANGIBLE ASSETS

Group	Goodwill		Intangible assets in progress		Other intangible assets ¹⁾	
	31/12/09	31/12/08	31/12/09	31/12/08	31/12/09	31/12/08
Opening cost	1,536	1,182	221	205	498	261
Investments	3	354	185	129	–	109
(of which, internally developed)	–	–	(38)	(32)	–	–
Increases through acquisitions	0	–	–	–	3	15
Sales and disposals	–	–	–	–	-12	–
Reclassifications	–	–	-129	-113	129	113
(of which, internally developed)	–	–	(-46)	(-42)	46	42
Closing accumulated cost	1,539	1,536	277	221	618	498
Opening amortization	–	–	–	–	-223	-147
Increases through acquisitions	–	–	–	–	-2	-12
Sales and disposals	–	–	–	–	12	–
Amortization for the year	–	–	–	–	-78	-64
Closing accumulated amortization	–	–	–	–	-291	-223
Closing planned residual value	1,539	1,536	277	221	327	275

¹⁾ Of other intangible assets, SEK 80 m (80) pertains to trademarks, SEK 18 m (25) to leaseholds, and SEK 6 m (11) to customer relationships.

Goodwill

The Group's reported goodwill for continuing operations as per 31 December 2009 is broken down per segment as follows:

Hemköp	264
Willys	432
PrisXtra	286
Axfood Närlivs	40
Dagab	517
Total	1,539

Intangible assets in progress and other intangible assets

The Group's intangible assets in progress consist exclusively of capitalized costs for IT development. Other intangible assets consist of IT development, trademarks, customer relationships and leaseholds. Of other intangible assets, closing planned residual value pertaining to IT development accounts for SEK 223 m. Capitalized IT costs are amortized on a straight-line basis according to the estimated useful life of the assets, which is 5–10 years. The remaining amortization period for capitalized IT costs is six years.

The useful life of all intangible assets except for goodwill and trademarks is limited and is described in Note 1.

Amortization of other intangible assets is broken down in profit for the year in accordance with Note 10.

Impairment testing of intangible assets

Estimations of the value of the Group's goodwill items and other intangible assets have been made based on the cash-generating units' benefit in use. Benefit in use is based on the cash flows after tax that are estimated to be generated during the remaining useful life of the units, with an assumption of perpetual useful life.

For the first year, the future cash flows that have been used in calculation of the respective units' benefit in use are based on the business plan for 2010 for the respective units. Thereafter, the cash flows are based on assumed annual growth of 2%. The forecast cash flows have been discounted to present value using a discount rate of 7.2% after tax, which corresponds to a discount rate before tax of approximately 9%. The discount rate corresponds to Axfood's estimated average cost of capital, i.e., the weighted sum of the required rate of return on equity and the cost of externally borrowed capital. The required rate of return on equity is based on an assumption of risk-free interest of 4.0%, a going-rate risk premium of 5.4%, and a beta coefficient of 0.6. The beta coefficient shows the relationship between the price of Axfood's shares and changes in a benchmark index. With a discounting factor of 7.2%, the benefit in use exceeds the carrying amount for all tested units. Thus there is no need to recognize impairment as per 31 December 2009.

Future cash flows for all units are based on the same assumptions. Important assumptions, i.e., assumptions that have a large effect on cash flows in the event of changes, include assumptions on future price and volume developments. In the 2010 business plan that forms the basis for cash flow calculations, the Executive Committee has made an assumption on price and volume growth of 0%, which is based on estimates performed both by the Executive Committee and external parties on the price and volume trend in Sweden for retail food products in Axfood's product offering. This estimate is based on previous years' experience and on the anticipated competitive situation in the industry. In the opinion of the Executive Committee, reasonable possible changes in the variables (assumptions) used in these calculations would not have such large effects that they would individually reduce the recoverable value to a value that is lower than the carrying amount.

NOTE 18. PROPERTY, PLANT AND EQUIPMENT

Group	Land and buildings ^{1) 2)}		Equipment, tools and fixtures		Construction in progress	
	31/12/09	31/12/08	31/12/09	31/12/08	31/12/09	31/12/08
Opening cost	0	6	4,750	4,127	14	25
Investments	–	–	407	520	39	25
Increases through acquisitions	22	–	4	167	–	–
Sales and disposals	–	-6	-663	-100	–	–
Reclassifications	–	–	30	36	-30	-36
Closing accumulated cost	22	0	4,528	4,750	23	14
Opening depreciation	0	-3	-3,219	-2,744	–	–
Increases through acquisitions	-7	–	-4	-90	–	–
Sales and disposals	–	3	594	77	–	–
Depreciation for the year	0	0	-457	-462	–	–
Closing accumulated depreciation	-7	0	-3,086	-3,219	–	–
Opening impairment	–	–	-4	-4	–	–
Closing accumulated impairment	–	–	-4	-4	–	–
CLOSING PLANNED RESIDUAL VALUE	15	0	1,438	1,527	23	14

¹⁾ The tax assessment value of buildings was SEK 0 m (–) and of land SEK 0 m (–).

²⁾ The cost of land was SEK – m (–).

Parent Company	Equipment, tools and fixtures	
	31/12/09	31/12/08
Opening cost	47	46
Investments	0	1
Sales and disposals	-1	–
Closing accumulated cost	46	47
Opening depreciation	-30	-21
Sales and disposals	1	–
Depreciation for the year	-8	-9
Closing accumulated depreciation	-37	-30
CLOSING PLANNED RESIDUAL VALUE	9	17

NOTE 19. GOVERNMENT SUPPORT

Government support in the form of labour market policy grants amounted to SEK 1 m (1) in the Group's statement of financial position (reported under prepaid income) and SEK 38 m (37) in the Group's statement of comprehensive income, which have reduced payroll costs.

No other unfulfilled conditions or contingent liabilities exist.

NOTE 20. FINANCE LEASES

Group	Equipment, tools and fixtures	
	31/12/09	31/12/08
Opening cost	125	116
Investments	31	41
Sales and disposals	-34	-32
Closing accumulated cost	122	125
Opening depreciation	-55	-52
Sales and disposals	21	15
Depreciation for the year	-22	-18
Closing accumulated depreciation	-56	-55
CLOSING PLANNED RESIDUAL VALUE	66	70

Finance lease liabilities falling due for payment:	Minimum lease payments	
	2009	2008
Within one year	36	33
Between 1 and 5 years	30	37
Total current and non-current liability	66	70

In the Group, no properties with finance leases have been sublet. In addition, there were no variable fees in profit for the period.

