

AXFOOD

ANNUAL REPORT

2013

OPERATING PROFIT 2013

+3.7%*

* Excluding impairment charges 2012

It's the details that make the difference

Record profit on good sales growth



ANNUAL REPORT 2013

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CEO's message Axfood posted a record profit in 2013. The growth in sales and earnings once again confirm that we have chosen the right strategy, with increasingly appealing customer offerings, high efficiency and very good cost control. The positive trend is also tangible proof that we are continuing to win our customers' appreciation and loyalty.

Sustainability Axfood is one of Sweden's leading food retail companies, with the ambition to be a leader also in sustainable development. By being a driver of sustainability issues over the long term, with concrete goals, Axfood is creating the right offerings for its customers. This in turn leads to better business. Axfood's sustainability reporting is conducted in accordance with the Global Reporting Initiative (GRI) guidelines, level B. The complete Sustainability Report for 2013, including a GRI table, can be downloaded from axfood.se.



The complete
Sustainability
Report can
be found at:
www.axfood.se



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

Strong financial position and dividend Axfood's profitable performance has once again created the conditions for a shareholder dividend. The Board of Directors proposes a dividend of SEK 15 per share. This would entail distribution of 80% of profit after tax while enabling the Company to maintain its financial strength.

Axfood is a Swedish company governed by Swedish law. All monetary amounts stated herein are in Swedish kronor. Millions of kronor are abbreviated as SEK m, billions as SEK bn and thousands as KSEK. Figures in parentheses pertain to 2012, unless stated otherwise. Market and competitive data are Axfood's own estimates, unless reference is made to a specific source. These estimations are based on the best and most recent data available from published sources in the public sector, the consumer goods industry and competitors.

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

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

252
wholly
owned stores

Axfood has 252 wholly owned stores. In addition, Axfood collaborates with a large number of proprietor-run stores that are tied to Axfood through agreements, including stores in the Hemköp chain as well as stores run under the Handlar'n and Tempo profiles.

Collaboration with
820
proprietor-run stores

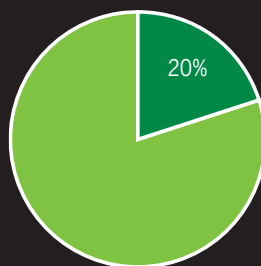
Nasdaq
OMX

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

20%

MARKET SHARE

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



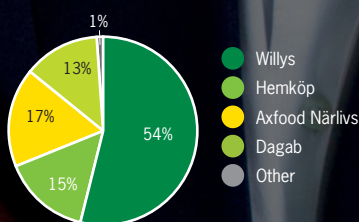
50%

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

Highlights 2013

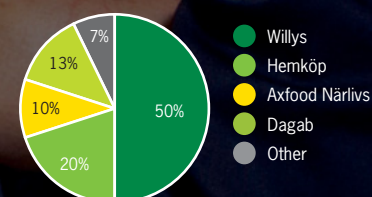
Net sales (external)

37,522 SEK m
+3.3%



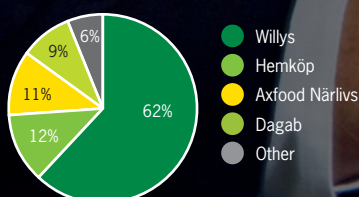
Number of employees, average*

8,285
+3.3%



Operating profit

1,302 SEK m
+3.7%*



* Excluding impairment charges 2012.

* Calculation of the number of employees was adjusted in 2013.



Strategic investments for the future – benefiting customers and shareholders alike

Axfood's favourable performance is tangible proof that we are increasingly winning our customers' appreciation and trust. In recent years we have channelled great strength into investments for the future. We have invested heavily in opening new, more modern and more attractive stores. Moreover, both Willys and Hemköp have put considerable energy into launching the market's most modern customer programmes in order to give our customers even better offerings. This is a prerequisite for us to be able to grow and have more satisfied and loyal customers. This benefits you both as a customer and shareholder. Parallel with this, we will now – step by step – see the results of the major investments we have made in the business system.

ANDERS STRÅLMAN, PRESIDENT AND CEO

Record profit on good sales growth

Axfood posted a record profit in 2013. The growth in sales and earnings once again confirms that we have chosen the right strategy with increasingly appealing customer offerings, high efficiency and very good cost control. The positive trend is also tangible proof that we are continuing to win our customers' appreciation and loyalty. I therefore want to offer great thanks to all of our customers for their strong show of confidence in us during the year.

Axfood has maintained a high pace of implementation in its ambitious investments for the future. This has involved an intensive effort with many new store establishments, upgrading of a large number of stores, and the resource-intensive implementation of the new business system. Parallel with this, we have made a comprehensive new investment in digital customer programmes. Neither the year's profit nor the success of these projects would have been possible without the great efforts and commitment from all of our employees.

Stable development and good earnings

Willys, which accounts for more than half of the Group's sales, can look back on a successful year with good sales, a higher market share and favourable earnings performance. The year was also characterized by the successful launch of the new digital customer programme, where the number of enrolled customers, 1.3 million, exceeded all expectations. Parallel with this, 12 stores were opened and ten were remodelled. Willys thereby upheld its position as Sweden's leading discount chain with increasingly better stores, a wide product selection and a rich offering of fresh products.

Hemköp, which showed stable sales and profitability, continued to strengthen its brand with an improved customer offering. Elsewhere, focus was mainly on developing the assortment, with an expanded offering of fresh products and growing number of modernized stores. While the latter is a necessary investment in the future in order to meet customers' expectations, it affects the operating margin in the short term. During the year Hemköp renovated ten stores, opened a new flagship store in Stockholm, and conducted a relaunch of its customer programme.

Axfood Närlivs also had a good year, with considerably improved earnings. Better weather conditions compared with a year ago, together with strengthened customer offerings, contributed to the favourable performance. In addition, the important agreements with OKQ8, Statoil and Preem were renewed during the period.

For Dagab, 2013 was dominated by the intensive and resource-intensive work with implementation of the new business system. As anticipated, the project gave rise to higher costs and put a heavy burden on operations. Despite this, Dagab managed to maintain very good delivery performance to the Group's stores.

To achieve further efficiency, we have also decided to combine all of the Group's warehouse and transport operations into a single unit. This project commenced in early 2014 and is expected to take two years to complete.

Market's highest private label share

Axfood has also further developed its profitable private label programme and broadened the assortment. The success of the Group-wide Garant brand has continued, and in late 2013 we unveiled a makeover of the Eldorado brand. The private label share of 25% is well in line with our goal.

Sustainable development increases business benefit

As a company, building a leading position in sustainable development is a long-term undertaking that entails a great deal of responsibility. It is therefore gratifying to see how this is becoming an increasingly natural and integrated part of our business and among our employees. During the year we installed solar panels on the rooftop of one of our warehouses and invested in lower energy consumption in our stores, among other things. We also initiated an ambitious focus on diversity among our employees.

KEY RATIOS

	2013	2012	2011	2010	2009
Net sales, SEK m	37,522	36,306	34,795	34,260	32,378
Operating profit, SEK m	1,302	1,200	1,250	1,209	1,128
Operating profit excl. impairment charges, SEK m	1,302	1,255	1,250	1,209	1,128
Operating margin, %	3.5	3.3	3.6	3.5	3.5
Operating margin excl. impairment charges, %	3.5	3.5	3.6	3.5	3.5
Profit after financial items, SEK m	1,278	1,162	1,214	1,172	1,082
Profit after tax, SEK m	993	902	891	862	793
Earnings per share, SEK ¹⁾	18.80	17.20	16.99	16.42	15.13
Equity ratio, %	42.6	38.8	39.1	38.8	36.7
Dividend, SEK	15.00 ¹⁾	12.00	12.00	12.00	10.00
Average number of employees ²⁾	8,285	8,021	7,062	6,895	6,816

¹⁾ Proposed by the Board of Directors.

²⁾ Calculation of the number of employees has been adjusted in 2013, and thus the comparative figure for 2012 has been adjusted. Quarterly data can be found under "Investors" on Axfood's website: axfood.se.

“We will now – step by step – **see the results of the major investments** that we have made in recent years in the new business system as well as in new customer programmes.”

Shareholder value and financial strength

Axfood's profitable performance has once again created good prospects for a shareholder dividend. The Board of Directors proposes a dividend of SEK 15 per share. This would entail distribution of 80% of profit after tax, which is well in line with our policy target of at least 50%, while at the same time allowing us to maintain our financial strength.

Market outlook 2014

Indications are high that things are beginning to brighten for the Swedish economy in 2014, although it is a cautious optimism as many uncertainties remain in the external environment. We believe, however, that the market conditions for the food retail trade will remain stable, with continued fierce competition and food price inflation in line with 2013.

Our strategy remains firm

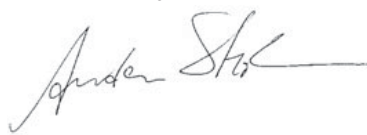
Axfood enters 2014 with a favourable starting point and the same strategy that has brought about our profitable growth for several years. It is through this strategy that we will continue to develop our concepts, strengthen our brands and exceed our customers' expectations. We are also maintaining our focus on higher efficiency, a high pace of establishment, good cost control and further development of our customer programmes.

Parallel with this, Axfood will now – step by step – see the results of the major investments that we have made in recent years in the new business system as well as in new customer programmes. Several of these projects are nearing completion, entailing that the pace of investment will gradually subside in the coming years. In the year ahead we will continue to modernize stores, and we plan to open another ten new stores. Investments in 2014 are expected to amount to SEK 700–800 m.

Our ambition is to continue generating substantial value for our customers and shareholders alike, and I look forward to yet another eventful and prosperous year for Axfood.

Axfood's goal for 2014 is to exceed the level of profit in 2013.

Solna, 3 February 2014



Anders Strålmán
President and CEO, Axfood AB



IMPORTANT EVENTS DURING THE YEAR

- **29 January 2013** Willys launches customer programme
- **7 February 2013** Axfood AB year-end report, 1 Jan. – 31 Dec. 2012
- **12 February 2013** Axfood and Statoil sign Letter of Intent to extend and expand existing cooperation
- **19 March 2013** Axfood donates recalled lasagne to St Clara Church
- **22 March 2013** Axfood contributing to solar clean water project in Uganda
- **13 May 2013** Axfood and OKQ8 extend cooperation
- **21 May 2013** Hemköp Stockholm City donates food to the needy
- **12 June 2013** Solar cells to power refrigeration at Dagab's new cold storage warehouse
- **2 September 2013** Axfood Närlivs plans relocation of operations from Tyringe
- **12 September 2013** Axfood named as "Listed Company of the Year" for second year in a row
- **10 October 2013** Hemköp upgrades to digital customer programme
- **30 October 2013** Axfood to reorganize
- **12 November 2013** Axfood named "Competence Company of the Year"
- **14 November 2013** Hemköp takes unique initiative with MSC certification of fish counters
- **27 November 2013** Axfood's CFO named "CFO of the Year" by Affärsvärlden



Achieving growth with satisfied and loyal customers

Axfood's business model



Better prices and higher quality with Group-wide assortment and purchasing function

Larger purchasing volumes keep prices down. Axfood's Group-wide assortment and purchasing function contributes to higher profitability and allows Axfood to offer customers attractive prices with high quality control.



Axfood's suppliers are chosen centrally, but the assortment is steered locally

Having the right product selection at the right place is a key success factor for Axfood's stores. At Axfood, every store can adapt its assortment to local demand, while all procurement is handled centrally.



Inspiring stores create value-added

Willys, Hemköp and Axfood Snabbgross have modernized and upgraded their stores in recent years. Key components in this work include improved customer service, a sustainability profile, a greater selection of fresh products and a new store layout.

Customers' needs and preferences steer

Axfood strives to offer its customers attractively priced products, a wide range of products and a high level of innovation, not least when it comes to its private label products. The Group puts great emphasis on meeting the growing demand for products that offer value for money, including organic products and products with a health profile.

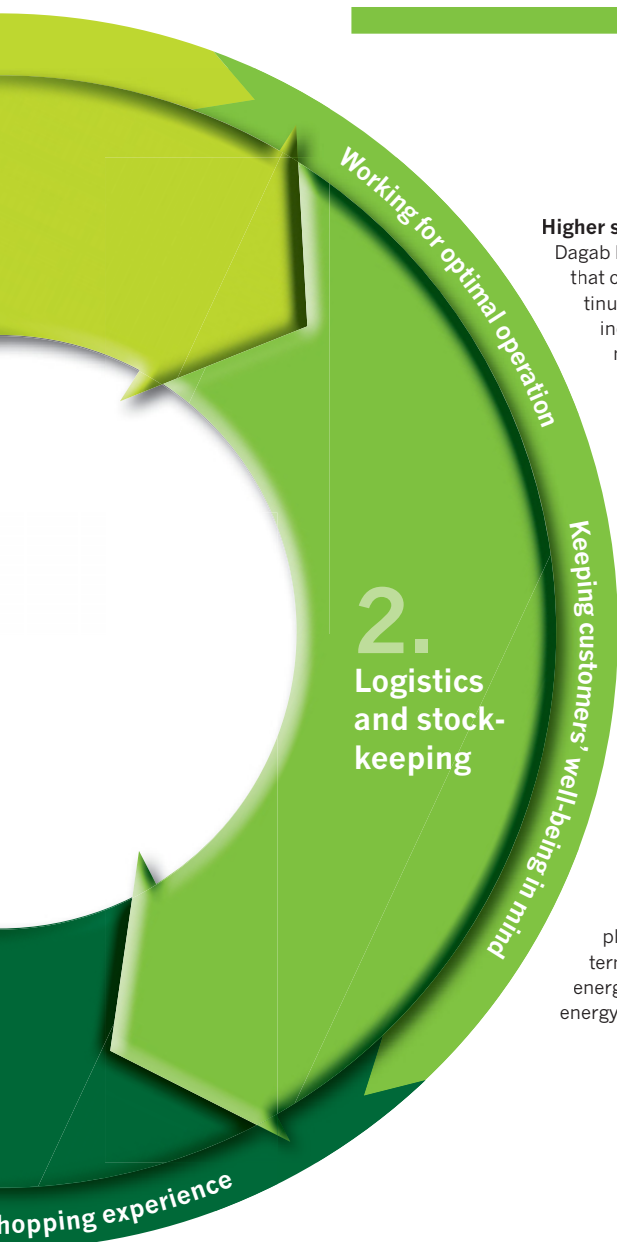


Food you can trust

Customers must be able to trust that the food they buy is produced and handled in a responsible manner. Axfood's assortment is quality assured both through an internal control programme and through external inspections of stores and warehouses. Some 3,500 Axfood store employees have completed training in store operations and knowledge about perishables.

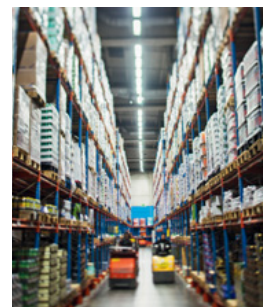
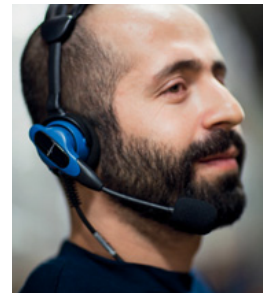


Axfood's vision is to be the best food retail company in the Nordic region. The ambition is also to be a leader in sustainability. Achieving these goals requires that we are responsive to customers and pay attention to every detail in our operations. It is critical that customers find Axfood's stores, product selection and prices attractive. Toward this end, in recent years Axfood has invested heavily in modernization of stores, development of digital customer programmes and implementation of a new business system. Efficiency, good governance and cost control are central.



Higher sales and profitability through efficient logistics

Dagab has an efficient warehouse and transport operation that contributes to sales and profitability. Dagab works continuously with efficiency improvement. Priority key metrics include delivery reliability, productivity, quality and environmental impact. The new SAP business system was implemented in 2013.



Sustainable transports for lower climate impact and better economy

One of Axfood's sustainability targets is to reduce the climate impact from transports. Toward this end, delivery vehicles are fuelled with more environment-friendly diesel and are loaded as optimally as possible.



More efficient use of energy

Energy use at Axfood's stores and distribution centres plays an important role in operations. Accordingly, long-term and extensive measures are being taken to reduce energy consumption. Investments made to date in improving energy efficiency have had good results.



Long-term perspective and responsibility lead to stable and profitable development

The best customer experience

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

Long-term profitability

Axfood has set a long-term goal of a 4% operating margin. Achieving this requires continued initiatives to increase sales in tandem with continued good cost control and efficiency in all areas. Dating several years back, having a high share of private label sales has also been a successful and long-term strategy for profitable growth, where the Group-wide house brand Garant plays an important role.

Investing in the future

The Group's sales of SEK 37,522 m create economies of scale, which in turn are a pre-

requisite for capturing additional market shares. To ensure profitable growth also in the future, long-term investments are needed. Axfood has therefore pursued an ambitious pace of investment focused on new establishment, modernization of stores, customer programmes and implementation of a new business system.

Proud and committed employees and grocers

Competence, commitment, training and a willingness to make the extra effort necessary to perform beyond the ordinary create the

Vision, mission and values

Vision

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

Mission

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

Core values

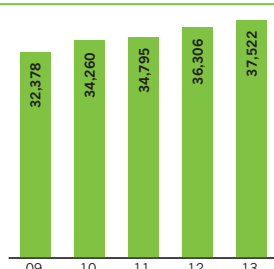
Axfood's core values represent a shared foundation and shared approach for employees in their daily work. The aim is to strengthen cohesion and integration between the Group's various parts while providing guidance to all employees.

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

NET SALES

TREND 2009 – 2013, SEK m

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



PROFITABILITY

TREND 2009 – 2013, SEK m

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



¹⁾ Operating profit excluding impairment charges.



conditions for satisfied customers. In addition, the breadth of training activities that are carried out every year have a clear coupling to profitability of the business. Training programmes also convey Axfood's core values, which are the foundation for the strong, shared set of values within the Group.

Sustainable development

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

Value drivers

Factors that affect Axfood's performance include:

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

Better control and higher sales with new business system

Axfood has been working since 2008 with a strategically important changeover to a new business system. In 2013 the new system was implemented in the final area of operations – logistics.

The business system is contributing to efficiency improvements and improved control by creating the opportunity for Group-wide statistics and analysis. Axfood thereby obtains better decision-making documentation for management and control. The system also makes it possible to have a more regional and locally adapted product offering.

The changeover to the new business system, which has taken five years, is Axfood's largest business project ever

and has involved some 500 persons from throughout the Group.

Implementation has been successful – deliveries have continued on time and with a high level of quality.

Successful final phase in 2013

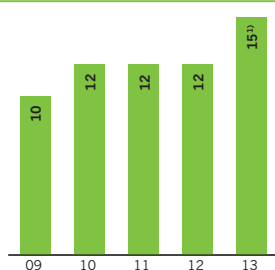
In April 2013 SAP was implemented at one of Dagab's largest distribution centres in Stockholm. The implementation went according to plan and without any major disruptions. During the year, Dagab worked on improvements to the system, which has led both to efficiency improvements and to implementation of the system in November at the central distribution centre in Gothenburg, which went beyond expectations.