NOTE 21. PARTICIPATIONS IN GROUP COMPANIES

Parent Company	Reg. no.	Registered office	Number of shares	Share of capital, %	Book value
Hemköpskedjan AB	556113-8826	Solna	100,000	100	279
Axfood Sverige AB	556004-7903	Solna	3,434,656	100	1,548
Willys AB	556163-2232	Gothenburg	1,000	100	307
Axfood IT AB	556035-6163	Solna	1,000	100	2
Axfood Närlivs AB	556488-5654	Örebro	1,000	100	27
Dagab AB	556070-3166	Solna	28,000,000	100	905
PrisXtra AB	556460-9542	Stockholm	500	100	400
Total, Group companies					3,468

NOTE 22. PARTICIPATIONS IN ASSOCIATED COMPANIES

Group	2009	2008
Accumulated cost		
Opening cost	0	0
Divestments	0	0
Closing cost	0	0
Adjustments of shareholders' equity pertaining to investments in associated companies		
Opening carrying amount	2	2
Share in profit before tax	-1	0
Dividend received	-	0
Divestments and other changes	0	-
Closing carrying amount	1	2
Total	1	2

Group	Reg. no.	Regis-tered office	Num-ber of shares	Share of capital/votes, %	Book value	Share of capital
Nya Vårgårda Matmarknad AB	556085-9653	Vårgårda	250	25	0	1
United Nordic Inc AB	556043-4606	Solna	250	25	0	0
Total					0	1

NOTE 23. FINANCIAL ASSETS

	Participations in Group companies, Parent Company	Participations in associated companies, Group	Other long-term securities holdings, Group	Other non-current receivables, Group
Opening cost	3,468	2	19	12
Measurement at fair value	-	-	3	-
Disposals/amortization	-	0	-	-1
Share in associated company profits	-	-1	-	-
Reclassifications	-	-	-	-4
Closing accumulated cost	3,468	1	22	7

NOTE 24. NON-CURRENT AND CURRENT RECEIVABLES

	Group		Parent Company	
	31/12/09	31/12/08	31/12/09	31/12/08
Non-current noninterest-bearing receivables	7	12	-	-
Total other non-current receivables	7	12	-	-
Other noninterest-bearing receivables	98	104	3	3
Other interest-bearing receivables	-	13	-	13
Total other current receivables	98	117	3	16

NOTE 25. ACCOUNTS RECEIVABLE – TRADE

Accounts receivable – trade	31/12/09	31/12/08
Trade accounts receivable, gross	572	769
Provision for impaired loans	-33	-33
Trade accounts receivable, net	539	736

Provision account for loan losses	31/12/09	31/12/08
Provision at start of year	-33	-19
Provision for possible losses	-11	-23
Confirmed losses	11	9
Provision at year-end	-33	-33

Age analysis of trade accounts receivable	31/12/09	31/12/08
Trade accounts receivable not due	406	530
Trade accounts receivable past due 0–30 days	113	179
Trade accounts receivable past due >30–90 days	12	26
Trade accounts receivable past due >90–180 days	8	13
Trade accounts receivable past due >180–360 days	9	7
Trade accounts receivable past due >360 days	24	14
Total	572	769

NOTE 26. PREPAID EXPENSES AND ACCRUED INCOME

	Group		Parent Company	
	31/12/09	31/12/08	31/12/09	31/12/08
Prepaid rents	278	283	7	7
Prepayment of leases	1	1	0	0
Accrued bonuses and similar	381	373	-	-
Delivered, uninvoiced	34	22	-	-
Other prepaid expenses	39	33	3	3
Other accrued income	10	20	-	-
Total	743	732	10	10

NOTE 27. PROVISION FOR PENSIONS AND SIMILAR OBLIGATIONS

Group		
Defined benefit pension plans	2009	2008
Present value of funded obligations	10	10
Present value of unfunded obligations	430	422
Total present value of obligations	440	432
Fair value of plan assets	-9	-9
Present value of net obligations	431	423
Unreported actuarial losses	-74	-70
Net liability in statement of financial position	357	353
Amounts reported in statement of financial position		
• provisions	357	353
• assets	-	-
Net liability in statement of financial position	357	353

Of Axfood's net liability for defined benefit pension plans in Sweden, SEK 325 m (323) consists of obligations within the FPG/PRI system. Of these obligations, SEK 232 m (237) are locked, which for Axfood's part entails that all new earnings take place in the Alecta system. Obligations in the FPG/PRI system are unfunded pension plans, which is why these are reported in their entirety as Provision for pensions.

In addition to unfunded pension plans, Axfood has an individually funded pension plan that is managed by the Axel Johnson pension foundation. Axfood is entitled to benefits from the foundation in maximum amounts corresponding to the pension obligation, which entails that the pension plan will not at any time give rise to a net asset on Axfood's statement of financial position. The obligation is reported net and amounted to SEK 0 m (0) on 31 December. The actual return on plan assets was SEK 0 m (0), which corresponded to the anticipated return. No fees were paid in to the foundation during the year. During the year, SEK 0 m (0) was received in compensation from the foundation.

Changes of the present value of defined benefit obligations	2009	2008
Obligations for defined benefit plans as per 1 January	432	409
Benefits paid	-21	-21
Current service cost	8	6
Adjustments of benefits earned in previous periods, vested	-2	-
Interest expense	17	18
Actuarial gains and losses	6	20
Obligations for defined benefit plans as per 31 December	440	432

Costs reported through profit or loss	2009	2008
<i>Defined benefit pension plans</i>		
Benefits earned during the year	8	6
Adjustments of benefits earned in previous periods, vested	-2	-
Interest expense	17	18
Actual return on plan assets	0	0
Net actuarial gains/losses reported for the year	2	1
Total	25	25
<i>Defined contribution pension plans</i>		
Costs during the period ¹⁾	192	161
Total pension cost	217	186

¹⁾ Pension insurance contributions made during the year to Alecta for pension insurance under the ITP plan amounted to SEK 39 m (20). Alecta's surplus can be apportioned among the policyholders and/or the insureds. At year-end 2008, Alecta's surplus in the form of its collective funding ratio was 112%. The collective funding ratio consists of the market value of Alecta's assets measured as a percentage of the insurance obligations calculated using Alecta's actuarial computation assumptions, which is not compatible with IAS 19. At the date of this annual report's publication, Alecta had not published its collective funding ratio for 2009.

Pension costs are broken down per function in profit or loss as follows

	2009	2008
Cost of goods sold	115	96
Selling expenses	46	40
Administrative expenses	39	32
Interest expense	17	18
Total	217	186

<i>Change in net liability during the year</i>		
Net liability at start of year	353	349
Compensation from pension foundation	0	0
Net expense in profit or loss	25	25
Pension disbursements	-21	-21
Net liability at end of year	357	353

The following actuarial assumptions have been made in calculating the present value of defined benefit obligations:

	2009	2008	2007	2006
Discount rate	4.0%	4.5%	4.0%	4.0%
Future annual salary increases	3.0%	3.0%	3.0%	3.0%
Future annual pension increases	2.0%	2.0%	2.0%	2.0%
Employee turnover rate	3.8%	3.6%	3.8%	4.0%

Historical information	2009	2008	2007	2006	2005
Present value of defined benefit obligations	440	432	409	396	397
Fair value of plan assets	-9	-9	-9	-9	-11
Deficit in plan	431	423	400	387	386

Experience-based adjustment of defined benefit obligations	7	2	-7	-2
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Note 27, continued from preceding page

The Group estimates that approximately SEK 22 m will be paid towards defined benefit plans in 2010.

Parent Company

The Parent Company's reported pension liability amounted to SEK 30 m (29) and pertains to obligations to the current and former CEOs. All pension obligations to the current and former CEOs are reported on the balance sheet. The Parent Company does not have any special, detachable assets linked to its pension obligations, which is why the entire present value is reported on the balance sheet. The change in the capital value is shown below.

Reported capital value of pension obligations	2009	2008
Reported capital value on 1 January	29	26
Cost excluding interest expense	1	2
Interest expense	0	1
Reported capital value of pension obligations on 31 December	30	29

Of the Parent Company's reported pension liability, SEK 30 m (29) is covered by credit insurance via FPG.

Pension costs	2009	2008
<i>Own undertakings</i>		
Liability revaluation of undertaking	1	2
Interest expense	0	1
Total	1	3
<i>Undertakings through insurance</i>		
Insurance premiums ²⁾	7	5
Special employer's payroll tax on pension costs	1	1
Cost for credit insurance premiums	0	0
Total	8	6
Pension costs for the year	9	9

²⁾ Of which, to Alecta pertaining to pension insurance according to the ITP plan, totalling SEK 3 m (2).

Assumptions for defined benefit obligations

The terms of the pension agreements entered into by the Parent Company entail that the value of the obligations is adjusted upward each year by an average of approximately 5% (5%).

No contributions to defined benefit plans are expected to be made in 2009 for the Parent Company.

NOTE 28. FINANCIAL ASSETS AND LIABILITIES

The tables below provide disclosures on how fair value has been determined for the financial instruments that are measured at fair value in the statement of financial position.

The breakdown of how fair value is determined is done according to three levels:

Level 1: according to prices in an active market for the same instrument. Axfood has no financial instruments at this level.

Level 2: based on direct or indirect observable market data that is not included in level 1. Level 2 includes derivatives used in hedge accounting and available-for-sale financial assets available.

Level 3: based on input data that is not observable in the market. Axfood has no financial instruments at this level.

Group 2009	Derivatives used in hedge accounting	Trade accounts receivable and loan receivables	Available-for-sale financial assets	Other financial liabilities	Total carrying amount	Fair value	Non-financial assets and liabilities	Total statement of financial position
Other long-term securities holdings			22		22	22		22
Other non-current receivables		7			7	7		7
Accounts receivable – trade		539			539	539		539
Other current receivables					0	0	98	98
Cash and bank balances		316			316	316		316
Total financial assets	-	862	22	-	884	884	98	982
Non-current liabilities to credit institutions				159	159	164		159
Other non-current interest-bearing liabilities				30	30	30		30
Current liabilities to credit institutions				266	266	267		266
Other current interest-bearing liabilities	0			36	36	36		36
Accounts payable – trade				1,835	1,835	1,835		1,835
Total financial liabilities	0	-	-	2,326	2,326	2,332	-	2,326

Note 28, continued from preceding page

Group 2008	Derivatives used in hedge accounting	Trade accounts receivable and loan receivables	Available-for- sale financial assets	Other financial liabilities	Total carrying amount	Fair value	Non-financial assets and liabilities	Total statement of financial position
Other long-term securities holdings			19		19	19		19
Other non-current receivables		11			11	11	1	12
Accounts receivable – trade		736			736	736		736
Other current receivables	5	13			18	18	99	117
Cash and bank balances		312			312	312		312
Total financial assets	5	1,072	19	–	1,096	1,096	100	1,196
Non-current liabilities to credit institutions				300	300	292		300
Other non-current interest-bearing liabilities				37	37	37		37
Current liabilities to credit institutions				671	671	670		671
Other current interest-bearing liabilities				33	33	33		33
Accounts payable – trade				1,849	1,849	1,849		1,849
Total financial liabilities	–	–	–	2,890	2,890	2,881	–	2,890

Parent Company 2009	Derivatives used in hedge accounting	Trade accounts receivable and loan receivables	Available-for- sale financial assets	Other financial liabilities	Total carrying amount	Fair value	Non-financial assets and liabilities	Total balance sheet
Other long-term securities holdings			3		3	3		3
Accounts receivable – trade		0			0	0		0
Receivable from Group companies		659			659	659	1,145	1,804
Other current receivables					–	–	3	3
Cash and bank balances		0			0	0		0
Total financial assets	–	659	3	–	662	662	1,148	1,810
Non-current liabilities to credit institutions				150	150	155		150
Current liabilities to credit institutions				264	264	266		264
Accounts payable – trade				8	8	8		8
Liabilities to Group companies				1,402	1,402	1,402	15	1,417
Total financial liabilities	–	–	–	1,824	1,824	1,831	15	1,839

Parent Company 2008	Derivatives used in hedge accounting	Trade accounts receivable and loan receivables	Available-for- sale financial assets	Other financial liabilities	Total carrying amount	Fair value	Non-financial assets and liabilities	Total balance sheet
Other long-term securities holdings			3		3	3		3
Accounts receivable – trade		0			0	0		0
Receivables from Group companies		707			707	707	1,119	1,826
Other current receivables		13			13	13	3	16
Cash and bank balances		0			0	0		0
Total financial assets	–	720	3	–	723	723	1,122	1,845
Non-current liabilities to credit institutions				300	300	292		300
Current liabilities to credit institutions				671	671	670		671
Accounts payable – trade				12	12	12		12
Liabilities to Group companies				1,252	1,252	1,252	76	1,328
Total financial liabilities	–	–	–	2,235	2,235	2,226	76	2,311

Note 28, continued from preceding page**Fair value of financial instruments**

The carrying amount of interest-bearing assets and liabilities in the statement of financial position can deviate from their fair value due to changes in market interest rates, among other things. To establish the fair value of financial assets and liabilities, the market value has been used for assets and liabilities as far as possible. Axfood's holdings of tenant-owner rights are stated at market value. Interest-bearing financial assets and liabilities that are not derivative instruments are calculated based on future cash flows of capital amounts and interest, discounted to the current market interest rate while taking into account the risk-free interest rate and risk premium for Axfood at the end of the reporting period (the effective interest method). For current financial assets and liabilities with variable interest rates, the fair value is considered to be the same as the carrying amount.