DIVIDEND

TREND 2009 – 2013, SEK

During the last five years Axfood's shareholders have seen steady growth in earnings per share. The Board's dividend policy calls for at least 50% of profit after tax to be paid out to the shareholders. During the last five years, the dividend has amounted to an average of 67.7% of net profit at the same time that the Company has maintained its financial strength.

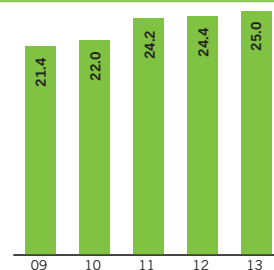


¹⁾ Proposed by the Board of Directors.

PRIVATE LABEL PRODUCTS (SHARE OF SALES)

TREND 2009 – 2013, %

Having a high private label share is part of Axfood's strategy for profitable growth. Axfood has the highest private label share in the Swedish food retail market, with private label products accounting for 25.0% of total sales at year-end. The ambitious investment in the Group-wide Garant brand has been highly successful.



Strategy for profitable growth

STRATEGIC OBJECTIVES

STRATEGIES

Customers

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



- Offer attractive stores with a wide selection of products
- Increase innovativeness for key categories
- Boost customer loyalty by developing customer programmes
- Improve local and regional customer offerings
- Expand digital offerings

Profitability

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



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

Growth

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



- Increase sales through development of chain and store operations
- Maintain ambitious pace of establishment in metropolitan areas and regional growth areas
- Grow in e-commerce and prepared foods
- Develop a long-term and stable business model for grocers
- Further develop Axfood's business system

Sustainable development

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



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

Employees and organization

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



- Ensure succession of store managers and grocers
- Attract, retain and develop employees
- Develop values-based leadership and active employee involvement
- Increase diversity in management positions
- Maintain high level of wellness in workplace
- Increase customer orientation and further develop entrepreneurial spirit

ACTIVITIES CARRIED OUT IN 2013

- Ten Willys stores and ten Hemköp stores modernized
- Launch of digital customer programme at Willys and upgrade of Hemköp's customer programme
- Mobile payment systems installed in all Willys and Hemköp stores
- Launch of mobile app by Axfood Närlivs for customer orders and inventory management

- Expanded assortment of Garant products and start of modernization of Eldorado private label
- Decision made to coordinate all transport and warehouse operations in a single organization
- Continued work on increasing automation of store and logistics operations

- Twelve Willys stores and one new Hemköp store opened
- Expanded assortment and sales of fresh products and prepared foods in convenience retailing segment
- Extension and expansion of supplier agreements with OKQ8, Statoil and Preem.
- Two Hemköp stores converted in accordance with the "91/9" model
- New business system implemented in logistics operations
- Axfood Närlivs' e-commerce portal developed

- Continued implementation of control system for energy consumption in stores and warehouses
- 23 social audits performed
- Continued activities and collections for the benefit of Save the Children and SOS Children's Villages, among others
- Hemköp began donating food to people in need
- Expanded cooperation with Solvatten
- Rooftop solar panels installed at Dagab's cold storage warehouse
- Continued work with recycling of renewable waste at stores and warehouses

- Completion of approximately 4,300 days of training. Completion of 36,000 e-learning courses.
- Completion of trainee programme for prospective store managers by 12 participants
- Start of project to increase diversity in management positions
- Group-wide health strategy drawn up
- Project begun in employer branding to strengthen Axfood's reputation as an attractive employer

PLANNED ACTIVITIES IN 2014

- Continue developing attractive product selection
- Develop customer offering locally and regionally
- Continue modernization of stores to improve customers' shopping experience
- Develop customer programmes with directed offers
- Develop selection of fresh products and prepared foods

- Focus on greater sales, cost control and efficiency in all areas
- Continue development of private label products and maintain high private label share
- Increase automation at stores and in logistics
- Continue modernization of Eldorado brand in discount segment
- Increase efficiency at Dagab
- Coordinate all logistics in a single organization

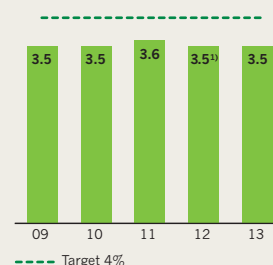
- Continue development of chain and store operations
- Maintain ambitious pace of store establishment and modernization
- Boost Axfood Närlivs' e-commerce sales
- Increase number of proprietor-run stores with "91/9" agreements
- Continue development of business system

- Increase number of social inspections and audits
- Continue efforts to reduce energy consumption
- Further efficiency improvement of transports for reduced emissions
- Increase internal and external awareness about Axfood's sustainability work

- Ensure leader succession
- Ensure recruitment and development of grocers and store managers
- Conduct training activities to increase sales
- Define competencies and career paths
- Highlight processes for competence succession with focus on diversity
- Implement wellness strategy throughout the Group
- Continue work on increasing diversity in management positions

FINANCIAL TARGETS

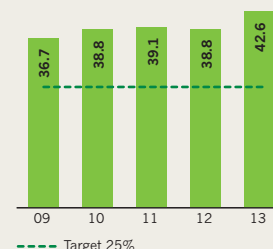
GROUP OPERATING MARGIN, %



The operating margin in 2013 was 3.5%. Axfood's strategy creates conditions for reaching the long-term target of a 4% operating margin within a few years.

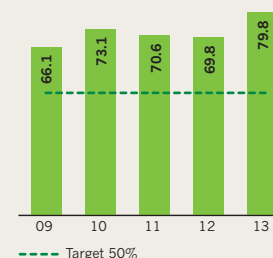
¹⁾ Excluding impairment charges.

EQUITY RATIO, %



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

DIVIDEND AS % OF PROFIT



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

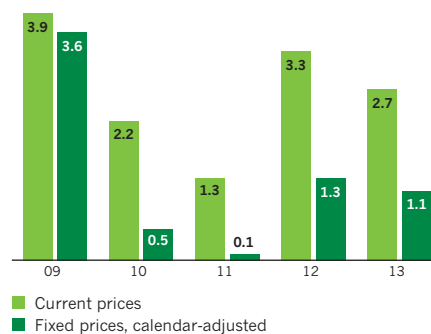
The Board of Directors proposes a dividend of SEK 15 per share (12), corresponding to 80% of the year's profit after tax.

Stable development for food retail sector in Sweden

Growth in the Swedish economy remained weak during the year. However, the Swedish food retail market showed stable development. Favourable summer weather had a positive impact on sales. Inflation remained low, and Swedish companies' expectations about the future improved during the second half of the year, mainly owing to eased concerns about developments in Europe.

The food retail market is generally less sensitive to economic swings than other retail

SALES TREND IN THE FOOD RETAIL MARKET, %



Sources: SCB and HUI Retail Trade Index

segments. Inflation for food and non-alcoholic beverages remained relatively low, at 2.2% on an annualized basis, according to Statistics Sweden (SCB).

Sales in the food retail market in Sweden were stable during the year. Measured in current prices, sales rose 2.7%, according to SCB and HUI Research. The price and calendar effect was 1.6%, entailing 1.1% growth in sales volume for the food retail sector. Total food sales for 2013 are estimated at approximately SEK 232 billion.

Urbanization affecting the industry

The population structure in Sweden is characterized by a continuously ongoing concentration in the major metropolitan areas, to where a larger share of purchasing power is also migrating. Urbanization is affecting the location of stores as well as demand for products. To monitor one of these trends, Axfood has become a part-owner in the Urban Deli concept. The aim is to learn from metropolitan trends and about sources of inspiration for grocery shopping. The concept is a combination of restaurant, food market and store. In 2013 a second Urban Deli opened in the Stockholm area.

Tougher times for hypermarkets

HUI Research's annual publication "Industry facts" shows that large stores lost market shares between 2011 and 2012. This is due in part to the opening of more stores nearby

residential areas, which attract customers since time is a critical factor behind shoppers' choice of grocery store.

In the rest of Europe as well, hypermarkets have lost ground to smaller stores. The number of convenience stores has also increased, as growing numbers of people try to avoid using their cars. Rising gas prices are believed to be a contributing factor, as is a growing prevalence of small households.

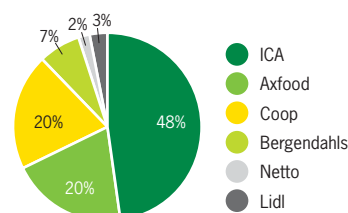


Market shares

Axfood is the second largest player in the Swedish food retail market, with a market share of 20%. The market is comparatively stable and less sensitive to economic swings than other retail segments. At the same time, the rate of growth is relatively moderate. This has resulted in strong competition for market shares, primarily between the three largest retail groups, which together account for nearly 90% of the market.

Ensuring scope for continued stable growth requires attention to every detail in operations, from assortment and purchasing to the product's entire path from producer to store shelf, and to customer service and the customer's in-store experience.

MARKET SHARES, LARGEST COMPETITORS IN SWEDEN 2012¹⁾



¹⁾ Based on sales figures for 2012 for groceries, as data for 2013 was not available at the time of this report's publication.

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 data includes own estimates of sales for the Tempo, Handlar'n and other collaborating stores as per December 2012.

Inspiration



Time, price and inspiration important for customers

Time is in short supply for consumers today, no matter what state the economy is in. Time steers not only where people shop, but also what and how.

For everyday shopping, consumers often choose the store that is located nearest to them. What's more, they expect such a store to have a wide selection of fresh products, good service and an appealing shopping experience.

Price is also a key factor behind consumers' choice of store. What's most important in this context is that the products are perceived as offering value for money, according to a global study performed by the research firm Nielsen.

Inspiration that simplifies and frees up time

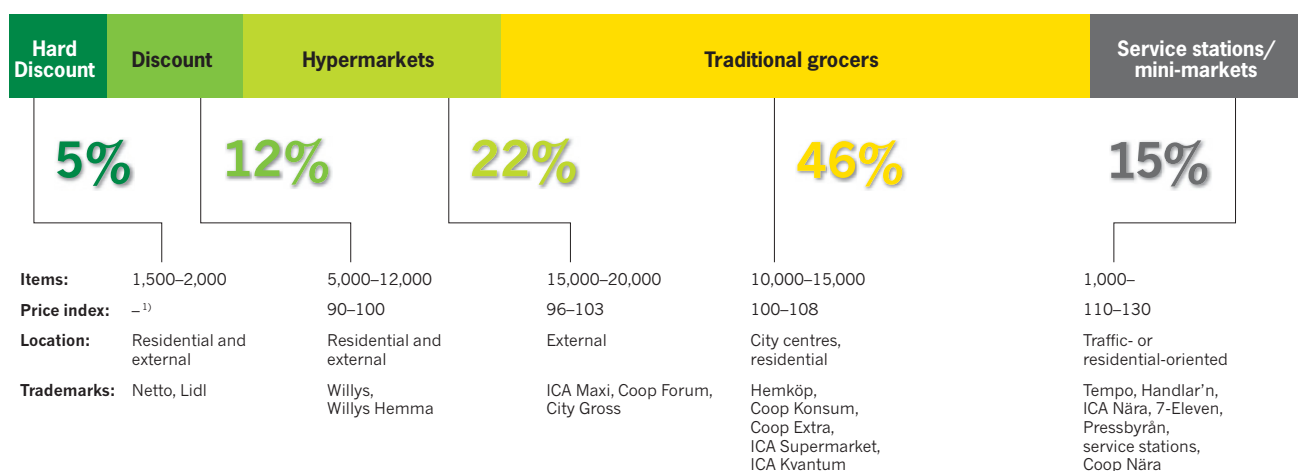
In recent years food has become part of the so-called experience industry. Growing numbers of people are turning to meal planning sites and mobile apps for inspiration and recipe ideas. In line with this trend, Axfood has its own online meal planning service, Vardagsmaten.se, which is also available as a mobile app. Both Willys and Hemköp also offer their customers inspiration and tips that help simplify people's everyday lives while adding an extra touch to weekends and special occasions.

Convenience and simplicity with pre-packed grocery bags

Consumers want convenience, simplicity and speed. Pre-packed grocery bags have become popular in Sweden and have also begun gaining traction in other parts of the world.

The largest suppliers of pre-packed grocery bags in Sweden, Middagsfrid and Linas matkasse, represent a growing customer segment. Axfood Närlivs is today the market leader at packing and selling products for these.

SEGMENTATION IN SWEDEN



Market share: Based on sales figures for groceries for 2012, since data for 2013 was not available at the time of this report's publication. Partially estimated values.

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

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

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

Mar ket trends

Diets continue to affect customers' choices

CONSUMER AWARENESS is rising in general in Sweden with respect to what we eat and how it affects our own health and the environment. Consumption of fruits and vegetables is rising, but so is consumption of fatty products.

To some extent, consumers choose food that goes against Sweden's nutritional recommendations. For example, butter is rising more than low-fat margarine, according to the "Health and food" study conducted in 2013 by trade organization Svensk Dagligvaruhandel. One plausible explanation is the recent interest in Low Carb High Fat (LCHF) diets.



More people shopping online

Digitalization is having an increasingly clearer impact on the food retail trade. Online sales of groceries grew approximately 30% in 2013 compared with 2012. They now account for roughly 6%–8% of total e-commerce, according to the report "Food online", published in 2013 by the e-commerce trade organization Svensk Distanshandel.

While e-commerce still accounts for a very small share of total grocery sales in Sweden – approximately 1% – the industry is counting on continued growth.

According to Svensk Distanshandel, 20% of consumers think that they will buy groceries online during the coming year. E-commerce should also benefit from the fact that younger consumers, who are accustomed to shopping online, are now beginning to start families of their own.

In several European countries this trend has progressed faster than in Sweden. This is largely because it is easier to achieve volume and thus profitability in large cities. In Sweden it is still difficult to achieve profitability, since the population is small and spread over a large area. Volume is decisive for success.

New ways to shop

The food retail trade is continuously developing new ways to shop with the help of digital technology. For example, several international retailers have launched solutions that allow customers to use their smart phones for self-scanning. In France, the "click & collect" concept has grown rapidly. With this concept, consumers order online and pick up their groceries at a store and time that suits them. Grocers are also testing new



concepts, such as digital stores, or terminals, at central locations in large cities. These initiatives are largely temporary solutions that are mainly used for promotional purposes.

Several chains offer mobile apps and websites that help customers shop and choose products. During the year, Axfood Närlivs launched a mobile app that allows customers to use a smart phone as an ordering and inventory scanner. The app is an example of how Axfood Närlivs is simplifying shopping for its business customers and helping them save money. Nearly 5,000 customers have already begun using the solution.

Axfood Närlivs also offers e-commerce solutions for its business customers.

Mobile payment at Axfood's stores

In 2012 Willys and Hemköp introduced the opportunity for customers to pay for groceries using a smart phone through the SEQR mobile payment service at a number of stores. In 2013 this solution was rolled out at all stores.

To pay using SEQR, customers scan a QR code at the cash register with their smart phones. They are then billed monthly.

SEQR can be coupled to Hemköp's and Willy's customer programmes. Reactions from customers and checkout personnel who have tested the payment service have been positive.



Organic products still a small share of total

CONSUMER INTEREST in organic foods continues to rise in Sweden. According to Krav's 2013 market report, the market for organic products in Sweden grew 3% in 2012 and is expected to exceed SEK 10 bn in 2013. Organic products accounted for approximately 4% of total sales of food and non-alcoholic beverages in Sweden in 2012, according to Statistics Sweden.

Environmental concerns, health awareness, animal welfare, quality and flavour are the main reasons shoppers choose organic products.

Gradually expanded assortment

Food retailers are meeting demand for organic products with a gradually expanded assortment. In addition, Axfood's chains are promoting their product selections and offering customers attractively priced organic products. An example can be seen at Willys, which also boasts "Sweden's cheapest bag of organic products". Axfood's private label Garant Organic product line is another example.

Sales of organic products in Axfood's stores accounted for 3.0% of total food sales in 2013, which is an increase of 8.8% com-



pared with a year earlier. The Group's goal to increase its sales of organic products to at

least 3% of total food sales was thereby achieved in 2013.

Continued success for private label products

During the year Axfood further developed and broadened its assortment of private label products. Successes continued for the Garant brand. Sales have risen, and the brands have won awards for their packaging design. A new strategy and brand platform has been developed for the discount brand Eldorado.

More than 170 new Garant products were launched in 2013, and today Axfood's stores carry more than 1,000 Garant items. Axfood has a 25% share of private label sales, which is well in line with the goal of at least 25%.

Involvement through digital communication
Garant has been able to stimulate customer involvement through initiatives in digital channels. Social media channels are being

used to communicate and engage customers in development of the brand and products.

Facebook.com/Garantvaror is the main channel for communication with customers. Among other things, followers of Garant can share their views on their choice of packaging and are offered to try new products via mobile coupons. In 2013, Instagram was also introduced as part of communication via social media.

Award-winning design

One factor behind the success of Garant is the unique packaging design combined with high quality relative to price. The quality and flavour of a Garant product are always to be comparable with or better than the market leader's.

Garant packages received two prestigious distinctions in 2013: a "Silver Egg" in the Swedish advertising industry awards for the entire design concept, and a silver medal in the international Pentawards competition for the Garant Ekologiska varor packaging design.

Organic products gaining

Sales of Garant Ekologiska (organic) products rose during the year, and the assortment was broadened. One notable launch was of Garant Ekologiska Fairtrade Certified organic bananas, which meet strict environmental standards as well as standards for good working conditions for plantation workers. As a further measure, the bags are made of bioplastic.

Coordinated purchasing

In order to attain purchasing volumes that allow for lower purchasing prices, Axfood is a member of two international purchasing organizations, European Marketing Distribution (EMD) and United Nordic. EMD is the largest buyer in Europe, with sales potential of EUR 140 bn and a market share of 12%.

United Nordic is owned in equal parts by Axfood, Dagrofa (Denmark), Norgesgruppen (Norway) and Tuko Logistics (Finland). The owners' combined sales amount to approximately EUR 18 bn.



Thorough quality assurance process for private label product

- 1 Axfood decides to add a new private label product to its assortment.
- 2 The next step is to invite a number of suppliers to submit tenders along with a request for documentation in accordance with Axfood's purchasing guidelines. Product samples are also submitted.
- 3 The product samples are tested internally. Based on this, 3–4 suppliers are selected and requested to return with new product samples that have been modified according to Axfood's preferences.
- 4 The product samples are tested once again internally, after which – for mid-range and value-added products – an external consumer panel of 60 persons rates the products.
- 5 Final negotiations are held on purchasing terms, and an agreement is drawn up including the purchasing terms as well as conditions for compliance with Axfood's Code of Conduct, including social responsibility aspects.
- 6 The products are delivered to Dagab and eventually reach store shelves.

Makeover for Eldorado



THE STRATEGY FOR THE DISCOUNT BRAND ELDORADO was updated in 2013. At the end of the year a new packaging design was launched, signifying the Group's commitment to attractive discount products for customers who want to buy low-price products with quality ingredients. In 2014 the assortment will be expanded and modernized.