Interest rates used to determine fair value

Axfood used the market interest rate in effect on 31 December 2009 (31 December 2008) plus a relevant interest rate spread to discount financial instruments. The interest rates used are provided below.

	2009	2008
Interest-bearing receivables	–	3.09%
Interest-bearing liabilities	1.83%	3.54%

NOTE 29. NON-CURRENT AND CURRENT INTEREST-BEARING LIABILITIES

	Group		Parent Company	
	31/12/09	31/12/08	31/12/09	31/12/08
Committed credit lines				
Long-term committed credit lines	658	800	650	800
Short-term committed credit lines	155	350	150	350
Bank overdraft facilities	354	350	350	350
Total committed credit lines	1,167	1,500	1,150	1,500
Drawn long-term credit lines	-159	-300	-150	-300
Drawn short-term credit lines	-152	-350	-150	-350
Drawn bank overdraft facilities	-114	-321	-114	-321
Cash and bank balances	316	312	0	0
Total disposable credit lines/ refinancing risk reserve¹⁾	1,058	841	736	529

¹⁾ The Group's refinancing risk reserve, totalling SEK 749 m (533), includes the Parent Company's refinancing risk reserve, totalling SEK 736 m (529), and subsidiaries' balances of SEK 13 m (4) in the currency account.

	Group		Parent Company	
	31/12/09	31/12/08	31/12/09	31/12/08
Non-current interest-bearing liabilities ²⁾				
Loans from credit institutions	159	300	150	300
Finance leases	30	37	–	–
Total other interest-bearing non-current liabilities	189	337	150	300
Provisions for pensions and similar obligations	357	353	30	29
Total non-current interest-bearing liabilities	546	690	180	329
Current interest-bearing liabilities				
Liabilities to credit institutions	266	671	264	671
Finance leases	36	33	–	–
Liabilities to Group companies ³⁾	–	–	1,402	1,252
Total other current interest-bearing liabilities	36	33	–	–
Total current interest-bearing liabilities	302	704	1,666	1,923

²⁾ Of non-current interest-bearing liabilities, SEK 6 m (–) have a term exceeding five years.

³⁾ Reported in the Parent Company balance sheet as part of Liabilities to Group companies.

Group	31/12/09	Effective interest rate	31/12/08	Effective interest rate
Interest exposure, liabilities				
Maturity less than 1 year	302	3.13%	704	3.44%
Maturity later than 1 year but less than 5 years	183	4.37%	337	4.80%
Maturity later than 5 years	6	2.85%	–	–
Total interest-bearing liabilities	491	3.59%	1,041	3.88%

Parent Company	31/12/09	Effective interest rate	31/12/08	Effective interest rate
Interest exposure, liabilities				
Maturity less than 1 year	264	3.39%	671	3.46%
Maturity later than 1 year but less than 5 years	150	5.04%	300	5.01%
Total interest-bearing liabilities	414	3.99%	971	3.67%

NOTE 30. ACCRUED EXPENSES AND DEFERRED INCOME

	Group		Parent Company	
	31/12/09	31/12/08	31/12/09	31/12/08
Payroll-related items	750	709	22	16
Restructuring measures	29	3	–	–
Accrued bonuses and similar	48	82	–	–
Accrued auditing costs	1	2	0	0
Accrued interest	0	–	–	–
Accrued real estate costs	45	32	–	–
Received uninvoiced	392	457	–	–
Other accrued expenses	229	106	3	6
Other deferred income	41	128	–	–
Total	1,535	1,519	25	22

NOTE 31. CONTINGENT ASSETS, PLEDGED ASSETS AND CONTINGENT LIABILITIES

	Group		Parent Company	
	31/12/09	31/12/08	31/12/09	31/12/08
Pledged assets				
Chattel mortgages	5	–	–	–
Mortgages	8	–	–	–
Other pledged assets	1	1	–	–
Total	14	1	–	–
	Group		Parent Company	
	31/12/09	31/12/08	31/12/09	31/12/08
Contingent liabilities				
Guarantees for subsidiaries	–	–	360	369
Guarantees for others	7	9	–	–
FPG/PRI	7	7	–	–
Other contingent liabilities	5	8	–	–
Total	19	24	360	369

All pledged assets pertain to own provisions and liabilities. Guarantees for others consist for the most part of guarantee commitments pertaining to bank financing and product deliveries for franchisees. In cases where there is a risk of loss, a provision has been made among possible loan losses. Other contingent liabilities consist primarily of counterbonds for bank guarantees that have been made for the Axfood Group.

NOTE 32. EXCHANGE RATE DIFFERENCES AND CURRENCY EXPOSURE

Exchange rate differences reported in operating profit were SEK 0 m (0); exchange rate differences reported in financial items were SEK 0 m (0).

Currency exposure	Estimated future net flow	Of which, contracted net flow	Amount hedged through forward exchange contracts	Estimated average forward rate	Outstanding currency risk
EUR	228	228	228	10.40	–
USD	22	22	22	7.06	–
DKK	9	9	9	1.40	–
NOK	5	5	5	1.23	–
Total outstanding currency risk	264	264	264	–	–

Maturity analysis for outstanding forward exchange contracts

Of outstanding forward exchange contracts on 31 December 2009, totalling SEK 264 m (268), contracts with a value of SEK 261 m (268) have a duration of up to 3 months and contracts with a value of SEK 3 m (–) have a maturity between 3 and 6 months.

Reported fair value of outstanding currency hedges	2009	2008
EUR	-2	-2
USD	0	0
Other	0	0
Total	-2	-2

The reported values are also presented in the summary of changes in shareholders' equity. The change in value of the hedging reserve during the year was SEK -4 m (0), and amounts transferred to inventories totalled SEK 4 m (0). The ineffective portion of cash flow hedges that has been reported through profit or loss amounts to SEK – m (–).