AXFOOD'S PRIVATE LABELS

Brand	Segment	No. of products
	MID-RANGE FOOD PRODUCTS Quality comparable to the market leader as a minimum, but lower price for consumers.	870 products
	VALUE-ADDED PRODUCTS that meet organic criteria for certification by KRAV and/or EU organic labelling.	140 products
	VALUE-ADDED PRODUCTS for body care, laundry and household cleaning products, all of which are ecolabelled, perfume-free, asthma- and allergy-labelled, and climate-compensated	20 products
	VALUE-ADDED Fairtrade Certified products.	10 products
ELDORADO	DISCOUNT food and nonfood products.	800 products
func fixa	MID-RANGE nonfood products and household cleaning supplies, including batteries and light bulbs (Func), and kitchen supplies, household cleaning supplies and cleaning products (Fixa)	280 products

Definitions of categories in the food retail trade:

- **DISCOUNT** – simpler quality and considerably lower price than the market leader in the respective product categories.
- **MID-RANGE** – quality at least comparable with the market leader in the respective product categories, at a lower price.
- **VALUE-ADDED** – products that include some form of value-added, e.g. organic, premium quality or hypoallergenic.

Group overview

Group-owned stores

Group-owned and franchise stores

WILLYS

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

NET SALES

20,394 SEK m



OPERATING PROFIT

808 SEK m



EMPLOYEES

4,107



NUMBER OF STORES

WILLYS **136** WILLYS HEMMA **47**
TOTAL **183**

Hemköp

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

NET SALES
(excl. franchise stores)

5,578 SEK m



OPERATING PROFIT

151 SEK m



EMPLOYEES

1,675



NUMBER OF STORES

GROUP-OWNED **69** FRANCHISE **111**
TOTAL **180**



Wholesale and convenience retailing

Logistics



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

NET SALES, EXTERNAL

6,482 SEK m

NET SALES TOTAL

6,489 SEK m



OPERATING PROFIT

140 SEK m



EMPLOYEES

869



NUMBER OF STORES
AXFOOD SNABBGROSS

20

NUMBER OF DISTRI-
BUTION CENTRES

4

TEMPO/HANDLAR'N/DIREKTEN

681



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

NET SALES, EXTERNAL

4,887 SEK m

NET SALES TOTAL

25,509 SEK m



OPERATING PROFIT

114 SEK m



EMPLOYEES

1,089



NUMBER OF DISTRI-
BUTION CENTRES

4

Other

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

NET SALES, EXTERNAL

181 SEK m

NET SALES TOTAL

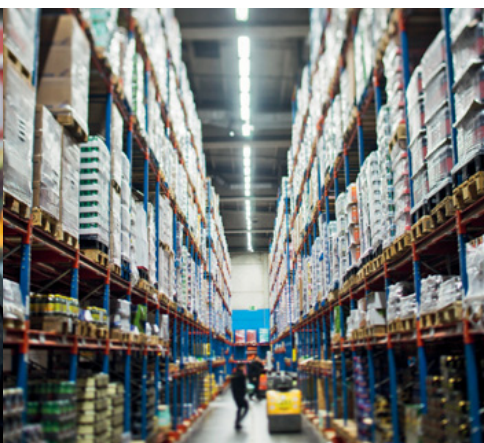
5,120 SEK m

OPERATING PROFIT

89 SEK m

EMPLOYEES

545



Willys – increased market share and success for Willys+

BRIEF FACTS – WILLYS

Business concept

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

Vision

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

Customer structure

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

Store facts

Willys is Sweden's leading discount chain, with 183 wholly owned stores, of which 47 are Willys Hemma. Willys stores can be found nationwide in shopping centres and other locations just outside city centres. A few also have central city locations. Willys stores range in size from 1,100 to 4,700 square metres of retail space and carry approximately 9,000 items, while Willys Hemma stores range from 300 to 1,200 square metres, with approximately 5,000 items.

Willys can look back on a successful year in 2013. The chain has consolidated its position as Sweden's leading discount grocery chain, with a wide assortment and extensive selection of fresh products. Twelve stores opened during the year, sales rose 5.1%, and the new Willys+ customer programme exceeded all expectations.

Both the traditional Willys stores and the Willys Hemma concept performed well.

Modernization of stores continued during the year, with ten remodels completed. Of the total of 136 Willys stores, 118 have now been upgraded. In addition, 41 of the total 47 Willys Hemma stores have been modernized.

Always cheapest in Sweden

The foundation for Willys' business – and the chain's pledge to its customers – is to offer "Sweden's cheapest bag of groceries". At the

same time, Willys offers a wide assortment and extensive range of fresh products. To ensure the right price point, monthly price surveys are conducted for thousands of products.

Private label products' share of sales continued to rise and reached 27.1% for Willys and 30.0% for Willys Hemma as per December.

Future challenges

Willys' main challenge continues to be to grow like-for-like sales despite fierce competition from other discount players and hypermarkets. To succeed with this, efforts are ongoing to consolidate the price point and develop more value-added than just price, such as the shopping experience, a wide product selection, customer service and sustainability.

Priorities 2014

In 2014 Willys will begin adapting the customer offering for Willys+ customers. The modernization programme will be concluded, and the ambitious pace of establishment will continue with ten new stores. Willys will also prioritize development of the product selection and focus on fresh products.



Modern stores that bear fruit

During the last five years Willys has invested heavily in modernization of its stores. This investment has paid off, with rising sales for several years in a row. The stores have obtained a wider assortment, particularly more fresh products. In addition, the stores have become more energy-efficient, and many have been furnished with new refrigerators and freezers. Other positive effects include a more modern and inspiring store design.



Immediate success for Willys+

The launch of the digital, cardless Willys+ customer programme in February 2013 made its mark on the entire year. The reception from customers has been very positive, and after only six months one million customers had enrolled in the programme. This means that the three-year goal for the number of enrollees was achieved after only a few months.

Customers enrolled in Willys+ receive a steady stream of ever-improving offers every week. They also get inspiration and suggestions for meals based on discounted products. At willys.se or via the Willys+ mobile app, customers can monitor their purchases and see how much they have saved, get news about current offers, and write and share shopping lists.

The customer programme is contributing to higher sales through more customer visits and higher average purchases. Through the programme, Willys is getting a chance to know its customers better, allowing it to introduce targeted offers and rewards, among other things. All communication is conducted digitally via e-mail, the website, or the mobile app, which is both convenient for customers and beneficial from the environmental and cost perspectives.

Everyone a winner with Willys' sustainability work

Willys offers Sweden's "cheapest bag of organic groceries". In addition, Willys has partnered with the Swedish Society for Nature Conservation (SSNC), which has eco-labelled all of the chain's stores with the "Good Environmental Choice" ecolabel. This certifies, among other things, that the stores offer a wide selection of organic products, avoid especially environmentally hazardous products, and work with energy efficiency and waste sorting. Moreover, the modernized stores are considerably more energy-efficient than before. This can mainly be credited to modern energy monitoring systems and the installation of refrigerators and freezer displays with lids and doors, which is important both for the environment and for the chain's ability to keep prices low.

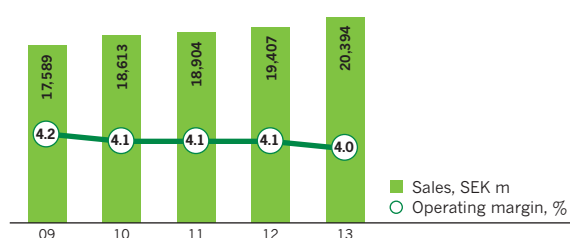
Willys' alliance with Save the Children

continues, and Willys is now a main partner for the organization. Special focus continued to be on three areas in 2013: work in socioeconomically deprived areas, sports projects in Sweden, and an educational initiative in Ivory Coast.

In November and December of 2013, money collected via "donate" buttons on bottle and can deposit machines was steered directly to Save the Children's relief efforts in the Philippines. To further encourage donations, Willys and Hemköp pledged to match customers' donations. This led to a 38% rise in "donate" button contributions and nearly SEK 1.3 million for Save the Children's disaster fund.

Every store has its own environmental ambassador, who has special training in sustainability issues and who advocates these in the local store.

SALES AND OPERATING MARGIN



KEY RATIOS

SEK m	2013	2012
Net sales	20,394	19,407
Like-for-like sales growth, %	2.2	0.0
Operating profit	808	796
Operating margin, %	4.0	4.1
Number of Group-owned stores	183	174
Average number of employees	4,107	3,867
Private label share (Willys/Willys Hemma)	27.1/30.0	26.9/29.5

Hemköp – meeting customers' demands and growing sales

BRIEF FACTS – HEMKÖP

Business concept

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

Vision

To be the favourite neighbourhood grocery store.

Mission

We create passion for food every day.

Customer structure

Due to the location of Hemköp's stores in urban and residential settings, customers shop more frequently. Hemköp customers are looking for inspiration and a wide product selection that offers value for money, with a rich offering of fresh products. They are active people who enjoy good food and care about their health and the environment.

Store facts

Hemköp's stores are centrally located in city centres and residential areas. Hemköp stores range in size from 400 to 4,000 square metres of retail space and carry approximately 10,000–12,000 items. At year-end the Hemköp chain comprised a total of 180 stores, of which 69 were Group-owned.

Hemköp posted stable sales and profitability in 2013. Focus has mainly been on adapting the product selection towards more fresh products, store modernizations, stronger customer relationships and improved cost control. Hemköp aspires to be shoppers' favourite neighbourhood grocery store, with an accent on fresh products, inspiring food ideas and personal service.

Focus on customer relationships

To live up to the vision of being “the favourite neighbourhood grocery store”, Hemköp is working on strengthening its relationships with customers. Accordingly, the stores market themselves in their local areas and strive to adapt themselves and their offerings to customers' specific needs. Shopping at Hemköp should be convenient and inspiring. The stores' locations in cities and near residential areas is in line with the growing trend of people preferring to shop close to home.

New, modernized stores

In November, a new flagship store was inaugurated in Stockholm. The store has 2,600 square metres of retail space and offers everything customers can conceivably desire from a modern and inspiring grocery store,

including a wide product assortment, a bakery department, an expansive staffed prepared foods department, catering, and a kitchen with a chef and pantry cooks. Hemköp has taken a further step towards having a state-of-the-art store concept and being the most popular food store in the area.

At the start of 2014 Axfood's head offices moved in to the same building that houses the new store.

Ten stores were modernized during the year to better meet customers' preferences and needs. As a result of this renewal, fresh products like fruits and vegetables, charcuterie products, cheeses, and prepared foods have obtained more a prominent positioning.

These upgrades have also created better conditions for stores to offer a seasonally adapted assortment. Other positive effects include more improved sorting and recycling systems and better energy efficiency through modern technology.

PrisXtra became part of Hemköp in 2013. A PrisXtra store in central Stockholm was closed in November and was replaced by the new Hemköp store. The remaining four PrisXtra stores will gradually be converted to Hemköp or Willys units.

Hemköp encourages entrepreneurship

During the year, two stores were converted to the “91/9” model, which features a financing solution that makes it possible for employees to buy a store.



Easier for customers with improved customer programme

In 2013 Hemköp improved and developed its customer programme. The goal was to simplify the programme for customers by creating a cardless, digital system while strengthening customer loyalty. Among other measures, the plastic card was eliminated, and a mobile app was launched that enables digital offers and shared shopping lists for the entire family. Customers decide if they want to link their bank card or ID card to the bonus customer programme. Through the adoption of digital channels, stores can reach out to more customers and will also be able to customize their offers in the future.

Under the model, Axfood holds a majority stake in the store during the initial years. After three years, the store proprietor can buy the store from Axfood, acquiring a 99% share. The aim is to encourage Hemköp's employees to become entrepreneurs and small business owners. Hemköp's various ownership forms strengthen the chain and are driving it forward.

Partnerships with charity organizations

For the sixth year in a row, Hemköp supported the voluntary organization SOS Children's Villages in its work with at-risk children in Ukraine. Hemköp's customers as well as employees contributed during the year. Other goodwill organizations that Hemköp lends support to include the Swedish Heart-Lung Foundation and Save the Children Sweden.

Future challenges

Hemköp's main challenge is to grow sales and continue improving earnings in a fiercely competitive market segment. Hemköp's goal is to open more stores, and the chain is therefore searching for attractive store locations, mainly in large cities. Strengthening and clarifying its image as a modern, sustainable grocery chain that offers value for money is critical for success, as is strengthening relationships with customers in order to build their loyalty.

Priorities 2014

Focus will continue to be on modernization, adaptation of the assortment, customer relationships and good cost control. Personal attention to customers will be developed, among other things through training of store staff. In addition, Hemköp plans to open two new stores in 2014.

Targeted offers will be made to bonus customers for the first time.

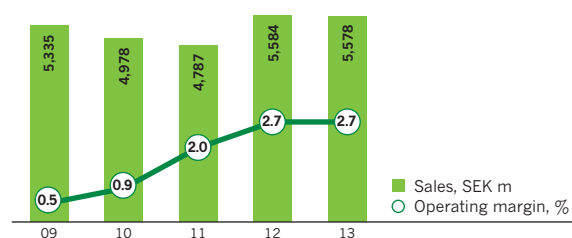
The goal is to conclude "91/9" agreements with an additional number of stores in 2014.



Fruit and bread to people in need in Stockholm

During the year Hemköp established a cooperation with the St Clara and Centrum churches in Stockholm. Every week, two Hemköp stores in Stockholm donate groceries that have been left over but are still safe to eat, such as bread, fruits and vegetables. The food is then handed out to people in need in Stockholm, where some three to five thousand people are currently homeless. Other stores and chains are now also looking into the opportunity to work with local partners and contribute to relief organizations.

SALES AND OPERATING MARGIN ¹⁾



¹⁾ Starting in 2012, incl. PrisXtra.

KEY RATIOS

SEK m	2013	2012
Net sales	5,578	5,584
Like-for-like sales growth, %	0.9	0.9
Operating profit	151	149
Operating margin, %	2.7	2.7
Number of stores, Group-owned/franchises	69	72
Average number of employees	1,675	1,667
Private label share, %	19.3	18.1

Axfood Närlivs – continued growth and higher market share

BRIEF FACTS – NÄRLIVS

Business concept

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

Customer structure

Customers consist of retailers working under Närlivs' own mini-market concepts, convenience retailers, and restaurants, cafés and foodservice operators.

The mini-market concepts consist of Tempo, Handlar'n and Direkten stores. Convenience retailers consist of service stations, convenience stores and small, independent businesses such as news-stands and tobacco/betting shops. Axfood Snabbgross also offers cash & carry business and e-commerce sales primarily to restaurants, cafés, foodservice operators, convenience store operators, associations and offices.

2013 was yet another successful year. Sales rose 2.4% and earnings by 22.8%. Performance was particularly strong for the Axfood Snabbgross and the Axfood Närlivs Nationwide Customers and e-commerce business areas.

Higher market share for Axfood Snabbgross

Axfood Snabbgross continued to experience favourable growth. One key to this success is that the offering of fresh products was developed to reflect customer demand. Axfood Snabbgross is now a full-scale supplier of fresh products, with a focus on restaurants, cafés and foodservice operators.

The business area has grown its market share from 4% to 8% in five years. The goal is to increase this share to 10% by 2016. To achieve this, the unit is continuing its efforts to refine its assortment, increase the share of fresh products and modernize its stores. These modernizations benefit both the envi-

ronment and profitability, since the installation of new refrigerators and freezers improves energy efficiency. The ambition over time is also to establish two to three new Axfood Snabbgross stores in Sweden.

Stronger position as market leader in convenience retail segment

Axfood Närlivs Nationwide Customers and e-commerce performed well in 2013. Three important agreements were renewed, with Statoil, OKQ8 and Preem. The agreement with Statoil is for five years and for the first time covers the supply of fresh products to the entire chain. The business area now has customer agreements with all of the leading service station companies and convenience store chains in Sweden.

As the market leader, Axfood Närlivs Nationwide Customers and e-commerce works closely with its customers to develop the industry. This is done, for example, by putting demands on suppliers to be at the forefront of developments in assortment planning and logistics. Business is conducted with the motto that it should be easy for customers to do the best business with Axfood Närlivs.

E-commerce in increasingly higher demand

Customers of Axfood Snabbgross and Axfood Närlivs Retailing are both offered the option to order online. Demand for e-commerce solutions is rising, since they make it possible for customers to place orders at any time of the day. During the year an app was launched that allows customers to use a smart phone as an ordering and inventory scanner. The app is an example of how Axfood Närlivs is simplifying shopping for its customers and helping them save both time and money. Nearly 5,000 customers have already begun using the solution.

The largest suppliers of pre-packed grocery bags in Sweden, Middagsfrid and Linas matkasse, represent a growing customer segment. Axfood Närlivs is today the market leader at packing and selling products for these.



Axfood Närlivs consists of three parts:

- Axfood Närlivs Retailing serves some 800 independent grocers working under the Tempo, Handlar'n and Direkten market concepts, as well as independent convenience retailers.
- Axfood Snabbgross has 20 cash and carry stores, serving primarily foodservice operators and restaurants.
- Axfood Närlivs Nationwide Customers and e-commerce is oriented in part to large convenience retailers, including service stations, 7-eleven and Pressbyrån, and in part to the market's leading suppliers of pre-packed groceries.

Tough competition in retail sector

Axfood Närlivs Retailing experienced weaker performance than Axfood Närlivs' other business areas. This is mainly due to tougher competition from larger stores and continued urbanization. However, the food retail segment and the many seasonal shops in particular benefited from favourable summer weather.

The number of stores operating under the Handlar'n concept decreased during the year, while both Tempo and Direkten gained more stores than the preceding year. The total number of stores serviced by Axfood Närlivs Retailing increased from 667 to 681.

Lower emissions and more recycling

Sustainability work is mainly a matter of making efficiency improvements in warehouses and stores, ensuring effective waste management and recycling systems, and reducing emissions from transports. By using pine oil diesel and eco-driving techniques, Axfood Närlivs has reduced the level of emissions per transport.



Organizational change in Axfood Group

In October 2013 the Axfood Group announced that all warehouse, transport and purchasing operations will be combined in a new organizational unit with responsibility for all operational and strategic logistics processes. Axfood Närlivs' divisional manager, Nicholas Pettersson, will serve as President of the new unit, entailing that a successor to him will be recruited for Axfood Närlivs.

Future challenges

The main challenge will be to maintain profitable growth. To succeed at this, the business is being focused on meeting the rising demand for fresh products and prepared foods as well as on offering a broad product selection to convenience retailers.

A key aspect of Axfood Närlivs' success will also lie in its ability to continue offering a broad assortment of products to convenience retailers, with a high share of fresh products and prepared meal solutions.

Priorities 2014

Axfood Närlivs will continue to prioritize strong sales growth and closer alliances with contract customers.

During 2014, implementation of the new Group-wide warehouse and transport organization will also be in focus, as will implementation of the SAP business system at Axfood Närlivs' largest distribution centre in Örebro. Highest priority will be given to ensuring that customers are not adversely affected during the process.

An important task will also be to establish more stores and grow sales for Axfood Närlivs Retailing, and thereby set the stage for improved earnings and favourable performance for this business.

Axfood Snabbgross plans to open one new store during the year and will continue its efforts to refine, modernize and expand its offering of fresh products.

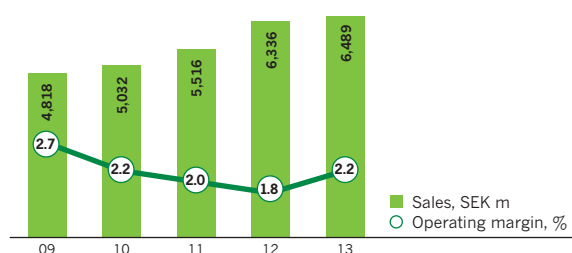


Axfood benefiting from prepared foods

With time in short supply, it is becoming increasingly important to be able to offer prepared foods in the convenience retail segment. Consumers today no longer only buy gas, candy and car care products at the service station, but increasingly want to be able to have a tasty and wholesome meal there – fast, convenient and attractively priced.

This trend is benefiting Axfood Närlivs, which supplies all of the major service station chains in Sweden and has an attractive offering of fresh products and prepared food.

SALES AND OPERATING MARGIN



KEY RATIOS

SEK m	2013	2012
Net sales	6,489	6,336
Distributed sales	6,049	5,822
Operating profit	140	114
Operating margin, %	2.2	1.8
Snabbgross, no. stores	20	20
Average no. of employees	869	865
Delivery reliability, %	97.6	97.9

Dagab – more efficient flows with new business system and upgraded central distribution centres

Dagab is the hub of Axfood and contributes to higher store sales and profitability through efficient logistics. Activities in 2013 were dominated by implementation of the new SAP business system. In addition, capacity was coordinated at the central distribution centres in Stockholm and Gothenburg, which were also modernized and expanded. A new cold storage warehouse was inaugurated in Gothenburg.

Dagab is the logistics partner for Axfood's store chains. Deliveries are made to some 550 stores from two central distribution centres – in Gothenburg and Stockholm – and from two cold storage warehouses. Products distributed by Dagab account for roughly 70% of the stores' total sales.

New business system in place

Operations in 2013 were dominated by intensive work on implementation of Axfood's new SAP business system. In April, the system was implemented at the Group's largest distribution centre, in Stockholm. Integration of the system was complex and had an adverse effect on efficiency to some extent during the

period, however, the work stayed on track without disruptions.

Dagab made improvements to the system during the course of the year, and as a result, efficiency improved and implementation of the system at the central warehouse in Gothenburg in November went beyond expectations. As anticipated, the major project efforts led to higher costs, which affected earnings for 2013.

Lower electricity consumption and emissions

In line with Axfood's sustainability programme, during the year Dagab made energy efficiency improvements at its four facilities. Factoring in the increase in area, the goal of reducing electricity consumption by 10% per square metre was achieved.

The share of renewable fuel used in transports increased during the year, enabling Dagab to reduce its carbon emissions by 10%.

Organizational change in Axfood Group

In October 2013 the Axfood Group announced that all warehouse and transport operations will be combined in a new organizational unit with responsibility for all operational and strategic logistics processes. The project is expected to take approximately two years and will entail the coordination of Axfood Närlivs' and Dagab's logistics in a single organization.

Future challenges

Dagab's main challenge will be to contribute to increasingly stronger and efficient logistics in the Axfood Group. In the coming years Dagab will be fine-tuning its logistics platform in an effort to create more efficient flows.

Priorities 2014

The main priority in 2014 will be to ensure that the SAP business system is fully adjusted and entirely customized to Dagab's needs. This will contribute to improved results for the pri-

ority key ratios delivery reliability, productivity, quality, scheduling and customer satisfaction.

In addition, Dagab will continue to prioritize environmental issues with a focal point on energy and fuel efficiency at its facilities and in transports, and on waste management and sorting.

Solar panels turn heat into refrigeration at Dagab's cold storage warehouse

Dagab's new cold storage warehouse in Gothenburg was inaugurated in mid-2013 and supplies Axfood's store chains in southern and western Sweden with frozen products. The warehouse also boasts one of the largest solar panel systems in Sweden, with the capacity to produce 87,000 kWh of electricity per year – which is equal to what five normal-sized houses require each year for heating.

On a yearly basis the system covers 10% of the warehouse's energy needs, while in the summer it provides up to 20%. This makes it a good deal. Refrigeration and solar panels are an optimal combination, since the need for energy is greatest during the summer, when the most solar energy is available for conversion.



BRIEF FACTS – DAGAB

Business concept

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

Customer structure

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

Efficiency at every level

Efficiency at every level is a key feature in Axfood's strategy for profitable growth. The Group works continuously at improving efficiency in the supply chain – from assortment and purchasing to stock-keeping and distribution. Roughly 70% of the products ordered from various vendors are distributed via Dagab out to the Group's stores.

While the store chains' assortment strategies determine which products the stores will

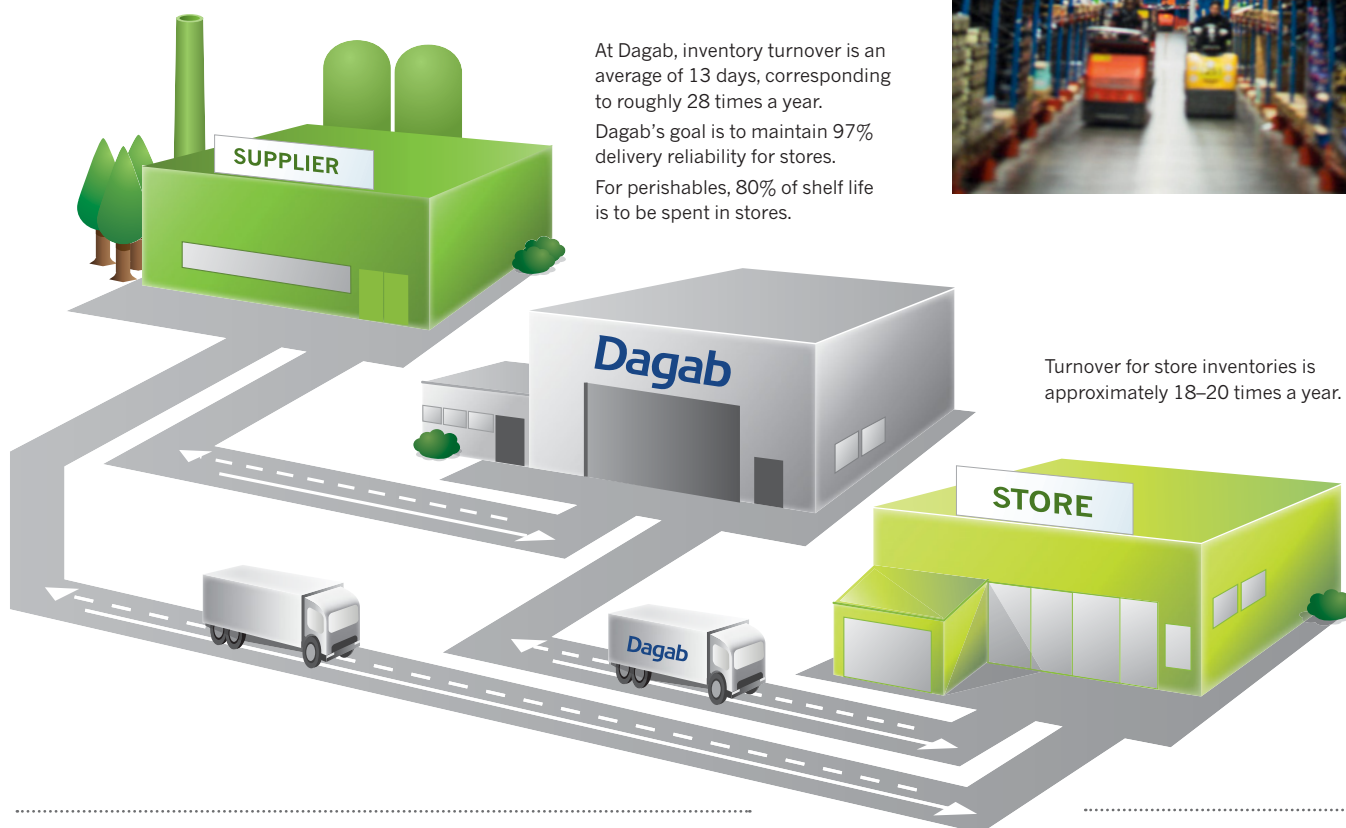
have, purchasing is handled by a central purchasing function. This results in economies of scale and good control.

Axfood's purchasing and logistics model is being continuously improved in an effort to accelerate inventory turnover, improve distribution and create more efficient order flows and transports. The new SAP business system is creating good conditions for this.

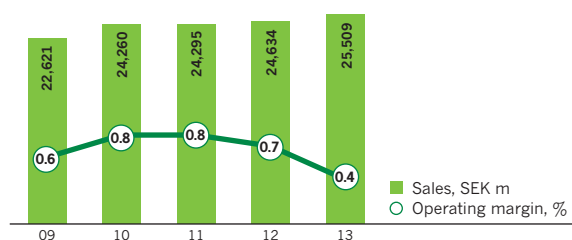


THE FLOW FROM SUPPLIER TO STORE

70% of products go from suppliers via Dagab to stores.
30% of products go directly from suppliers to stores.



SALES AND OPERATING MARGIN



KEY RATIOS

SEK m	2013	2012
Net sales	25,509	24,634
Distributed sales	17,817	17,205
Operating profit	114	168
Operating margin, %	0.4	0.7
Average number of employees	1,089	1,078

Ambitious and goal-oriented sustainability work

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

Strategic approach

Axfood's goals and strategies rest on a conviction that environmental and social responsibility, strong customer orientation, and proud and committed employees are vital drivers of value creation in the Company. This work rests on the foundation of Axfood's core values, Code of Conduct, environmental policy and sustainability programme.

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". This work is conducted mainly in accordance with ISO 14001 principles. Reporting is done in accordance with the Global Reporting Initiative (GRI) guidelines, level B.

Challenges and opportunities

Axfood's operations are affected by environmental policy decisions as well as by environmental opinion and consumer demand. The Company therefore monitors developments in this area and prioritizes climate and environmental aspects in order to minimize risks and be proactive in its efforts to comply with new standards.

Climate change is giving rise to major risks for food production, including drought, flooding and price fluctuations caused by commod-

ities speculation. For Axfood this is putting higher demands on strategic purchasing work.

Axfood is contributing to more sustainable food production, such as through its efforts to promote sustainable production of palm oil and soybeans.

Rising energy prices and more stringent emission standards affect Axfood. Moreover, consumption of electricity and fuel has a major climate impact. For this reason, the Company is working intensively to improve the efficiency of its energy use.

Axfood works actively on meeting demand for sustainable products. Through communication in stores, the Company is also helping customers make well considered choices.

Axfood's purchasing guidelines have obtained a strong sustainability profile that is based in part on life cycle analyses. Relationships with suppliers are governed by the Company's Code of Conduct with respect to social and business ethics issues.

Axfood's stakeholders

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

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

Owners

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



Customers

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

Employees

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



axfood



Suppliers

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

Society

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





Code of Conduct for business ethics

According to the Group's Code of Conduct, Axfood shall conduct its business in accordance with generally accepted business practice and high standards of business ethics.

Axfood adheres to a policy that lays out the Group's position on the offering and accepting of bribes and corruption. All pertinent employees have certified in writing that they have read the policy. In 2013, 1,070 employees (900) signed such a certification.

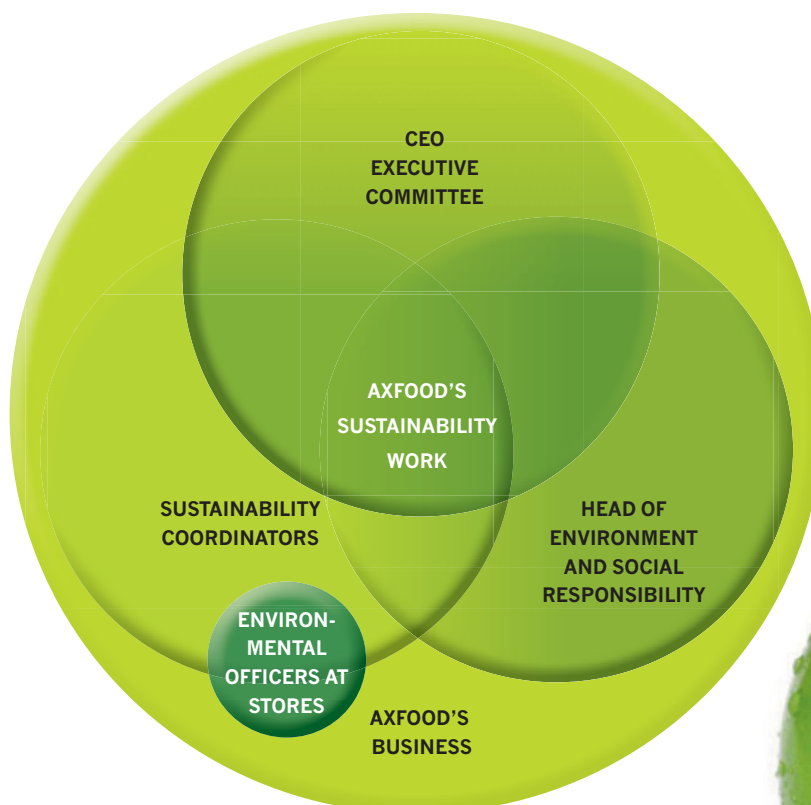
Organization and implementation

Axfood works with sustainability matters in a business-driven manner. The Executive Committee and Head of Environment and Social Responsibility are responsible for overarching strategies, goals and actions, and follow-up. The individual companies and divisions, in turn, have operational responsibility.

Axfood's 2013 Sustainability Report

Axfood conducts its sustainability reporting in accordance with the Global Reporting Initiative (GRI) guidelines, level B. The complete Sustainability Report for 2013, including a GRI table, can be downloaded from axfood.se, where other governing documents are also available, such as the Group's sustainability policy, sustainability programme, and the Axfood Code of Conduct.

SUSTAINABILITY ORGANIZATION



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



Sustainability programme with measurable goals

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

FOCUS AREA

OVERARCHING GOALS

SUSTAINABLE PRODUCTS



- Axfood will continuously improve its products from an environmental perspective through adherence to the Group's purchasing guidelines.
 - Axfood will work actively for more sustainable production of palm oil and soybeans.
- Axfood will advocate for better animal welfare.

ENVIRONMENT – TRANSPORTS



- Axfood will reduce its climate impact from transports and business travel.

ENVIRONMENT – ENERGY



- Axfood will reduce its climate impact by 75% by 2020 (base year 2009).

SUPPLIERS



- Axfood will promote respect for human rights, workers' rights and environmental protection among its suppliers and business partners.

EMPLOYEES



- Axfood will create workplaces that offer involvement, diversity and opportunities to develop.

TARGET/KEY RATIO	OUTCOME 2013	OUTCOME 2012
<ul style="list-style-type: none"> Axfood will increase its sales of organic products to at least 3% of total food sales in 2013. Axfood's sales of organic meat will amount to 3% of total meat sales by year-end 2013. Packaging of Axfood's private label products will include information about the country of origin of meat ingredients. The palm oil used in Garant products will be certified by 2015. 	3.0 % 3.0 % 98 % Certification process begun.	2.7 % 1.1 % Approximately 95 % of products are labelled with information on the country of origin. A dialogue is being carried out with suppliers of certified palm oil.
<ul style="list-style-type: none"> Dagab and Axfood Närlivs will reduce their CO₂ emissions from Group-owned vehicles by 20% per tonne-kilometre by 2015 (base year 2009). The Axfood Group will reduce air travel by employees by 15% in 2013. 	-9.9 % ¹⁾ +6.2 % ²⁾	-17.4 % ¹⁾ -16.0 %
<ul style="list-style-type: none"> Axfood will reduce its energy consumption by 30% per square metre by 2015 (base year 2009). Dagab will reduce its electricity consumption by 5% by year-end 2013 (base year 2012). 	-4.3 % ¹⁾ -4.6 %	-3.9 % ¹⁾
<ul style="list-style-type: none"> By 2015 at the latest, suppliers accounting for at least 67% of the Group's purchasing value from risk countries will be audited in accordance with the BSCI's³⁾ goals. Axfood will join BSCI in 2013. By 2015 at the latest, at least 34% of audited suppliers will have made improvements in accordance with the BSCI standards. 	Axfood became a member of BSCI in 2013.	Axfood will become a member of BSCI in 2013.
<ul style="list-style-type: none"> Continued high work attendance rate of at least 95%. Continued Employee Satisfaction Index score of at least 90%. Achieve an even gender balance in senior positions, i.e., that women and men will be represented within a range of 40%–60% by 2015 at the latest. 	94.7 % 91.0 % 25.0 % women 75.0 % men	95.0 % 91.0 % 22.7 % women 77.3 % men

¹⁾ Compared with base year.

²⁾ The increase is mainly attributable to a larger amount of business travel associated with the project to implement the new business system, plus more trips booked via travel agencies.

³⁾ The Business Social Compliance Initiative, a leading business-driven initiative for companies committed to improving working conditions in the global supply chain.



Environment – continued investments accelerating the pace of environmental work

Axfood works systematically for continuous improvement in the prioritized environmental areas of energy consumption, transports and recycling. Results are achieved through a long-term commitment involving both large and small measures. The Company analyses the value chain to identify which initiatives have the greatest impact.

Solar panels turn heat into refrigeration

Dagab's new cold storage warehouse in Gothenburg, featuring one of the largest solar panel systems in Sweden, was inaugurated in 2013. On a yearly basis the system covers 10% of the warehouse's energy needs, and as much as 20% during the summer.

Warehouses are the largest consumers of energy in the Group. Axfood identifies potentials for improvement by systematically measuring and controlling energy use.

Axfood's goal is to reduce the Group's energy consumption by 30% per square metre by 2015 (base year 2009). To date, energy consumption by the Group's facilities has been reduced by 4.3% per square metre. At the same time, demand for fresh and refrigerated product is rising, requiring more energy to run refrigerated displays.

Road transports

Axfood's extensive product flows entail an intensive transport and logistics operation. Axfood is working for long-term sustainable transports and has set challenging emission targets.

Dagab and Axfood Närlivs are working to reduce climate impact through such measures as streamlined route planning, high capacity utilization and driver training in eco-driving. All of Axfood's own delivery trucks use Evolution diesel, which is a 25% blend of pine oil in ordinary diesel fuel.

Travelling and meeting

The Axfood Group's goal is to reduce business travel by offering alternative meeting forms, such as video- and virtual conferencing. Priority is also given to choosing rail or transport by coach over air travel. In 2013 the number of business trips by air increased by 6.2%. This is due to an increase in travel in connection with the implementation of the new business system at Axfood's facilities throughout the country. All air travel in the Group is climate-compensated. Axfood lives up to its goal that all company cars satisfy the requirement to be classified as environmental cars.

From waste to resource

All Axfood stores, warehouses and offices sort their waste. Sorted material like shrink wrap and corrugated board are a potential source of income. In addition, all of Axfood's stores strive to use food waste for biogas production where possible. The ambition is to send food waste from all stores to biogas production plants.

Axfood is also working to prevent food shrinkage. Measures in this area include cooperation with catering companies, local solutions for donating food, better ordering routines and increased use of Autoorder.

Climate-smart products

Axfood strives to ensure that the products included in its assortment will have as little environment impact as possible. By gradually sharpening requirements placed upon suppliers, environmental impacts can be reduced.

The Group's purchases of palm oil illustrate the effects of Axfood's guidelines. Axfood replaces palm oil with other vegetable oils where possible and purchases green palm oil certificates that correspond to the volume of palm oil that is still used in certain private label products. Axfood's goal is that all palm oil used in the Group's private label products will be certified by 2015. In 2013 the decision was made that the Group will also purchase soybean certificates starting in 2014.