Transaction exposure

The Group's transaction exposure during the respective full years is broken down into the following currencies (amounts in SEK m):

Currency	2009	%	2008	%
EUR	1,799	88.2	1,331	86.5
USD	135	6.6	114	7.4
DKK	61	3.0	58	3.8
NOK	41	2.0	32	2.1
GBP	2	0.1	2	0.1
CAD	2	0.1	1	0.1
Total	2,040	100.0	1,538	100.0

NOTE 33. CRITICAL ASSESSMENTS AND ESTIMATIONS

Impairment testing of goodwill

In calculating cash-generating units' recoverable value in connection with the Company's estimation of any need to recognize goodwill impairment, assumptions on future conditions and estimations of parameters have been made. An account of these can be found in Note 17. As understood in the description in Note 17, changes in 2010 of the underlying conditions for these assumptions and estimations could have a material effect on the value of goodwill. However, the Executive Committee is of the opinion that reasonable changes in these variables (assumptions) in the calculations would not have such a large effect that they individually would reduce the recoverable value to a value that is lower than the carrying amount.

Assumptions for calculations of pension provisions

The actuarial computation of pension obligations and pension costs are based on actuarial assumptions, which are specified in Note 27. A change in any of these assumptions could have a material effect on calculated pension obligations and pension costs.

The discount rate is based on the long-term government bond rate with a term that corresponds to the Group's average remaining duration of its obligations, which in Axfood's case amounts to 21 years.

None of the assumptions described in Note 27 deviate from what can be regarded as standard practice in the Swedish market.

Proposed disposition of the Company's profit

REGISTERED NUMBER 556542-0824

The Board of Directors propose that the following retained profits, totalling KSEK 3,083,798, be distributed as follows:

Shareholder dividend

SEK 10.00 per share (52,467,678 * 10.00), totalling	524,677
To be carried forward	2,559,121
KSEK	3,083,798

In reference to the above and to other information that has been brought to the Board's attention, the Board is of the opinion that a comprehensive assessment of the Company's and Group's financial position entails that the dividend is justified in view of the demands that the nature, scope and risks in the business place upon the size of the Company's and Group's equity and the funding needs, liquidity and position in general of the Company's and the Group's operations.

The consolidated financial statements and Annual Report have been prepared in accordance with the international financial reporting standards referred to in European Parliament and Council of

Europe Regulation (EC) No. 1606/2002 of 19 July 2002, on application of international financial reporting standards and generally accepted accounting principles, and gives a fair overview of the Parent Company's and Group's financial position and results of operations.

The administration report for the Group and Parent Company gives a fair overview of the Group's and Parent Company's operations, financial position and results of operations, and describes significant risks and uncertainties that the Parent Company and companies included in the Group face.

The Annual Report and consolidated financial statements were, as stated above, approved for publication by the Board of Directors on 5 February 2010. The Parent Company income statement and balance sheet, and the Group's statement of comprehensive income and statement of financial position, will be subject to approval by the Annual General Meeting on 10 March 2010.

Stockholm, Sweden, 5 February 2010

Fredrik Persson
Chairman

Marcus Storch
Vice Chairman

Antonia Ax:son Johnson

Peggy Bruzelius

Maria Curman

Odd Reitan

Annika Åhnberg

Sven-Erik Brandt*

Ulla-May Iwahr Rydén*

Lars Östberg*

Anders Strålmán
President and CEO

Our audit report was submitted on 5 February 2010
KPMG AB

Thomas Thiel
Authorized Public Accountant

*Employee representative

Audit Report – translation

To the Annual General Meeting of the shareholders of Axfood AB (publ)
Registered number 556542-0824

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the president of Axfood AB (publ) for the year 2009. The annual accounts and the consolidated accounts are presented in the printed version of this document on pages 50–89. The board of directors and the president are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of International Financial Reporting Standards (IFRSs) as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain high but not absolute assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting policies used and their application by the board of directors and the president and significant estimates made by the board of directors and the president when preparing the annual accounts and the consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts.

As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the president. We also examined whether any board member or the president has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

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

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

Stockholm, Sweden, 5 February 2010
KPMG AB

Thomas Thiel
Authorized Public Accountant



Food safety is a cornerstone on which no compromises can be made.

Several-year overview

Amounts in SEK m	2009	2008	2007	2006	2005 ^{*)}
Comprehensive income					
Net sales ^{*)}	32,378	31,663	29,189	28,808	28,086
Capital gains/structural costs ^{*)}	–	–	–	89	-2
Operating profit ^{*)}	1,128	1,077	1,121	1,204	1,040
Profit after financial items ^{*)}	1,082	1,011	1,086	1,183	1,026
Minority share	0	–	–	–	-5
Tax ^{*)}	-289	-274	-305	-331	-297
Profit for the year from continuing operations^{*)}	793	737	781	852	729
Loss for the year from discontinued operations	–	–	–	–	-47
Net profit for the year	793	737	781	852	682
Financial position					
Intangible assets	2,143	2,032	1,501	1,367	1,290
Property, plant and equipment	1,476	1,541	1,407	1,466	1,487
Financial assets	30	33	43	55	32
Other non-current assets	38	35	29	34	38
Inventories	1,790	1,769	1,597	1,473	1,598
Other current assets	1,380	1,628	1,560	1,311	1,296
Cash and cash equivalents	316	312	471	369	639
Assets held for sale	–	–	–	–	1,189
Assets	7,173	7,350	6,608	6,075	7,569
Shareholders' equity	2,635	2,259	2,152	2,420	2,825
Minority interests	0	–	–	–	119
Interest-bearing liabilities and provisions	848	1,394	967	467	414
Noninterest-bearing liabilities	3,690	3,697	3,489	3,188	3,449
Liabilities tied to assets held for sale	–	–	–	–	762
Shareholders' equity and liabilities	7,173	7,350	6,608	6,075	7,569
Cash flow					
Cash flow from operating activities	1,558	1,152	1,166	1,160	1,170
Cash flow from investing activities	-580	-1,098	-512	-321	-850
Cash flow from financing activities	-974	-213	-552	-1,194	-579
Cash flow for the year from total operations	4	-159	102	-355	-259
Of which, cash flow for the year from discontinued operation	–	–	–	–	-41

Amounts in SEK m	2009	2008	2007	2006	2005 ^{*)}
Key ratios					
Operating margin, excluding capital gains and structural costs, % ^{*)}	3.5	3.4	3.8	3.9	3.7
Margin after financial items, % ^{*)}	3.3	3.2	3.7	4.1	3.7
Equity ratio, %	36.7	30.7	32.6	39.8	38.9
Net debt-equity ratio, multiple	0.2	0.5	0.2	0.0	-0.0
Debt-equity ratio, multiple	0.3	0.6	0.5	0.2	0.2
Capital employed	3,483	3,653	3,119	2,887	3,603
Return on capital employed, %	31.8	32.0	37.6	37.3	28.7
Return on shareholders' equity, %	32.4	33.4	34.2	32.5	25.1
Interest coverage, multiple	22.2	14.7	25.7	43.2	31.6
Capital expenditures, SEK m	633	1,158	576	587	1,036
Earnings per share, SEK ^{*)}	15.13	14.05	14.88	16.03	13.37
Earnings per share from discontinued operation, SEK ^{*)}	–	–	–	–	-0.78
Earnings per share after dilution, SEK ^{*)}	15.13	14.05	14.88	16.03	13.35
Earnings per share after dilution for discontinued operation, SEK ^{*)}	–	–	–	–	-0.77
Net asset value per share, SEK	50.22	43.06	41.02	46.12	51.81
Net asset value per share after dilution, SEK	50.22	43.06	41.02	46.12	51.76
Cash flow per share, SEK	0.08	-3.03	1.94	-6.68	-4.75
Cash flow per share after dilution, SEK	0.08	-3.03	1.94	-6.68	-4.74
Cash flow from operating activities per average number of shares outstanding	29.69	21.96	22.22	21.82	21.46
Cash flow from operating activities per average number of shares outstanding after dilution	29.69	21.96	22.22	21.82	21.43
Number of shares outstanding ¹⁾	52,467,678	52,467,678	52,467,678	52,467,678	54,531,378
Weighted average number of shares ¹⁾	52,467,678	52,467,678	52,467,678	53,162,625	54,531,378
Number of shares outstanding after dilution ¹⁾	52,467,678	52,467,678	52,467,678	52,467,678	54,583,928
Weighted average number of shares after dilution ¹⁾	52,467,678	52,467,678	52,467,678	53,162,625	54,583,928
Holdings of treasury shares	–	–	–	2,116,150	–
Average weighted holdings of treasury shares	–	–	–	1,415,979	–
Average number of employees during the year ²⁾	6,816	6,847	6,463	6,569	7,066
Ordinary dividend	10.00 ³⁾	8.00	12.00	12.00	9.00
Extra dividend	–	–	–	8.00	6.00

^{*)} In accordance with IFRS 5, Spar Finland is reported as a discontinued operation on a separate line in profit for the year in 2005. Marked figures and key ratios pertain to continuing operations. Other figures and key ratios pertain to the total operations (including Spar Finland).

¹⁾ The number of shares outstanding excluding holdings of treasury shares.

²⁾ In calculating the average number of employees in 2007, the normal number of hours worked per year has been changed from 1,800 to 1,920 hours. The comparison figures for 2006 have been changed. For 2005, the number of hours worked per year is 1,800 hours.

³⁾ Proposed by the Board of Directors.

Axfood share data 2009

AXFOOD SHARES

Axfood's shares have been listed since 1997 and have been traded since October 2006 on Nasdaq OMX Stockholm, Large Cap list (sector classification Consumer Staples).

All shares have equal voting power and equal entitlement to the Company's profit and equity.

At year-end 2009, Axfood's share capital was SEK 262.3 m, divided among 52,467,678 shares.

SHARE PERFORMANCE 2009

Like the Nasdaq OMX Stockholm exchange in general, Axfood's shares had a positive trend in 2009. The highest quotation for the year was reached on 23 November, when the shares traded at SEK 219.50, while the lowest quotation was reached on 20 and 24 March, at a price of SEK 140.25. The closing price on 30 December was SEK 209.50.

Trading volume in 2009 was 24.4 million shares (44.6), for a combined value of SEK 4,290 m (9,117). This corresponds to a turnover rate of 46% (85%), compared with an average turnover of 120% for shares on the Nordic list (135%). Average daily trading volume was 97,100 shares (177,059), for a value of SEK 17.1 m (36.2). An average of 350 transactions were made per trading day (488). In addition to trading volume on Nasdaq OMX Stockholm, 5.5 million shares (0) were traded in alternative marketplaces.

OWNERSHIP STRUCTURE

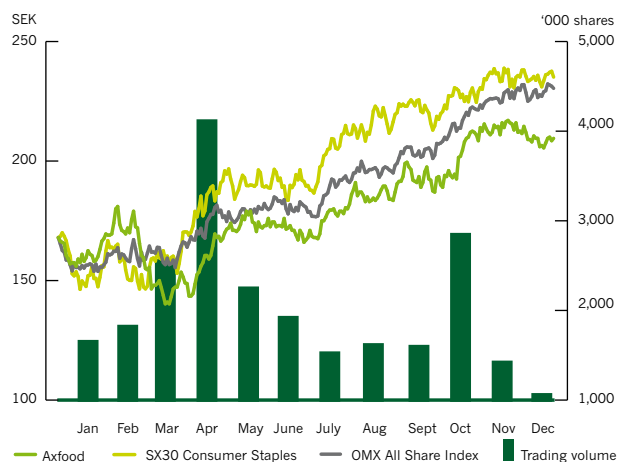
Axfood had 13,404 (10,671) shareholders at year-end 2009, at which time the ten largest owners held 66.9% of the shares (68.2%). Swedish individuals owned 56.7% of the shares (55.9%) at year-end 2009, while Swedish mutual funds and institutions owned 16.3% (17.1%). Foreign ownership in Axfood was 27.0% as per 31 December 2009 (27.0%).

DIVIDEND

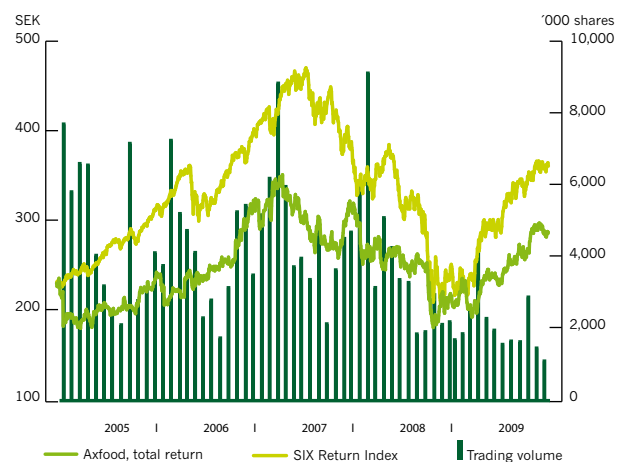
Axfood's dividend policy is to pay a dividend corresponding to at least 50% of profit after tax. For the 2009 financial year the Board has proposed a dividend of SEK 10 per share (8), corresponding to a total of SEK 525 m, based on 52,467,678 shares in issue. The proposed dividend corresponds to 66% of profit after tax for 2009. Since 2005 Axfood has paid out an average of 95% of profit after tax in yearly dividends.