Increased support to Solvatten

In 2013 Axfood introduced a line of sparkling water sold in half-litre bottles for the benefit of the Solvatten clean water project in Uganda. Customers at a number of Willys and Hemköp stores have been able to buy the sparkling water, where half of the sales price of SEK 10 was donated to the Solvatten project. This is one form of support for a Swedish invention that gives people in developing countries access to clean drinking water.

Solvatten is a water container that uses the sun's ultraviolet rays and heat to purify water. In addition to giving people access to clean water, less wood is needed to heat up water for cooking and cleaning – a climate gain with a bonus!

During his visit to Sweden in 2013, U.S. President Barack Obama made reference to Solvatten and to Petra Wadström, the Swedish inventor behind Solvatten, which attracted considerable media attention. Axfood has been supporting Solvatten previously through climate compensation for business travel by air and through the Garant Säkert product line.

In November, Axfood representatives visited Uganda to meet families who use the Solvatten system, to find out what it entails for them.

About a dozen families in the capital city of Kampala as well as in the countryside all described how access to clean water has led to a better life and improved their financial situation. Money that they previously had to spend on fuel just to boil water can now be used for other purposes, including their children's school costs in many cases.



Priorities 2014

Continue work on improving energy efficiency in all aspects of operations.

Follow up how greater access to alternative forms of meeting has affected business travel.

Increase cooperation to reduce food shrinkage in stores and generate revenue from recycled material.

Customers – more options for safe choices

Axfood's customers want sustainable, safe foods that offer value for money. During the year, the Group made several important decisions that give consumers greater opportunities to make conscious and well informed decisions.



Source labelling and stricter standards

Axfood strives to help consumers find sustainable, healthy and safe foods at competitive prices.

During the year, the Group made the decision to mark its private label products with clearer information on the source of all main ingredients, not only meat.

In addition, new studies are leading to more stringent standards in existing frameworks. For example, the "Good Environmental Choice" ecolabel has raised its requirements for PVC plastic, which has led to changes in the assortment. The standards for vegetables included in dried products have also been raised. Now the same requirements apply for them as for fresh vegetables. A key aim is to avoid residuals from pesticides.

Animal welfare in focus

During the year, Axfood started a dialogue on animal husbandry together with the restaurant and foodservice operator Martin & Servera. The aim is to study consequences of using antibiotics in animal husbandry and to determine how Axfood should act in relation to its suppliers.

In 2013 Axfood decided to draw up an animal welfare certification for all of its private label products. The Group has also, as the first company in the industry, taken a stance against antiquated methods in hog farming, such as castration of pigs without anaesthesia.

Willys will stop selling eggs from caged hens entirely in 2014.

In 2013 Hemköp was the first food retail company to certify all of its fish counters in its wholly owned stores in accordance with the Marine Stewardship Council (MSC) standards. Growing interest from customers could be seen in higher sales of MSC-certified fish.

Organic product target achieved

Axfood's goal for 2013 that organic products would account for 3% of total food sales was achieved. Garant Ekologiska is Axfood's private label for reasonably priced organic food products. The product line is gradually being expanded. In 2013, organic and Fairtrade Certified bananas were introduced. The Fairtrade Certified private label Aware included ten products at year-end.

Quality assurance and ethical exclusions

Private label products play a key role in offering the best customer benefit. All food producers of private label products must be certified according to the Global Food Safety Initiative (GFSI) standards. Food safety is controlled in yearly analyses.

In the Group's wholly owned stores, Axfood refrains from selling products that are contrary to the Company's values, including pornographic magazines and cider and so-called alcopop beverages with an alcohol content higher than 2.25%.

The Group applies – and has participated in the drafting of – the industry-wide "Safe food in your store" guidelines.

Priorities 2014

Introduce clearer labelling of the source of main ingredients in all private label products.

Finish work on animal welfare certification and formulate standards.

Strengthen offering of and availability of organic products.



Guaranteed organic bananas

Sales of organic bananas rose sharply during the year as a result of alarming reports in the media about toxins in conventionally grown bananas. The Garant Ekologiska (organic) product line includes organic, Fairtrade Certified bananas that are packaged in biodegradable plastic bags. A QR code on the package links customers to a film about work on a banana plantation.

Organic banana plantations practice agriculture without toxins and pesticides, which is good for the plantation workers and good for the environment. In addition to a safer and more secure work environment and natural environment, organic banana plantations are contributing to the development of methods that are also benefiting conventional banana plantations. Fairtrade Certification is a voucher that production is conducted under fair working conditions.

Suppliers – the goal is a reliable and transparent supply chain



Axfood strives to participate in its suppliers' sustainability work and upholds generally accepted business practices and high ethical standards. Social audits are an important tool in this work, and all suppliers are expected to comply with laws, regulations and international conventions.

Code of Conduct applies to all

Axfood's Code of Conduct has been implemented throughout the Group since 2011 and applies for employees as well as suppliers. The Code is based on internationally recognized conventions for human rights, working conditions and the environment. Suppliers are also required to ensure that their sub-contractors in turn adhere to the Code.

Social audits

Axfood performs social audits on a yearly basis. The protocol for the audits is based on the international SA8000 social accountability standard. In 2013, a total of 23 (21) social audits were performed. The number continues to rise, and the audits have also been systematized.

Deviations from laws and conventions lead to a dialogue between Axfood and the supplier in question. If no improvements are made, then grounds exist to terminate the cooperation.

Alliances carry greater weight

During the year Axfood became a member of BSCI (the Business Social Compliance Initiative), which works to improve working conditions in factories and farms worldwide. This alliance has enabled more audits and inspections of suppliers to be performed. Axfood also participates in other industry alliances in its efforts to deal with challenges involving suppliers.



Priorities 2014

Ensure that Axfood adheres to the principles for membership in BSCI.

Continue increasing the pace of social audits through procurement of external support.

Study animal welfare audits.

Increase resources and competency in the purchasing organization.



On visit to China

Axfood's head of sustainability, together with employees from Axfood's purchasing office in Shanghai, visited a number of Chinese suppliers during the year. Axfood imports food as well as other products from China.

Before a new supplier is approved, a buyer pays a visit and performs a general control of the work environment and other social conditions, among other things. If the result is positive, a complete social audit is performed by Axfood's own auditor, who also has considerable knowledge about Chinese business culture and who checks to see that time cards and other documents have not been falsified.

Development in China has progressed rapidly. As a result of wage growth in recent years, Chinese companies are working to improve the efficiency of production processes in order to uphold their competitiveness. They are also finding it important to adapt their production and offerings to Axfood's environmental standards, such as by offering candles made of certified palm oil.

Employees – stronger business through ambitious diversity goals



Axfood is a firm believer that diversity enhances business benefit. The Group's vision is that its employees should reflect the diversity among the customers.

In 2013 the Board of Directors decided that 20% of managers in all Group companies should have an international background by 2020. Toward this end, together with the Axel Johnson Group, Axfood will participate in the Axelerate initiative, which aims to promote greater diversity in the organization.

The Group has also set a goal to achieve an even gender balance in management positions – a minimum of 40% and maximum of 60% shall be of either gender.

To accelerate achievement of this goal, in 2013 Axfood decided that there should always be one candidate of each gender for consideration when a management position is to be filled. At year-end 2013, the share of women in management positions was 25.0% (22.7%).

The Group also has the goal that 75% of managers should be recruited internally. The aim is to balance length of experience with new thinking.

Health and well-being

During the year, a Group-wide health strategy, "Omtag hälsa" ("Health reboot"), was launched,

involving joint rehabilitation processes, among other things. The goal is to reduce sickness-related absenteeism and promote a faster return to work after an illness.

Another aspect of the strategy is to adopt improved routines for incident reporting related to the work environment.

Grow with Axfood

All Axfood employees are to participate in yearly performance reviews. All stores have a defined set of competency requirements designed to highlight opportunities and requirements for the respective job roles.

The Axfood Academy is the Group's centre for training and development programmes, with a focus on digital training. Axfood offers e-learning courses in areas such as the environment, sustainability, age verification, safety and food hygiene.

In 2013 a total of 7,300 employees participated in 4,300 training days. In addition, more than 36,000 e-learning courses were completed.

Priorities 2014

Highlight competence succession with a focus on diversity.

Continue developing alternative meeting forms.

Implement the "Omtag hälsa" health strategy in an effort to reduce sickness-related absenteeism.

36,000
e-learning courses
were completed



Society – partnerships and dialogue on important responsibility issues



Axfood takes measures to preserve and uphold its relationships with society and its various stakeholders, ranging from consumers to authorities. Together with non-profit organizations and other business actors, the Group works with issues that require a broad base of participation or joint solutions.

Trade organization monitors regulations

The retail trade organization Svensk Dagligvaruhandel advocates for issues that involve the entire food retail industry. Among other things, the association develops standards and studies how EU legislation should be implemented in Sweden. Axfood also participates in other trade organizations, such as for packaging and newspaper recycling.

Company networks

Axfood is one of the founders of the Haga Initiative, whose aim is to reduce emissions from industry, combat climate change and serve as a role model. Members commit themselves to reducing their emissions by at least 40% by 2020. The Swedish Association of Environmental Managers, CSR Sweden and Handels Sakerhetsgrupp are three additional company networks that Axfood participates in.

Through Diversity Charter Sweden, which is part of a European company network, Axfood works actively with diversity based on a set of defined targets.

Non-profit organizations

The Axfood Group has long-standing partnerships with a number of non-profit organizations. Among others, Willys is a main partner to Save the Children Sweden and also cooperates with the Swedish Society for Nature

Conservation. Hemköp works together with SOS Children's Villages, among others, while the Group as a whole sponsors Save the Children.

With respect to issues related to oceans and fish, Axfood consults with WWF. Together with companies and organizations, Axfood participates in the Roundtable on Sustainable Palm Oil and the Round Table on Responsible Soy Association, both of which serve to safeguard sustainable production of palm oil and soybeans.

Axfood also maintains regular contact with a number of other stakeholder organizations, including Greenpeace, Fair Trade Center, the Swedish Consumers Association, Animal Welfare Sweden and Animal Rights Sweden.

Scandal opened new opportunities

Large parts of the Swedish food industry were shaken by news reports in the spring of 2013 about false product content labels in which beef turned out to be horse meat. Axfood was also affected, and some five tonnes of lasagne had to be recalled. The lasagne was entirely edible, but the content declaration had been falsified.

Axfood sought permission from the Swedish National Food Agency to distribute the lasagne to people in need instead of discarding it. On the condition that the mislabelled packages were removed and correct content declarations were provided, Axfood's request was approved. Together with St Clara Church in Stockholm, Axfood distributed the entire parcel of lasagne with horse meat to people in need.



Annual Report

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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 2013 financial year.

OPERATIONS

Axfood conducts food retail and wholesale business in Sweden. Retail business is conducted through the Willys, Hemköp and PrisXtra chains, with a total of 252 Group-owned stores at year-end (246). During the year a number of stores were established, acquired, sold or closed. Store conversions are also conducted between Axfood's various retail concepts. In 2013 eleven stores were established or acquired and five stores were closed or sold. In addition to Group-owned stores, Axfood collaborates with a large number of proprietor-run stores that are tied to Axfood through agreements, including stores in the Hemköp chain as well as stores operating under the Handlar'n, Tempo and Direkten brands. In all, Axfood collaborates with approximately 820 proprietor-run stores.

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

IMPORTANT EVENTS 2013

Sales in the food retail segment in Sweden remained favourable in 2013. Measured in current prices, sales rose 2.7%, according to Statistics Sweden and HUI. The price and calendar effect was 1.6%, entailing a 1.1% rise in sales volume for the food retail sector. Total food sales in 2013 are estimated at approximately SEK 232 bn.

- Sales in the food retail segment in Sweden remained favourable in 2013. Measured in current prices, sales rose 2.7%, according to data obtained from Statistics Sweden and HUI.
- Willys launched the digital customer programme Willys+.
- Effective 1 January 2013, the PrisXtra stores are part of Hemköp.
- Axfood Närlivs extended its agreements with Statoil, OKQ8 and Preem.
- During the year, Dagab continued to implement SAP at the distribution centres in Jordbro (Stockholm) and Backa (Gothenburg).
- Work continued with the new, integrated business system.

Operating profit amounted to SEK 1,302 m, compared with SEK 1,200 m a year ago, and sales totalled SEK 37,522 m (36,306). The operating margin was 3.5% (3.3%). Operating profit for the preceding year included an impairment loss of SEK 55 m for the PrisXtra brand. Excluding the impairment loss, operating profit for the preceding year totalled SEK 1,255 m, and the operating margin was 3.5%.

Willys' operations showed strong sales and continued favourable earnings. At the start of the year, Willys launched its new, digital customer programme, Willys+. The pace of modernization also remained high. Twelve new stores were opened, of which four were Willys Hemma units. But above all, investments were made in the ongoing modernization project in stores. During 2013, ten Willys stores were remodelled. The total number of stores was 183 (174), of which 136 were Willys and 47 were Willys Hemma. Sales for the year totalled SEK 20,394 m (19,407), and operating profit was SEK 808 m (796).

Hemköp reported stable sales for 2013, with continued focus mainly on adapting the assortment towards more fresh products, modernization of stores, strengthening customer relationships and better cost control. During the year, Hemköp also upgraded to a digital customer programme. As from 2013 the four PrisXtra stores are part of Hemköp. The comparative figures for 2012 have been adjusted. The number of stores at year-end was 180 (186), of which 111 (114) are proprietor-run. Sales totalled SEK 5,578 m (5,584), and operating profit was SEK 151 m (149), including restructuring costs of SEK 1 m (14).

Axfood Närlivs showed continued positive development during the year, mainly in the Axfood Snabbgross and Axfood Närlivs Nationwide Customers business areas. During the year, the agreements with Statoil, OKQ8 and Preem were extended. The agreement with Statoil is for five years and now

covers, for the first time, the supply of fresh products to the entire chain. Axfood Närlivs now has customer agreements with all of the leading service station chains and convenience retail chains in Sweden. Axfood Närlivs' sales totalled SEK 6,489 m (6,336), and operating profit was SEK 140 m (114).

Dagab's operations during the year were dominated by the implementation of the new SAP business system. Capacity at the central distribution centres in Stockholm and Gothenburg was also coordinated, modernized and expanded. A new cold storage warehouse was inaugurated in Gothenburg. Sales for Dagab in 2013 totalled SEK 25,509 m (24,634), and operating profit was SEK 114 m (168).

The work on implementing a new, integrated business system continued according to plan during the year. The main phase of the project in 2013 involved continued implementation of the product supply system, with a release at Dagab Jordbro during the spring and two additional releases during the autumn, at Dagab Backa and at Axfood Närlivs in Skellefteå. The entire system is expected to be in operation in 2014.

COMBINATION OF HEMKÖP AND PRISXTRA

Effective 1 January 2013 PrisXtra ceased to be an own segment in the reporting and became part of Hemköp. The comparative figures for 2012 have been adjusted and are shown in the table below.

Hemköp 2012, pro forma quarterly figures

	Q1	Q2	Q3	Q4
<i>Sales</i>				
PrisXtra	132	130	113	127
Hemköp	1,239	1,271	1,225	1,347
Hemköp total	1,371	1,401	1,338	1,474
<i>Operating profit</i>				
PrisXtra	4	5	4	3
Hemköp	24	22	32	55
Hemköp total	28	27	36	58

Hemköp 2012, pro forma accumulated

	Q2	Q3	Full year
<i>Sales</i>			
PrisXtra	262	375	502
Hemköp	2,510	3,735	5,082
Hemköp total	2,772	4,110	5,584
<i>Operating profit</i>			
PrisXtra	9	13	16
Hemköp	46	78	133
Hemköp total	55	91	149

NET SALES

Consolidated net sales for the Axfood Group rose 3.3% to SEK 37,522 m (36,306). Retail sales including Hemköp franchises totalled SEK 31,868 m (30,959), an increase of 2.9% compared with the preceding year. Sales for Group-owned stores rose 3.9% for the year, with a 1.9% rise in like-for-like sales. A breakdown of sales per chain is shown in the table below.

Store sales, Group-owned and franchises

2013	2013, SEK m	%	Like-for-like sales, %
Hemköp	5,500	-0.2	0.9
Hemköp franchises	5,974	-1.1	2.8
Hemköp total	11,474	-0.7	1.9
Willys total	20,394	5.1	2.2
Total	31,868	2.9	2.1

EARNINGS

Operating profit totalled SEK 1,302 m (1,200). Operating profit in the preceding year was charged with an impairment loss of SEK 55 m for the PrisXtra brand. Excluding the impairment loss, operating profit in the preceding year totalled SEK 1,255 m. The operating margin was 3.5% (3.3%), and the operating margin for the preceding year excluding impairment was 3.5%. After net financial items of SEK -24 m (-38), profit for the year totalled SEK 1,278 m (1,162). After taxes of SEK -285 m (-260), net profit for the year was SEK 993 m (902).

Condensed statement of comprehensive income

	2013	2012
Net sales, SEK m	37,522	36,306
Operating profit, SEK m	1,302	1,200
Operating profit excl. impairment, SEK m	1,302	1,255
Operating margin, %	3.5	3.3
Operating margin excl. impairment, %	3.5	3.5
Profit after financial items, SEK m	1,278	1,162
Net profit for the year, SEK m	993	902
Earnings per share, SEK	18.80	17.20

CAPITAL EXPENDITURES

Capital expenditures for the year totalled SEK 806 m (932). Of these, SEK 43 m (175) pertained to acquisitions of businesses, SEK 432 m (386) to investments in non-current assets in the retail operations, SEK 86 m (86) to investments in non-current assets in the wholesale operations, and SEK 121 m (211) to investments in IT development.

In 2013 four stores and one in-store service counter were acquired. Two stores were converted to Willys Hemma, one to Willys and one to Hemköp. The combined consideration paid for acquisitions in 2013 was SEK 43 m.

The consideration was paid in cash, and SEK 5 m remains to be paid. Axfood's share of ownership in the acquired stores is 100% after the acquisitions. No acquisitions were made after the balance sheet date. For further information about acquisitions, see Note 3.

FINANCIAL POSITION

Cash and cash equivalents held by the Group amounted to SEK 457 m (521) at 31 December 2013. Cash flow from operating activities was SEK 1,596 m (1,915). After net capital expenditures of SEK -718 m (-816), net borrowings and payment of the dividend, together totalling SEK -942 m (-895), cash flow for the year was SEK -64 m (204).

Interest-bearing assets (cash and cash equivalents) decreased by SEK 64 m to SEK 457 m (521), and interest-bearing liabilities and provisions decreased by SEK 326 m to SEK 535 m (861). Interest-bearing liabilities include SEK 410 m (432) in provisions for pensions. Interest-bearing net debt decreased by SEK 262 m to SEK 78 m (340).

The equity ratio was 42.6% (38.8%), and the debt-equity ratio, net, was 0.0 (0.1).

SEASONAL VARIATIONS

Axfood has no significant seasonal variations in its operations.

PARENT COMPANY

Other operating income for the Parent Company amounted to SEK 164 m (184) for the year. After selling and administrative expenses of SEK -270 m (-284) and net financial items totalling SEK 3 m (-3), profit totalled SEK -103 million (-103). Appropriations totalled SEK 1,010 m (973). Of appropriations, SEK 1,314 m (1,261) pertains to Group contributions received. Capital expenditures totalled SEK 29 m (4). Cash and cash equivalents held by the Parent Company totalled SEK 114 m (0).

At year-end the Parent Company had no interest-bearing receivables outside the Group. Interest-bearing net debt decreased by SEK 43 m and was SEK 306 m (349) at year-end.

EMPLOYEES

Axfood had an average of 8,285 full-time employees in 2013. During the year a review was performed of the calculation of the number of employees, which led to an adjustment of the number of employees in the preceding year. The number of employees in 2012 was 8,021. Of total employees, 46% (46) were men and 54% (54) were women. The share of

employees who work in the retail operations was 73% (73%), while the share who work in the wholesale operations was 20% (20%).

Axfood has the industry's most ambitious goals for diversity. This is a key initiative in order for the Group to be in tune with its customers and the external environment, and is grounded in the conviction that diversity strengthens Axfood's business and innovativeness. Axfood is a firm believer that diversity enhances business benefit. The Group holds the conviction that the employees should reflect the diversity among the customers and offers equal opportunity for everyone. In 2013 the Board of Directors set the goal that 20% of managers in all Group companies should have an international background by 2020.

The Group has also set a goal to achieve an even gender balance in management positions. Among persons in senior positions with personnel responsibility, a minimum of 40% and maximum of 60% shall be of either gender. To accelerate achievement of this goal, in 2013 Axfood decided that there should always be one candidate of each gender for consideration when a management position is to be filled. At year-end 2013, the share of women in management positions was 25.0% (22.7%).

Axfood conducts employee surveys on a regular basis. In the most recent survey, which was carried out in 2012, an Employee Satisfaction Index (ESI) score of 91% was measured, which can be compared with the industry average of 85%.

Depending on what business they are engaged in, Axfood AB and its subsidiaries are bound by at least one of the four nationwide collective agreements that have been concluded for the retail trade, the wholesale trade, food workers or salaried employees. The Commercial Employees Union is the union counterpart for the first two of these, the Swedish Food Workers' Union is the union counterpart for the third category, and Unionen and Akademikerförbunden are the union counterparties for salaried employees. All employees are covered by collective bargaining agreements, which regulate pay and terms of employment, such as notice periods. Ordinarily the agreements also emphasize the importance of performance reviews for identifying needs for competence-raising measures. With respect to guidelines for compensation and other terms of employment for the CEO and other senior executives, see the Corporate Governance Report on page 48.

AXFOOD SHARES AND OWNERSHIP

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

Axfood is listed on Nasdaq OMX Stockholm AB's Large Cap list. The principal owner is Axel Johnson AB, with ownership of 50.1% of the shares (votes and capital). At year-end Reitangruppen AS owned 15.6% of the shares in Axfood. No other shareholder owns – directly or indirectly – more than 10% of the shares in Axfood (votes and capital). Axel Johnson's and Reitan's ownership stakes were unchanged in 2013.

Axfood's employees do not own shares in which the voting rights for such shares cannot be exercised directly (for example, through a pension foundation). No incentive programmes exist for Axfood employees that affect Axfood's share structure.

The members of Board of Directors and any deputy directors are elected by the Annual General Meeting for terms extending until the next Annual General Meeting. Axfood's articles of association make no stipulation on the appointment or dismissal of directors. No authorization has been issued by the Annual General Meeting to the Board of Directors that Axfood AB shall issue or buy treasury shares in the Company.

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

meet the Group's targets. The mandate applies until the 2014 Annual General Meeting and covers a maximum of ten stores. Within the framework of the current mandate, three stores have been sold or agreements have been reached on the sale. A total of four so-called 91/9 stores have been sold since the 2012 Annual General Meeting.

RESEARCH AND DEVELOPMENT 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

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

Axfood's operations are affected by environmental policy decisions as well as by environmental opinion and consumer demand. The Company therefore monitors developments in this area and prioritizes climate and environmental aspects in order to minimize risks and be proactive in its efforts to comply with new standards. Axfood works systematically for continuous improvement in the prioritized environmental areas of energy consumption, transports and recycling. Results are achieved through a long-term commitment involving both large and small measures. The Company analyses the value chain to identify which initiatives have the greatest impact. The Executive Committee and Head of Environment and Social Responsibility are responsible for overarching strategies, goals and actions, and follow-up. The individual companies and divisions, in turn, have operational responsibility.

Axfood's sustainability programme is an important governance tool for the Group's sustainability work. The programme describes goals, actions and results of the Group's sustainability work and is revised once a year in pace with the achievement of goals and the emergence of new opportunities. Among the overall goals can be mentioned sustainable products, lower environmental impacts from transports and travel, and lower energy consumption. Axfood is also working to create workplaces characterized by commitment, diversity and opportunities to develop.

During the year, installation of a system for monitoring energy consumption in stores and warehouses continued. To further reduce

energy consumption, during the year Dagab installed one of Sweden's largest solar panel systems at its cold storage warehouse in Gothenburg. On a yearly basis the system covers up to 10% of the warehouse's energy needs. Dagab's energy consumption decreased by 4.6% in 2013 compared with the preceding year, which is well in line with the goal of a 5% decrease.

In addition, the goal that organic products should account for 3% of total food sales was achieved during the year.

BUSINESS ETHICS AND PRODUCT RESPONSIBILITY

According to the Axfood Group's Code of Conduct, Axfood shall conduct its business in accordance with generally accepted business practice and high standards of business ethics. The Company adheres to a policy that lays out the Group's position on the offering and accepting of bribes and corruption. All pertinent employees have certified in writing that they have read the policy. In 2013, slightly more than 1,070 affected employees (900) signed such a certification.

Axfood's customers want sustainable, safe foods that offer value for money. During the year, the Group made several important decisions that give consumers greater opportunities to make conscious and well informed decisions. During the year, the Group made the decision to mark its private label products with clearer information on the source of all main ingredients, not only meat.

In 2013 Axfood decided to draw up an animal welfare certification for all of its private label products. The Group has also, as the first company in the industry, taken a stance against antiquated methods in hog farming, such as castration of pigs without anaesthesia. In 2013 Hemköp was the first food retail company to certify all of its fish counters in all of its wholly owned stores in accordance with the Marine Stewardship Council (MSC) standards. Growing interest from customers could be seen in higher sales of MSC-certified fish.

Axfood's goal for 2013 was that organic products would account for 3% of total food sales. The result was 3.0%. Garant Ekologiska varor is Axfood's private label for reasonably priced organic food products. The product line is gradually being expanded. In 2013, organic and Fairtrade Certified bananas were introduced.

EVENTS AFTER THE BALANCE SHEET DATE

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

FUTURE OUTLOOK

Axfood's goal for 2014 is to exceed the level of profit in 2013.

ANNUAL GENERAL MEETING 2014

The Annual General Meeting of Axfood AB (publ) will be held at 5 p.m. (CET) on Wednesday, 12 March 2014, at Cirkus, Stockholm.

Proposed dividend for 2013

The Board of Directors proposes a dividend of SEK 15.00 per share (12.00) for 2013, corresponding to a total dividend of SEK 787 m (630), based on the number of shares outstanding at year-end 2013. Monday, 17 March 2014 has been proposed as the record date for entitlement to the dividend. The last day for trading in the Company's stock

including the right to the dividend for 2013 will thus be 12 March 2014.

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 56 and forward, along with accompanying comments.

Risks and risk management

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

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

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

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

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

OPERATIONAL AND STRATEGIC RISKS

Business risks

Fire

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

IT structure

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

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

Suppliers

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

Labour market conflicts

Labour market conflicts, i.e., a strike or lock-out in any area of the business, could disrupt operations. However, in Sweden this is less common than in many other European countries. Sweden's labour market parties generally strive for stability in the workplace and multi-year contracts. In addition, contracts are usually coordinated centrally, which limits the risk for protracted conflicts.

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

Liability and confidence risks

Axfood is one of the leading food retailers in Sweden, and therefore its ability to meet stakeholders' expectations for quality,

Financial risk management at Axfood is described in more detail on pages 41–42. In the Corporate Governance Report, on pages 43–55, a detailed description is provided of the Company's internal control and risk assessment, which are intended to prevent errors in the financial statements. Preventive work for mitigating liability risks, sustainability risks, and risks for violation of laws, rules and regulations, is described in Axfood's sustainability report.

transparency, compliance with laws and standards as well as social and ethical norms is decisive for earning customers' trust. Examples of issues the Group must deal with daily include food safety, hygiene, the cold chain and product liability for products that could cause property damage or personal injury. Should a serious defect be discovered in any of these areas, a major risk would arise for financial loss as well as damage to the brand, which could also have an impact on Axfood's market capitalization. Axfood works actively with these issues, including through extensive internal control programmes at stores and quality assurance of the Group's private label products. Such a control programme entails that stores conduct certain daily arrival controls and temperature controls at the departmental level. Clear routines are in place for handling e.g., unpackaged foods to ensure that food hygiene is maintained and to uphold the integrity of the cold chain.

Axfood conducts extensive quality and safety work particularly of its private label products, but also of other products in its assortment. Quality assurance is conducted at several levels before a supplier is approved. Axfood also makes recurring visits and/or conducts audits at suppliers to discuss product knowledge and product development, and looks into and follows up any defects where applicable.

A more detailed description of Axfood's work with quality assurance and food safety can be found in Axfood's sustainability report, which is available at axfood.se.

Sustainability risks

Environmental policy decisions as well as changes in supply and demand and environmental opinion could affect Axfood, not least in the form of higher taxes or compelling investments. The Company therefore monitors developments in this area and prioritizes climate and environmental aspects in all parts of its operations in order to be proactive in its ability to comply with new stipulations and requirements. Axfood's sustainability report includes a description of how Axfood's work with environmental and company liability is conducted.

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

Violations of laws, rules and regulations

For Axfood it is of great importance to comply with laws and other rules and regulations as well as to conduct business in accordance with generally accepted business practice. Violations or negligence in these areas could

harm the Company's reputation and result in sanctions as well as fines. For risk prevention purposes, Axfood has therefore established a number of policies, a well-working system of internal control, and an ethical approach at all levels. The Axfood Code of Conduct was updated in 2013 and is described in more detail in Axfood's sustainability report.

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.

Risks for errors in financial reporting

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

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

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

¹⁾ Fully or in part

FINANCIAL RISKS

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

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

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

Financing and liquidity risk

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

To limit the risk of the Axfood Group's inability to finance the Group's operations at any given time, a refinancing risk reserve has been established, which is broken down into a liquidity reserve and an operating reserve, in accordance with the finance policy. The refinancing risk reserve shall amount to SEK 300 m (300) and may be used during individual weeks in the event of short-term movements in liquidity. On 31 December 2013 the refinancing risk reserve amounted to SEK 860 m (806). 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.

Committed credit lines are to have a minimum average remaining contract term of 12 months. As per 31 December 2013 the average remaining contract term was 729 days (767). Information on confirmed and drawn credit lines, as well as maturity dates for utilized credits, is provided in Note 29.

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

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

Axfood regularly follows up its capital structure on the basis primarily of the equity ratio. The target for the Group is to have an equity ratio of at least 25% at any given time

and to distribute a minimum of 50% of profit after tax for the year to the shareholders.

Market risk

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

Interest rate risk

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

Interest rate risk and cash flow risk in the Group's debt portfolio shall be limited. The norm is to have terms of fixed interest that entail a risk-neutral position. This is achieved by maintaining short terms of fixed interest, which is defined as a remaining average term of fixed interest of 12 months. This interest risk norm applies only when the Group has a need for long-term borrowing. For commercial and administrative reasons, the finance department may also act within the framework of a limited deviation mandate. In terms of amount, this deviation mandate is set at SEK 4 m for a one percentage point parallel shift in the yield curve. As per 31 December 2013 the Axfood Group had no long-term borrowing from credit institutions, and in the

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

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

same way as the preceding year, the deviation mandate was not exercised. Thus at the end of the reporting period, there was no amount that would affect earnings and shareholders' equity in the event of a one percentage point change in the interest rate.

Sensitivity analysis for interest rate risk

The effect on interest expense during the coming 12-month period of a one percentage point increase or decrease in interest rates amounts to SEK 0.2 m (0.3), taking into account the interest-bearing liabilities that do not carry fixed rates of interest and which were held at the end of the reporting period. The corresponding effect of interest-bearing assets on interest income is SEK 1 m (0).

As per the end of the reporting period, a one percentage point change in interest rates would not entail any change in the fair value of financial liabilities. In the preceding year this would have entailed a change by SEK 1.8 m.

Currency risks

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

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

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

Approved hedge instruments are spot contracts, forward exchange contracts and currency swap contracts. In 2013 hedges were taken out using these instruments. As per 31 December 2013, all outstanding currency forward contracts, with a nominal value of SEK 368 m (329), were restated to fair value. A compilation of outstanding forward contracts is provided in Note 32.

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

Sensitivity analysis regarding currency risk 2013

Currency	SEK m	10% change in exchange rate vs. SEK, SEK m
EUR	2,359	235.9
USD	151	15.1
DKK	22	2.2
NOK	28	2.8
GBP	1	0.1
Total	2,561	256.1

The sensitivity analysis above shows a hypothetical impact on cash flow and profit before tax, and before taking currency hedges into account. Currency hedges are always taken out no later than at the time orders are placed, and the hedge rate is always coupled to the respective orders. Based on this value, the price in stores is then determined for the respective products. For further information regarding exchange rate differences and exposures, see Note 32.

Credit risks

In the Axfood Group, credit risks and credit losses are mainly attributable to trade accounts receivable, although some risks are coupled to a few minor guarantee commit-

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

Financial assets are reported in the statement of financial position after deducting provisions for possible credit losses. Added to these provisions are provisions for estimated losses on guarantee commitments made by Axfood. These pertain mainly to guarantees for bank financing for Hemköp franchisees. Axfood charges a going-rate commission for issuing these guarantees. Outstanding guarantee commitments amount to SEK 8 m (14) and are reported under contingent liabilities, see Note 31. There is no concentration of credit risks, neither through exposure to individual borrowers nor groups of borrowers whose financial situation is such that it can be expected to be affected in a similar manner by changes in the external environment. For further information on trade accounts receivable, see Note 25. The Parent Company did not have any external credit risks at year-end.

Corporate governance report 2013

CHAIRMAN'S MESSAGE

My ambition is that everyone who comes in contact with Axfood will encounter a company that is well-managed, conducts its business in an orderly fashion and has the right person in the right place. For the Board of Directors of Axfood it is therefore a priority that we ensure that we have the tools, processes and people whose contributions help us to live up to stakeholders' expectations. This creates a foundation for high trust and is an essential base for us to be able to grow and develop in accordance with our goals.

"Our mission: to manage the customers' trust and focus on the future"

During the year we put considerable energy into discussing the major, strategic investments we have made for profitable growth. We have invested in modernizing our stores, and we have had a high pace of new establishment. At the same time, both Willys and Hemköp have carried out a major undertaking in launching the market's most modern customer programmes. This is a prerequisite for our ability to grow and attract more satisfied and loyal customers.

In 2013 we continued with the implementation of the new business system, which is helping us to ensure efficient processes and good internal control, among other things. With this in place, we can focus on developing appealing customer offerings and addressing the challenges of the future.

Good corporate governance creates trust

The Board of Axfood has been entrusted by the owners to manage their capital. Executing this requires that the customers appreciate our offerings, that our employees see us as an attractive employer, and that we are good citizens who contribute to sustainable development.

Axfood's employees own the daily interactions with our customers. So, obviously they play a key role in earning our customers' trust. As an employer, Axfood in turn will offer opportunities for the employees to grow and develop.

Axfood aspires to serve as a good model in society and positive force for change that

creates jobs and tax revenue, offers first-rate food retail trade and contributes to sustainable development of society. We have an ambitious strategic sustainability target – to be best in the industry in environmental and social responsibility.

I have served as Chairman of Axfood's board since 2009, and every year I perform an evaluation of our joint work. I can report that the Board has worked well together and that we have a good mix of expertise and experience on the Board.

I look forward to working together with the rest of the Board, the Executive Committee and all of our employees to continue developing Axfood as Sweden's leading food retailer. This work requires that we all continuously have the customer's best interests in mind. Because if the customers are happy, then we are on the right path. It's that simple.

Fredrik Persson
Chairman of the Board



Corporate governance at Axfood aims to create conditions to exercise an active and responsible ownership role, ensure the owners' ability to assert their interests vis-à-vis the Company's management bodies, more clearly delineate the division of roles and responsibilities between management and control bodies, and to ensure the best possible openness vis-à-vis the owners and capital market. Good corporate governance also ensures effective decision-making, which increases Axfood's chances to take advantage of new business opportunities. The Corporate Governance Report is part of the Company's Administration Report and is reviewed by the Company's auditors. The auditors' review is included in the Audit Report on page 87.

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

EXTERNAL GOVERNANCE INSTRUMENTS

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

INTERNAL GOVERNANCE INSTRUMENTS

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. The Board has also

adopted numerous policies, guidelines and instructions that contain binding rules for all of the Group's operations.

In addition, the Company works actively with its core values as strategic governance instruments for all employees in the Group.

SWEDISH CORPORATE GOVERNANCE CODE

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

DEPARTURE FROM THE CODE, RULE 2.5:

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

Explanation:

The Nominating Committee's composition is based on shareholder statistics as per 31 August and is publicly announced in connection with publication of the third quarter interim report in October. Since Axfood's Annual General Meeting is held relatively early in the year (in March), announcement of the Nominating Committee is made approximately five months before the AGM. This is considered by the AGM to be sufficient time for the Nominating Committee to perform its duty.