- Final day of trading in Axfood shares including the right to the dividend: 10 March 2010
- Record date for payment the dividend: 15 March 2010
- Payment date for the dividend: 18 March 2010

Price trend and trading volume 2009



Axfood shares, total return 2005–2009



SOURCE: SIX/HALLVARSSON & HALVARSSON

Share data

All time high, 8 March 2007 (SEK)	295
Listing:	Nasdaq OMX Stockholm AB, Large Cap list
Sector classification:	Consumer staples
ISIN code:	SE0000635401
Trading block:	1 share
Abbreviation:	AXFO

Ownership structure, 31 december 2009

Size class	No. share-holders	Shareholders, %	No. of shares	Share of capital and votes, %
1 – 500	11,572	86.2	1,542,902	3.0
501 – 1,000	896	6.7	770,151	1.5
1,001 – 2,000	358	2.7	574,570	1.1
2,001 – 5,000	257	1.9	877,390	1.7
5,001 – 10,000	104	0.8	794,286	1.5
10,001 – 20,000	63	0.5	938,493	1.8
20,001 – 50,000	69	0.5	2,221,413	4.2
50,001 – 100,000	29	0.2	2,188,362	4.2
100,001 –	56	0.5	42,560,111	81.0
Total	13,404	100.0	52,467,678	100.0

Financial calendar 2009

Report	Date
Annual General Meeting	10 March 2009
Interim report January–March	17 April 2009
Interim report January–June	16 July 2009
Interim report January–September	21 October 2009

The 10 largest shareholders at 31 december 2009

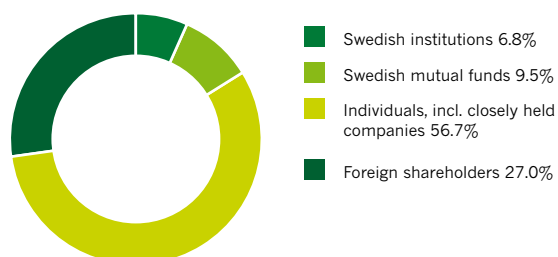
Name	No. shares	Share of capital and votes, %
Axel Johnson AB	24,290,066	46.3
Reitan Handel AS	5,300,000	10.1
Swedbank Robur funds	1,198,777	2.3
SEB funds	963,951	1.8
Nordea funds	734,318	1.4
Lannebo funds	598,000	1.1
SHB funds	546,810	1.0
Norwegian state	519,470	1.0
Catella funds	514,203	1.0
Göran Sax with family and companies	460,022	0.9
Total	35,125,617	66.9
Others	17,342,061	33.1
Total	52,467,678	100.0

Key data per share, SEK

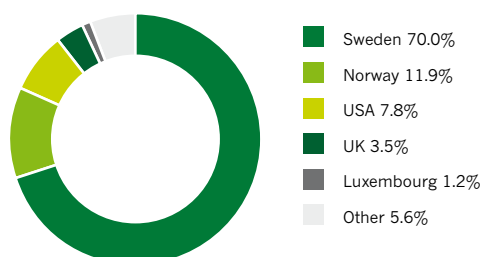
	2009	2008	2007	2006	2005
Ordinary dividend	10.00 ¹⁾	8.00	12.00	12.00	9.00
Extra dividend	–	–	–	8.00	6.00
Dividend as % of net profit	66.1	56.9	80.6	123.1	118.1
Number of shares outstanding at year-end ²⁾	52,467,678	52,467,678	52,467,678	52,467,678	54,531,378
Average number of shares outstanding	52,467,678	52,467,678	52,467,678	53,162,625	54,531,378
Share price at year-end	209.50	167.5	260.5	283.0	222.0
Market cap at year-end, SEK m	10,991	8,788	13,668	15,447	12,101
Highest/lowest price paid	219.50/140.25	262.5/135.75	295/205.5	285.5/185	236.5/168
Dividend yield, % ³⁾	4.8	4.8	4.6	7.1	6.8
Earnings per share before dilution ⁴⁾	15.13	14.05	14.88	16.03	13.37
Earnings per share after dilution ⁴⁾	15.13	14.05	14.88	16.03	13.35
Net asset value per share	50.22	43.06	41.02	46.12	51.81
Net asset value per share after dilution	50.22	43.06	41.02	46.12	51.76
P/E multiple before dilution ^{4, 5)}	13.8	11.9	17.5	17.7	16.6
P/E multiple after dilution ^{4, 5)}	13.8	11.9	17.5	17.7	16.6
Turnover rate, %	46	85	108	90	102
Number of shareholders	13,404	10,671	9,343	9,972	9,714

¹⁾ Proposed by the Board of Directors.²⁾ Number of shares excluding the holding of 2,116,150 treasury shares 2005 and 2006.³⁾ Proposed dividend per share divided by the share price at year-end.⁴⁾ Pertains to continuing operations in 2005.⁵⁾ Share price in relation to net profit per share before and after dilution.

Shareholder categories



Geographical distribution of shareholders



Annual General Meeting

ANNUAL GENERAL MEETING

The Annual General Meeting of the shareholders of Axfood AB (publ.) will be held at 5 p.m. on Wednesday, 10 March 2010, at Cirkus, Stockholm. Registration will open at 4 p.m.

NOTIFICATION

Shareholders who wish to attend the Annual General Meeting must notify the Company of their intention not later than 4 p.m. on Thursday, 4 March 2010, at the following address: Axfood AGM, Box 7841, SE-103 98 Stockholm, Sweden. Notification can also be made by phone, +46-8-402 90 51, between 9 a.m. and 4 p.m. (CET), or on Axfood's website: www.axfood.se. Notification must include the shareholder's name, address, social security number/company registration number, phone number (daytime), the number of shares held and the number of assistants attending (maximum of two). If participating by proxy, a proxy form should be sent to the Company, in original (along with any authorization documents, such as company certificates of registration) and be in Axfood's possession before the Annual General Meeting.

PARTICIPATION AT THE MEETING

To be entitled to participate at the Meeting, shareholders must be recorded in the register of shareholders maintained by Euroclear Sweden AB not later than Thursday, 4 March 2010, and notify the Company of their intention to participate in the Meeting not later than 4 p.m. on Thursday, 4 March 2010 (CET). Shareholders whose shares are registered in the name of a nominee must temporarily re-register their shares in their own names with Euroclear Sweden AB to be entitled to vote at the Meeting. Shareholders must notify their nominees well in advance of Thursday, 4 March 2010.

PROPOSED DIVIDEND

The Board of Directors proposes a dividend for 2009 of SEK 10 per share (8). The record date is 15 March 2010, and dividends are expected to be paid via Euroclear Sweden AB on Thursday, 18 March 2010. The last day for trading in the Company's stock including the right to the dividend is 10 March 2010.

NOTICE OF ANNUAL GENERAL MEETING

Notice of the Annual General Meeting is made by letter to the shareholders as well as through advertisements in Svenska Dagbladet and the Official Swedish Gazette (Post- och Inrikes Tidningar). The agenda of the Meeting and items of business to be conducted are included in this notice.

Financial information and Investor Relations

FINANCIAL CALENDAR

Interim report January–March	20 April 2010
Interim report January–June	15 July 2010
Interim report January–September	26 October 2010

Effective in January 2010, Axfood will not issue monthly sales reports.

INVESTOR RELATIONS

Axfood's Investor Relations department is responsible for providing relevant information to – and being available for talks and meetings with – shareholders, investors, analysts and the media.

During the year Axfood conducted a number of international road shows and participated in several different capital market activities. The Company also held regular analyst meetings and spoke at shareholder meetings.

For the second year in a row, Axfood was awarded as Best Annual Report among listed companies on the Nasdaq OMX Stockholm exchange in a ranking conducted by the Swedish Shareholders Association and Kanton.

Anne Rhenman Eklund

Head of Investor Relations

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Analysts who continuously monitor Axfood

Company	Name
ABG Sundal Collier	Anna-Karin Envall
Carnegie Investment Bank	Niklas Ekman
CA Chevreux Nordic	Daniel Ovin
Den Danske Bank	Anders Hansson
HQ Bank	Rickard Strand
Handelsbanken Capital Markets	Andreas Lundberg
Ålandsbanken	Erik Sandstedt
Nordea	Stellan Hellström
SEB Enskilda	Stefan Nelson
Swedbank Markets	Jan Ihrfelt
E. Öhman J:or Fondkommission	Rolf Karp

GRI table

Axfood reports on its sustainability work in accordance with the Global Reporting Initiative (GRI) guidelines, level B. Axfood uses the Global Compact principles for its sustainability work. The calculation methods for carbon dioxide emissions are based on the GHG protocol.

The sustainability indicators listed below cover Group-owned retail and wholesale operations. The Group's franchise stores currently do not report sustainability data centrally to Axfood and are therefore not covered by the report. The same applies for external transport contractors in the wholesale operations. In this respect, the report does not differ from Axfood's previous reports and the methods used there. During the year, Axfood has not been issued any fines































for sanctions against environmental legislation, food safety or other legislation.

























The table below shows where the information is presented in the report. In addition to the profile and governance data prescribed by the GRI, the table covers all core indicators as well as the complementary indicators that are judged to be relevant for Axfood. The symbols show if the respective indicators are complete.

■ Not reported
 ■ Partly reported
 ■ Fully reported

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2.4 Location of organization's headquarters	Back cover	■
2.5 Countries where the organization operates	Cover flap	■
2.6 Nature of ownership and legal form	Cover flap	■
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Axfood	Page reference	De-gree
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Axfood	Page reference	De-gree
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* Pertains to trading operations, not staff functions at head offices.

Definitions and glossary

FINANCIAL DEFINITIONS

Average number of employees during the year: Total number of hours worked divided by the number of hours worked per year (1,920 hours).

Capital employed: Total assets less noninterest-bearing liabilities and noninterest-bearing provisions. Average capital employed is calculated as capital employed at the start of the year plus capital employed at the end of the year, divided by two.

Cash flow per share: Cash flow for the year divided by a weighted average number of shares outstanding. For cash flow per share after the dilutive effect see "Earnings per share after dilution" below.

Debt-equity ratio: Interest-bearing liabilities divided by shareholders' equity including minority interests.

Dividend yield: Dividend per share divided by the year-end share price.

Earnings per share: Majority owner's share of net profit for the year divided by a weighted average number of shares outstanding.

Earnings per share after dilution: Majority owner's share of net profit for the year after tax, adjusted for interest expenses after taxes pertaining to outstanding convertibles, divided by a weighted average number of common shares adjusted for the dilutive effect of convertibles. The dilutive effect of convertibles consists of the number of shares that would be issued upon full conversion.

Equity ratio: Shareholders' equity including minority interests, as a percentage of total assets.

Interest cover ratio: Profit after financial items plus financial expenses, divided by financial expenses.

Margin after financial items: Profit after financial items as a percentage of net sales for the year.

Net asset value per share: Shareholders' equity divided by the number of shares outstanding. For net asset value per share after the dilutive effect, see "Earnings per share after dilution" above.

Net debt: Cash and cash equivalents plus interest-bearing receivables less interest-bearing liabilities and provisions.

Net debt-equity ratio: Interest-bearing liabilities and provisions less cash and cash equivalents and interest-bearing receivables, divided by shareholders' equity including minority interests.

Operating margin: Operating profit as a percentage of net sales for the year.

P/E multiple after dilution: Share price in relation to earnings per share after dilution.

P/E multiple before dilution: Share price in relation to earnings per share.

Return on capital employed: Profit after financial items, plus financial expenses, as a percentage of average capital employed.

Return on shareholders' equity: Majority owner's share of net profit for the year as a percentage of the majority owner's share of average shareholders' equity. Average shareholders' equity is calculated as shareholders' equity at the start of the year plus shareholders' equity at the end of the year, divided by two.

GLOSSARY

Autoorder: A store restocking automation system.

BLICC: Business Leaders Initiative on Climate Change.

Delivery reliability: The share of delivered goods in relation to the share of ordered goods.

Distributed sales: Volume distributed from Group-owned warehouses.

E-learning: An interactive training program.

EMAB: EMAB is collaborative organization for independent service station stores, with approximately 400 members within the Shell, Statoil 123, Hydro, Bilisten and Preem service station chains.

GRI: Global Reporting Initiative.

Keyhole: The Keyhole is a voluntary label created by the Swedish National Food Administration to help consumers identify healthier options when buying food. Foods eligible to carry the Keyhole symbol must fulfil certain conditions specified by the National Food Administration.

Like-for-like sales: Like-for-like sales refer to store sales reported on the basis of an entire comparison period, i.e., both years.



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