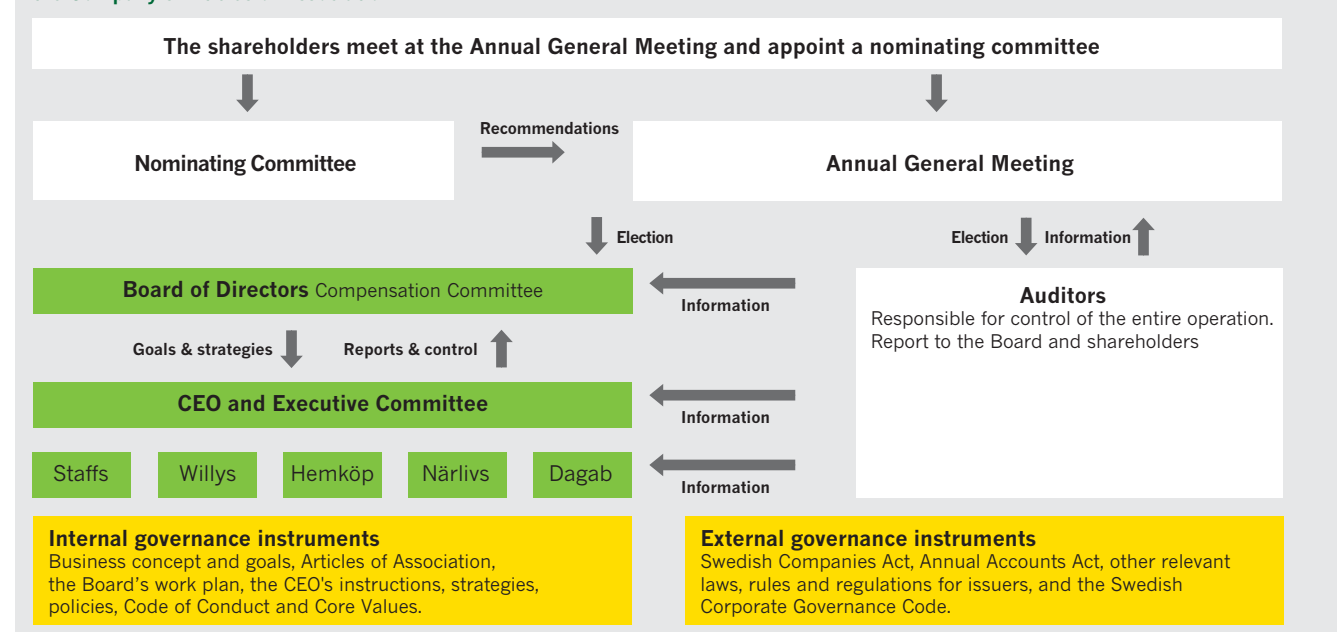
tion with publication of the third quarter interim report in October. Since Axfood's Annual General Meeting is held relatively early in the year (in March), announcement of the Nominating Committee is made approximately five months before the AGM. This is considered by the AGM to be sufficient time for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

SHAREHOLDERS

Axfood's shares have been listed on the Stockholm Stock Exchange since 1997 and have been traded since October 2006 on Nasdaq OMX Stockholm's Large Cap list. The Company has 52,467,678 shares outstanding, and the number of shareholders at year-end was 15,701 (15,363). All shares have equal voting power and equal right to the Company's profit and equity. The largest single owner since the Company's stock market introduction has been Axel Johnson AB, whose ownership at year-end was unchanged at 50.1%. The second largest shareholder is

GOVERNANCE MODEL

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



Reitangruppen AS, whose holding at year-end amounted to 15.6% of the shares and votes. At year-end, private individuals and closely held companies owned 60.7% of the shares (60.9%), while foreign shareholders owned 28.0% (27.2%). For further information on Axfood's shares, see pages 90–91.

2013 ANNUAL GENERAL MEETING

Axfood's Annual General Meeting (AGM) was held in Stockholm on 13 March 2013. A total of 248 shareholders and representatives were in attendance, representing 40,069,863 shares, corresponding to 76.4% of the shares and votes in the Company.

Resolutions

The AGM made the following resolutions:

- In accordance with the Board's proposal, to pay an ordinary dividend of SEK 12 per share (12) for the 2012 financial year;
- That the Board shall consist of seven members without deputies;
- That directors' fees shall be payable in a combined amount of SEK 2,400,000, in accordance with the Nominating Committee's recommendation. The fees are unchanged since 2011 and shall be apportioned as follows:
 - SEK 525,000 for the Chairman
 - SEK 375,000 for the Vice Chairman
 - SEK 300,000 for each of the other AGM-elected directors
 - No fees are payable for committee work;
- Re-election of Fredrik Persson as Chairman of the Board, in accordance with the Nominating Committee's recommendation;
- Re-election of board members Antonia Ax:son Johnson, Peggy Bruzelius, Odd Reitan, Marcus Storch and Annika Åhnberg, and new election of Lars Olofsson, in accordance with the Nominating Committee's recommendation;
- To adopt guidelines for appointment of the Nominating Committee, in accordance with the Board's recommendation. These guidelines are unchanged compared with previous years:

- The owner who, based on ownership statistics from Euroclear Sweden AB on 31 August, has the most shares and votes, shall after consulting with the three subsequently largest shareholders, appoint a nominating committee consisting of five persons;
- If a material change takes place in the ownership structure after the Nominating Committee has been constituted, then the composition of the Nominating Committee shall also be changed;
- The Board is responsible for convening the Nominating Committee;
- To adopt guidelines for employees' purchases of shares in subsidiaries (unchanged from 2012);
- Since KPMG, with Thomas Thiel as chief auditor, was elected at the 2012 AGM as auditor for the period extending through the end of the 2014 Annual General Meeting, no new election of auditor was held.

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

NOMINATING COMMITTEE AHEAD OF 2014 AGM

In accordance with the principles for appointment of the Nominating Committee that were adopted by the 2013 AGM, the owner with the largest number of shares and votes shall, together with the three subsequently largest shareholders, appoint the Nominating Committee.

The largest owners as per 31 August 2013 were:

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

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

five members, and all are considered to be independent in relation to the Company and the Executive Committee.

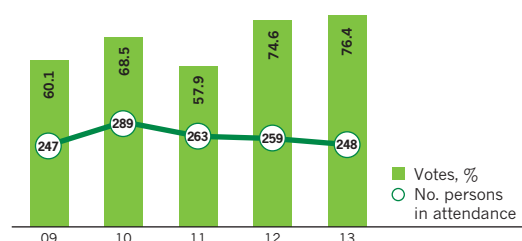
The members of the Nominating Committee ahead of the 2014 AGM were:

- Hans Dalborg, appointed by Axel Johnson AB, committee chair
- Kristin S. Genton, Reitangruppen AS
- Tomas Hedberg, Swedbank Robur funds
- Johan Strandberg, SEB funds
- Jonas Hillhammar, Axfood's Shareholder Association
- Fredrik Persson, Chairman of the Board of Axfood, co-opted member

WORK OF THE NOMINATING COMMITTEE

The Nominating Committee is tasked with making recommendations ahead of the Annual General Meeting on the number of directors, the Board's composition and on directors' fees, including any special fees that may be payable for committee work. The Nominating Committee is also tasked with submitting recommendations for the person to be elected as Chairman of the Board, a chairman to preside over the Annual General Meeting and, where applicable, for election of auditors and their fees. The Chairman of the Board presents an annual evaluation of the Board's work during the year to the Nominating Committee, and this forms the basis of the Committee's work – along with the corporate governance requirements stipulated in the Swedish Corporate Governance Code and Axfood's own company-specific needs. The Nominating Committee's recommendations for board members, directors' fees and election of auditors are presented in the notice of the Annual General Meeting. A statement explaining the Nominating Committee's recommendations on the Board's composition is published on Axfood's website in connection with publication of the AGM notice. All shareholders have the right to submit nominations of board members to the Nominating Committee. Nominations are to be submitted to the Nominating Committee chair. The Nominating Committee's recommendations for board members, directors' fees and auditors

AGM ATTENDANCE 2009–2013



COMPOSITION OF NOMINATING COMMITTEE

Name	Representing	Share of votes as per 31/8/2013, %
Hans Dalborg	Axel Johnson AB, committee chair	50.1
Kristin S. Genton	Reitangruppen AS	15.6
Johan Strandberg	SEB funds	2.5
Thomas Hedberg	Swedbank Robur funds	2.5
Jonas Hillhammar	Axfood's Shareholder Association	0.2 ¹⁾

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

¹⁾ Share of ownership according to the proxies held by the Shareholder Association at the 2013 AGM.

are presented in the AGM notice. The Nominating Committee held two meetings during the year in preparation for the 2014 Annual General Meeting. No compensation was paid for the members' work on the Nominating Committee.

BOARD OF DIRECTORS

The Articles of Association prescribe that Axfood's board of directors shall consist of a minimum of three and maximum of ten AGM-elected ordinary directors with a maximum of two deputies. The Board shall be composed of members who possess a well-balanced mix of expertise that is vital for managing Axfood's strategic work in a responsible and successful manner. Examples of such expertise include knowledge about the retail industry, corporate governance, compliance, finance, financial analysis and compensation matters. Previous board experience is another important area of expertise. Axfood's board is made up of seven directors who each have important expertise and experience for Axfood that amply covers these areas. The composition of the Board of Directors is shown in the table below. A more detailed presentation of the board members is provided on pages 52–53. In 2013 Axfood's board consisted of seven AGM-elected directors and no deputies. This is the same number of board members as in the years 2009–2012. Three directors and three deputies are appointed by the employees. Axfood's CEO, Anders Strålmán, is not a member of the Board, but participates at board meetings in a reporting role. Karin Hygrel-Jonsson, Axfood's Chief Financial Officer, serves as company secretary.

Independence

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

pendent in relation to the Company's major shareholders. Axfood's board has been judged to meet the requirements for directors' independence, as all of the AGM-elected directors are independent in relation to the Company and the Executive Committee. Two of the directors, Peggy Bruzelius and Annika Åhnberg, are also considered to have met the requirement for independence in relation to the Company's major shareholders. Fredrik Persson has not been found to be independent in relation to the Company's major shareholders, since he is President and CEO of Axfood's largest shareholder, Axel Johnson AB. Antonia Ax:son Johnson and Marcus Storch, who serve as Chairman and as a board member, respectively, of Axel Johnson AB, have not been found to be independent in relation to the Company's major shareholders. Odd Reitan is Chairman of the Board of Reitangruppen AS and Axfood's second-largest shareholder. He has therefore not been found to be independent in relation to the Company's major shareholders.

Changes in the Board during 2013

Ahead of the 2013 AGM, board member Maria Curman declined re-election. Maria Curman had been a board member since 2003. As a result of this, the Nominating Committee proposed Lars Olofsson as a new director on the Board. His nomination was passed by the 2013 AGM. Lars Olofsson (born 1951) has a degree in economics from Lund University. He was active in the food retail sector from 1976 to 2008, including service with Nestlé, where he held executive positions in various Nestlé group companies for more than 30 years, serving as Executive Vice President from 2001 to 2008. Most recently, from 2009 until mid-2012, he served as CEO and Chairman of Carrefour S.A., Europe's largest, and the world's second-largest, retail company. Lars Olofsson is independent in relation to the Company and the Executive Commit-

tee, but non-independent in relation to major shareholders of Axfood.

The Board's work

Each year the Board adopts a written work plan that lays out the Board's responsibilities and regulates the Board's and directors' internal division of duties and the decision-making process within the Board. The work plan also regulates the Board's meeting schedule, summonses to board meetings, agendas and minutes of board meetings, and the Board's work with accounting and auditing matters. The work plan also regulates how the Board is to receive information and documentation as a basis for its work so as to be able to make well-grounded decisions. Axfood's board holds a statutory meeting immediately after the Annual General Meeting. Thereafter the Board is to have at least four meetings per calendar year. Each of the regular board meetings follows a set agenda that is stipulated in the Board's work plan and includes such points as the CEO's report, financial reports, investments and strategic matters. The Board has chosen to appoint a compensation committee from among its members to deal with compensation matters more in-depth. The Board as a whole serves as an audit committee.

BOARD WORK DURING THE YEAR

The Board held seven meetings in 2013, including the statutory meeting. Prior to the board meetings, the directors received written material covering the items of business to be dealt with at each meeting. The CEO's status report is a standing agenda item at every board meeting, as is a follow-up report on earnings performance. Store investments and establishment matters are also items of business at every board meeting. Every quarter the Company's interim reports are reviewed – in February, April, July and October. The board meetings during the first half of 2013

COMPOSITION OF THE BOARD OF DIRECTORS

Name	Year elected	Independent	Total fee, SEK	Compensation Committee	ATTENDANCE	
					Board meetings	Committee meetings
Fredrik Persson (Chairman of the Board)	2008	No	525,000	Yes	7/7	2/2
Marcus Storch (Vice Chairman of the Board)	2000	No	375,000	Yes	6/7	2/2
Antonia Ax:son Johnson	2000	No	300,000	Yes	5/7	1/2
Peggy Bruzelius	2000	Yes	300,000	–	5/7	–
Maria Curman ¹⁾	2003	Yes	75,000	–	1/7	–
Lars Olofsson ¹⁾	2013	No	225,000	–	6/7	–
Odd Reitan	2009	No	300,000	–	5/7	–
Annika Åhnberg	2000	Yes	300,000	–	6/7	–
Ulla-May Iwahr Rydén (Employee representative)	–	–	–	–	7/7	–
Michael Sjöström (Employee representative)	–	–	–	–	5/7	–
Inger Sjöstrand (Employee representative)	–	–	–	–	6/7	–
Total			2,400,000			

¹⁾ Maria Curman was a board member through the 2013 AGM, and Lars Olofsson for the time thereafter.

covered the year-end book-closing and annual report, reports from the auditors, the Compensation Committee and Nominating Committee, and matters of business ahead of the Annual General Meeting. The Board also held a statutory meeting in connection with the Annual General Meeting. In April the Board adopted the work plan for the Board and for the Compensation Committee. In addition, the Board reviewed many of the policies that are important governance instruments within the Axfood Group, including the credit and finance policy, the investment policy, and the IR and communication policy. At the board meeting in June the Board discussed strategic issues. In addition to follow-up and evaluation of the strategy for 2013, the Board also discussed e-commerce and the Swedish beef market. During the autumn the Board adopted the business plan that had been drawn up during the year by the subsidiaries and the Executive Committee. Other important business-related matters included the discount strategy for private label products, the strategy for digital business, and methods for recruiting store managers. The Board also addressed the report from the auditors and reviewed the Company's internal control and compliance, and conducted its annual evaluation of the Board with a subsequent report to the Nominating Committee. All of these matters are closely tied to Axfood's goals and strategies. The Board's work during the year is illustrated in the diagram below.

Compensation Committee

The Compensation Committee is tasked with discussing, deciding and making recommen-

dations on salaries, other terms of employment and incentive programmes for members of the Executive Committee. However, for the CEO, the Board as a whole sets the level of compensation and other terms of employment. The Compensation Committee reports and makes recommendations to the Board. At the start of each year the Committee sets the targets for variable compensation for the members of the Executive Committee. The Compensation Committee also sets the pension benefits for the members of the Executive Committee.

The members of the Compensation Committee as from 13 March 2013 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 dealt with terms and outcomes regarding variable compensation for senior executives of the Group, as well as annual evaluation of incentive programmes. The Compensation Committee held two meetings in 2013. No fees have been paid to committee members for their work on the Committee.

Audit Committee

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

member is employed by the company and at least one member is independent in relation to the company, the company's executive management and the major shareholders. Axfood's board has opted to serve in its entirety as an audit committee. This entails in practice that the Board in its entirety works with and has responsibility for ensuring the quality of the Company's and Group's financial reporting. These matters are a standing item on the Board's agenda and involve, for example, working together with the Executive Committee and the auditors to monitor and evaluate the handling of complicated accounting and valuation matters. The Board meets regularly with the Company's auditors to stay informed about the focus and scope of the audit, gain insight into the Group's risks, and to establish guidelines for any other services than the audit that the Group may procure from the Company's auditor. Audit activities also include following up the Group's work with internal control. Work in 2013 was mainly focused on valuation matters, the Group's interim reports, year-end report and annual report, the Group's capital structure, follow-up of the Group's work with internal control – such as on the internal control environment and risk management – and review of reports from the Company's AGM-elected auditor, including the auditor's audit plan.

EVALUATION OF THE BOARD'S WORK

Fredrik Persson, Chairman of the Board, is responsible for the evaluation of the Board's work and for presenting it to the Nominating Committee. The aim of the evaluation is to gain an idea about the directors' views on how the board work is conducted and on

THE BOARD'S WORK IN 2013

December

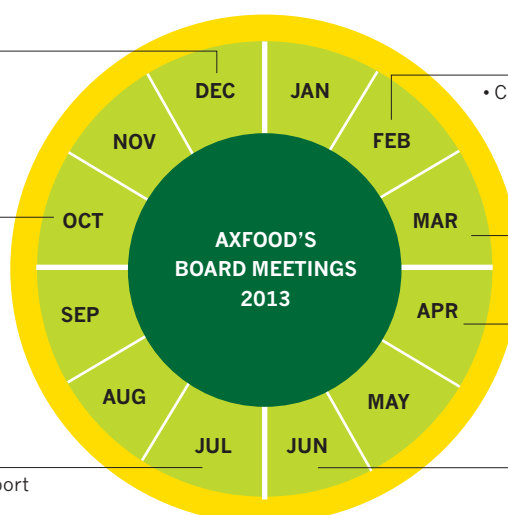
- CEO's status report, earnings follow-up
- Business plan 2014 • Board evaluation
- Report from Nominating Committee, election of auditors • Report from auditors
- Follow-up of investments
- Internal control and compliance
- Strategy for digital business

October

- CEO's status report
- 3rd quarter interim report
- Investments • 2013 Annual Report
- Methods for recruiting store managers

July

- CEO's status report • 2nd quarter interim report
- Diversity targets • Organizational and restructuring matters



February

- CEO's status report • Book-closing, 2012 year-end report • 2012 Annual Report, matters ahead of AGM • Report from auditors, Nominating Committee • Investments • Evaluation of compensation of senior executives

March

- Annual General Meeting
- Statutory board meeting

April

- CEO's status report • 1st quarter interim report • Board's work plan • Policies
- Investments • Succession planning
- Private label product discount strategy

June

- CEO's status report, earnings follow-up
- Strategy discussion, follow-up of 2012 strategy
- Investments • e-commerce • Business intelligence report • Swedish beef market

which measures can be taken to improve the effectiveness of the Board's work. This evaluation therefore served as important documentation for the Nominating Committee's work ahead of the 2014 Annual General Meeting. In 2013 the Chairman conducted a written questionnaire survey for all of the board members. The survey focused on the directors' views of the effectiveness of the Board's work and on whether the Board is well-balanced in terms of expertise. The results of this survey were then reported to both the Board and the Nominating Committee in December 2013. The result of the evaluation in 2013 showed high marks which were slightly better than in 2012. Examples of areas that worked very well during the year included the quality of the material provided to the Board, the interaction between the Chairman and the CEO, and the key employees' presentations at board meetings. An example of an area that received high marks but still has room for improvement was the follow-up of non-financial key ratios.

AUDITORS

The auditors are appointed by the Annual General Meeting based on a recommendation by the Nominating Committee. Following a change in the Companies Act, the 2012 Annual General Meeting adopted an amendment to the Articles of Association entailing that the auditors are elected for a term of two years instead of four years as previously. At the 2012 Annual General Meeting, KPMG AB was elected, with Authorized Public Accountant Thomas Thiel as chief auditor for a term extending until the 2014 Annual General Meeting. When requesting additional services from KPMG aside from its auditing assignment, such services are provided only to an extent that is compatible with the rules of the Auditors Act and FAR's professional ethics rules regarding auditors' impartiality and independence.

Auditor

Thomas Thiel is the client contact for Axfood at KPMG and thereby has ultimate responsibility for the auditing services provided to Axfood. Thomas Thiel is an Authorized Public Accountant. In addition to his assignment for Axfood, he is the auditor for Ahlsell, ComHem and Peab, among others.

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

EXECUTIVE COMMITTEE

Members and work of the Executive Committee

The Executive Committee is made up of Axfood's President and CEO along with the presidents of two operating companies, two divisional directors and six heads of staffs. A presentation of the members of the Executive Committee is provided on pages 54–55. The Executive Committee has monthly meetings for ongoing matters and discussions, and holds a longer strategy meeting once a year. The store establishment and financing committee, which is tied to the Executive Committee, meets once a month to address application-related and decision matters concerning store investments, store divestments, new leases and renewals of existing leases. A yearly business plan is drafted first by the subsidiaries and divisions and thereafter by the Executive Committee during the last four months of the year and is presented to the Board at the end of the year. The work on the business plan thereby involves employees on several levels within the Group. The business plan is revised prior to the start of each quarter with new forecasts and is thereby a dynamic planning document. The companies and divisions within the Axfood Group are governed through internal boards, with Axfood's President and CEO Anders Strålmán serving as chairman. The other directors on the boards of subsidiaries and divisions are various representatives from the Executive Committee. The companies have board meetings at least four times a year.

Changes in the Executive Committee in 2013

No changes were made in the Executive Committee during the year.

SUSTAINABILITY GOVERNANCE AT AXFOOD

Sustainability issues are a natural and integral part of governance in the Axfood Group. Axfood's goals and strategies rest on a conviction that environmental and social responsi-

bility, strong customer orientation, and proud and committed employees are vital drivers of value creation in the Company. This work rests on the foundation of Axfood's core values and Code of Conduct as well as the Company's sustainability programme. 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". This work is conducted mainly in accordance with ISO 14001. Reporting is done in accordance with the Global Reporting Initiative (GRI) guidelines, level B.

Organization and implementation

Axfood works with sustainability matters in a business-driven manner and integrates this in all aspects of operations. Responsibility for overarching strategies, goals and actions, and follow-up rests with the Executive Committee and Head of Environment and Social Responsibility. The Board follows up this work via reports from the Head of Environment and Social Responsibility. To ensure that this work is conducted in an integrated fashion, it is important that the individual companies and divisions in the Axfood Group have operational responsibility for their own sustainability work. Sustainability coordinators have been appointed in all companies and are coordinated at the Group level by the Head of Environment and Social Responsibility.

GUIDELINES FOR COMPENSATION OF MEMBERS OF THE EXECUTIVE COMMITTEE

The guidelines for compensation and other terms of employment for the CEO and other senior executives (the Executive Committee) were adopted by the Annual General Meeting on 13 March 2013. The guidelines are the same as those that have applied since 2010. The Executive Committee consists of the CEO and ten other executives, see pages 54–55. The main principles for compensation and other terms of employment for the members of the Executive Committee entail that Axfood



AUDITORS' FEES 2011–2013 (KPMG AB)

SEK m	Group			Parent Company		
	2013	2012	2011	2013	2012	2011
Auditing fees	4	4	5	1	1	1
Consulting fees	1	1	1	0	0	0
Total	5	5	6	1	1	1

shall offer its senior executives compensation that is in line with the going rate in the market. Recommendations for compensation shall be proposed by a special compensation committee within the Board. An exception to this is made for the CEO, for whom the Board in its entirety sets the level of compensation and other terms of employment. The criteria for setting compensation levels shall be based on the importance of the work duties and on the executive's expertise, experience and performance. Total compensation shall consist of the following five components:

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

Fixed base salary

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

Variable compensation

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

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

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

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

The sum of variable compensation for the CEO and the other members of the Executive Committee can amount to a maximum of approximately SEK 14 m. No variable salary is paid out in the event an executive gives notice prior to payment of the compensation.

SHARE-BASED INCENTIVE PROGRAMMES

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

RETIREMENT BENEFITS

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

Other benefits and severance terms

A maximum notice period of 12 months applies for members of the Executive Committee. In addition, severance pay corresponding to a maximum of 12 months' salary may be payable. For the CEO and all other members of the Executive Committee, deduc-

tion shall be made for other earned income during the time termination salary or severance pay is received. The notice period for members of the Executive Committee, by their own initiative, is six months. The members of Axfood's Executive Committee receive – in addition to liability insurance – customary benefits for persons in corresponding positions, such as a company car benefit and health insurance, and in certain cases also a travel benefit and housing benefit.

INFORMATION ON PREVIOUSLY DECIDED COMPENSATION

Previous Annual General Meetings adopted guidelines for compensation and other terms of employment for members of the Executive Committee for the time up until the 2014 Annual General Meeting. Briefly, these guidelines entail that, in addition to base salary, variable salary would be payable that was tied to Axfood's targets for earnings and sales growth as well as the achievement of personal objectives. In accordance with the adopted principles, a certain portion of this variable compensation has been withheld until the 2014 Annual General Meeting. However, the amounts have been expensed in the respective financial years. Previously decided variable compensation that fell due for payment after the 2013 Annual General Meeting has been paid out. Variable compensation that has not fallen due for payment amounted to SEK 3.7 m (2.7) as per 31 December 2013. The guidelines adopted by the 2013 Annual General Meeting have been adhered to, and all previously decided compensation that has not yet been paid out is within the limits described above.

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

Ahead of the 2014 Annual General Meeting, no changes are proposed in the principles for compensation and other terms of employment for members of the Executive Committee.

SALARY AND COMPENSATION FOR THE CEO AND OTHER SENIOR EXECUTIVES

KSEK	Year	Base salary	Variable compensation	Other benefits	Other compensation	Pension costs	Total
CEO	2013	5,665	2,315	357	–	2,050	10,387
	2012	5,500	3,259	345	–	2,348	11,452
Executive Committee, others	2013	20,834	7,112	1,177	65	8,476	37,664
	2012	19,738	6,832	1,060	54	7,477	35,161
Total	2013	26,499	9,427	1,534	65	10,526	48,051
	2012	25,238	10,091	1,405	54	9,825	46,613

THE BOARD'S REPORT ON 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 general. The Swedish Corporate Governance Code emphasizes this and prescribes that the Board is responsible for internal control. This report is prepared in accordance with the Annual Accounts Act and the Swedish Corporate Governance Code. The report has been reviewed by the Company's auditor.

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

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

lar basis. Major emphasis is put on adapting the work with internal control to changes in Axfood's business.

Axfood's internal control structure is based on the COSO model, whose framework has been applied to Axfood's business and conditions. According to the COSO model, a review and assessment are performed in the areas of the control environment, risk assessment, control activities, information and communication, and follow-up. Based on this review, certain development areas are identified and assigned priority in the ongoing internal control activities. In 2013, work continued to be focused on ensuring the quality of the financial reporting in connection with the implementation of the SAP business system. The seventh release has begun in March and included continued roll-out of the product flow in Axfood. This affected Dagab's distribution centre in Jordbro, and during the autumn implementation of the system continued at Dagab's distribution centre in Backa and at Axfood Närlivs' warehouse in Skellefteå. In addition, new functionality was added in the price, assortment and financial functions. In connection with the SAP releases, major work is dedicated to testing new functionality and ensuring that existing functionality is not affected by new releases, which includes existing and critical flows above all in the finance/accounting solution. The implementation work has been staffed by representatives with good knowledge about the impact on financial reporting. The roll-out of SAP will be concluded in 2014.

In addition, the work with internal control has been focused on the structure of authori-

zations, roles and limitations in the combination of roles, both with respect to operational roles and IT roles. Part of ensuring internal control entails ensuring that all roles have clear ownership based on the underlying process. This means, among other things, that new roles and changes in roles must be approved by the respective process owners. During the year, a special role forum was established for the main purpose of ensuring that the right role authorizations are delegated within and among the processes. Additional areas covered by the internal control work during the year included closing old systems and implementing new customer programmes at Willys and Hemköp.

Control environment

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

In addition to these, Axfood applies other policies and guidelines, such as the Group's

INTERNAL CONTROL PROCESS

December

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

October

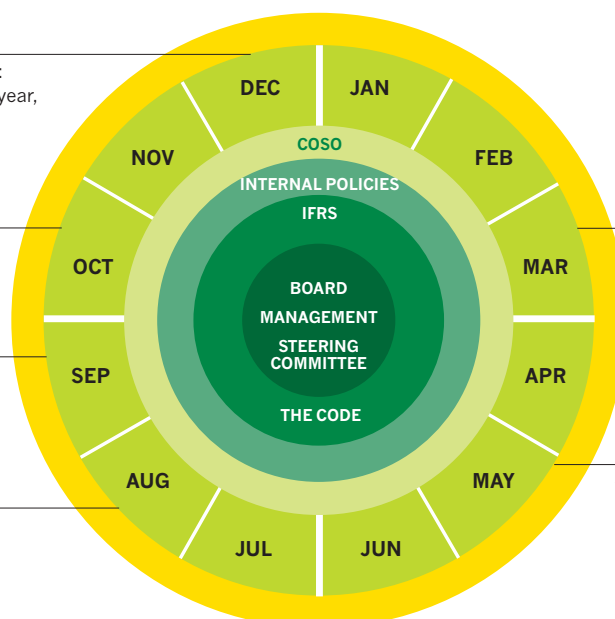
- Follow-up of reporting

September

- Reports from subsidiaries

August

- KPMG review and revision, audit of administration



March

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

May

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

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

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

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

Risk assessment

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

In the course of its risk reviews, Axfood identifies a number of items in the financial statements, as well as administrative flows and processes, where there is an elevated risk for errors. The Company works continuously on strengthening controls surrounding these risks, and in 2013 this was done in a couple of areas, in part regarding implementation of the new business system – especially in the product supply process – and in part regarding new flows linked to the introduction of new loyalty programmes at Willys and Hemköp, and the conversion of stores to the so-called 91/9 model.

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

Control activities

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

Examples of control activities include clear decision-making processes and procedures for important decisions, performance analyses and other control activities within the processes involving revenues/receivables, purchasing/payments, non-current assets, inventories, salaries, VAT/taxes, finance, bookkeeping, consolidation/reporting, and master data. Examples of control activities in these processes are spot checks, reconciliations and reviews of undertakings. In 2013, special focus continued to be on process reviews of Axfood's Shared Services Centre (SSC) in Jönköping, where risks and controls in the various processes were reviewed. In pace with the roll-out of the SAP business system, new routines for setting parameters in master data were established, and new controls tied to the new routines were implemented. For example, based on checklists that have been drawn up, the SSC controls the documentation that is received from other parts of the Group's operations. This documentation is then used to update master data in SAP.

Information and communication

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

For communication with internal and external parties, Axfood adheres to an investor relations and communication 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.

Follow-up

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

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

Stockholm, 3 February 2014

The Board of Directors of Axfood AB

FURTHER INFORMATION CAN BE FOUND AT axfood.se

- Articles of Association
- Code of Conduct
- Information from previous AGMs, starting in 2001 (notices, minutes, resolutions, CEO's addresses)
- Information on the Nominating Committee
- Information on principles for compensation of senior executives
- The Board's evaluation of guidelines for variable compensation programmes
- Reports on variable compensation systems
- Corporate governance reports starting in 2005
- Information ahead of the 2014 AGM

Board of Directors



Fredrik Persson



Marcus Storch



Peggy Bruzelius



Antonia Ax:son Johnson



Lars Olofsson

Fredrik Persson, CHAIRMAN Director since 2008, Chairman since 2009. President and CEO of Axel Johnson AB **CHAIRMAN:** Axstores AB, Svensk Bevaknings Tjänst AB and Mekonomen AB **VICE CHAIRMAN:** Martin & Servera AB and Svensk Handel AB **DIRECTOR:** AxFast AB, Axel Johnson International AB, Lancelot Holding AB, AB Electrolux, NovAx AB and the Confederation of Swedish Enterprise **EDUCATION:** B.Sc. Econ., Stockholm School of Economics, studies at Wharton School, USA **PROFESSIONAL EXPERIENCE:** Head of Analysis at Aros Securities. Employed by Axel Johnson Group since 2000, previously as Executive Vice President and CFO of Axel Johnson AB **COMMITTEE MEMBERSHIP:** Compensation Committee **CURRENT SHAREHOLDING IN AXFOOD:** 1,200 shares *Independent in relation to the Company and the Executive Committee. Non-independent in relation to major shareholders of the Company*

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

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

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

Lars Olofsson, Director since 2013 **DIRECTOR:** Axel Johnson Aktiebolag, Bata Shoes and Compass Ltd **EDUCATION:** B.Sc. Econ., Lund University, studies at IMD in Switzerland **PROFESSIONAL EXPERIENCE:** President and Chairman of the Board of Carrefour S.A., Vice President of Nestlé S.A. **CURRENT SHAREHOLDING IN AXFOOD:** 0 *Independent in relation to the Company and the Executive Committee, Non-independent in relation to major shareholders of the Company*



Odd Reitan



Annika Åhnberg



Ulla-May Iwahr Rydén



Michael Sjören



Inger Sjöstrand

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

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

Annika Åhnberg, Director since 2000 **CHAIRMAN:** Swedish Nutrition Foundation **DIRECTOR:** Antonia Ax:son Johnson Foundation for Sustainable Development, the Swedish Research Council Formas and Lantmännen Research Foundation **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 shares
Independent in relation to the Company and the Executive Committee, and to major shareholders of the Company

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

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

Executive Committee



Anders Strålman



Karin Hygrell-Jonsson



Hans Holmstedt



Louise Ring



Nicholas Pettersson

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

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

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

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

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

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

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

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



Jan Lindmark



Anne Rhenman Eklund



Thomas Evertsson



Anders Quist



Anders Agerberg



Thomas Gäreskog

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

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

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

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

Anders Quist, Head of Business Development **AXFOOD EMPLOYEE SINCE:** 1995¹⁾ **OTHER ASSIGNMENTS:** Director of GS1 Sweden AB and GS1 Sweden Services AB **EDUCATION:** Secondary School diploma, grocer training, diverse training in retailing **PROFESSIONAL EXPERIENCE:** Vice President, Bilhalls; 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 shares

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

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

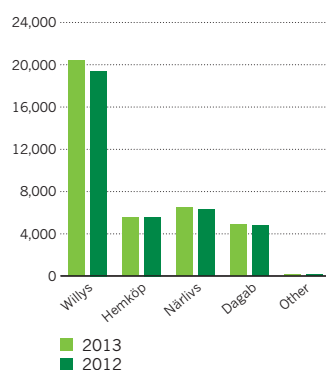
All shareholdings reported as per 31 December 2013.

Statement of profit or loss and other comprehensive income, Group

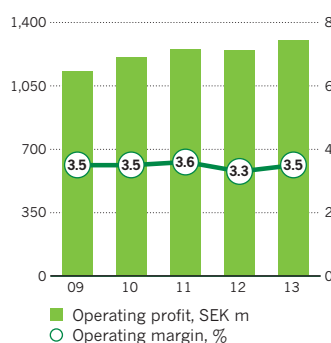
Amounts in SEK m	Note	2013	2012
Net sales	2, 5	37,522	36,306
Cost of goods sold	6	-32,392	-31,416
Gross profit		5,130	4,890
Selling expenses		-2,307	-2,238
Administrative expenses		-1,837	-1,697 ¹⁾
Share of profit in associated companies	22	1	0
Other operating income	7	329	304
Other operating expense	10	-14	-59
Operating profit		1,302	1,200
Interest income and similar profit/loss items	13	6	7
Interest expense and similar profit/loss items	13	-30	-45
Net financial items		-24	-38
Profit before tax		1,278	1,162
Current tax	15	-212	-243
Deferred tax	15	-73	-17 ¹⁾
Net profit for the year		993	902
Other comprehensive income			
<i>Items that cannot be reclassified to profit or loss for the period</i>			
Revaluation of defined benefit pension plans	27	18	16 ¹⁾
Tax attributable to items that cannot be reclassified to profit or loss for the period	27	-4	-4 ¹⁾
<i>Items that have been reclassified or can be reclassified to profit or loss for the period</i>			
Change in fair value of forward contracts	32	-1	0
Tax attributable to items that have been reclassified or can be reclassified to profit or loss for the period	15	0	0
Other comprehensive income for the year		13	12
Comprehensive income for the year		1,006	914
Profit for the year attributable to:			
Owners of the parent		987	902
Non-controlling interests		6	0
Profit for the year		993	902
Comprehensive income for the year attributable to:			
Owners of the parent		1,000	914
Non-controlling interests		6	0
Comprehensive income for the year		1,006	914
Earnings per share before and after dilution, SEK	16	18.80	17.20
Operating profit includes depreciation/amortization of	10	667	637

¹⁾ Due to new accounting policies that took effect on 1 January 2013 regarding pension costs (IAS 19), the comparative figures for 2012 have been adjusted, see Note 27.

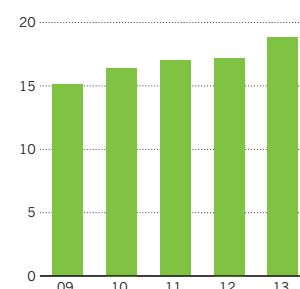
Consolidated net sales per segment, SEK m



Consolidated operating profit and operating margin



Earnings per share, SEK



Comments on the statement of profit or loss and other comprehensive income, and on the statement of financial position

STATEMENT OF COMPREHENSIVE INCOME

- Axfood's consolidated sales rose 3.3% during the year
- Like-for-like sales rose 1.9% for the year
- Operating profit increased to SEK 1,302 m (1,200)
- Earnings per share were SEK 18.80 (17.20)

Net sales

Consolidated net sales totalled SEK 37,522 m (36,306), an increase of 3.3% compared with 2012. Of consolidated net sales, 75% (74%) consist of sales in stores and slightly more than 24% (25%) consist of external wholesale turnover and store compensation. For Group-owned retail operations, sales rose 3.9%, with a 1.9% rise in like-for-like sales. Sales for Willys rose 5.1% to SEK 20,394 m (19,407), with a 2.2% rise in like-for-like sales. Hemköp's sales decreased by 0.1% to SEK 5,578 m (5,584), with a 0.9% rise in like-for-like sales.

Operating profit

Operating profit was SEK 1,302 m (1,200). Profit for the year includes discontinuation costs of SEK 1 m (14) for underperforming stores in the Hemköp chain. Profit for the preceding year was affected by an impairment charge of SEK 55 m for the value of the PrisXtra brand. Operating profit includes depreciation and amortization totalling SEK 667 m (637). The Group's gross margin was 13.7% (13.5%), and the operating margin was 3.5% (3.3%).

Net financial items

Net financial items improved by SEK 14 m, from SEK -38 m to SEK -24 m. Interest-bearing liabilities decreased during the year by SEK 326 m, from SEK 861 m to SEK 535 m. Borrowings during the full-year 2013 were lower than in 2012 and resulted in a lower borrowing cost by approximately SEK 10 m, at the same time that interest income on current receivables was approximately SEK 1 m lower than a year ago.

Tax, profit for the year, and earnings per share

The tax charge was SEK 285 m (260), corresponding to an effective tax rate of 22.30% (22.38%). The effective tax for 2012 was positively affected in the amount of SEK 50 m pertaining to a recalculation of deferred tax as a result of a reduction in the tax rate from 26.3% to 22% as from 2013. Profit after tax for the year was SEK 993 m (902), or SEK 18.80 per share (17.20).

STATEMENT OF FINANCIAL POSITION

- The equity ratio was 42.6% (38.8%)
- The debt-equity ratio was 0.1 (0.3)

Non-current assets

The Group's non-current assets increased during the year by SEK 112 m, from SEK 4,545 m to SEK 4,657 m. Non-current assets consist primarily of goodwill, totalling SEK 1,800 m (1,759), and machinery and equipment, totalling SEK 1,772 m (1,710). Of total goodwill, SEK 1,315 m (1,265) consists of consolidated acquisition goodwill. Total capital expenditures by the Group amounted to SEK 806 m (932). Of these, SEK 43 m (175) pertained to investments in businesses, SEK 432 m (386) to investments in retail operations, SEK 86 m (86) to investments in wholesale operations, and SEK 121 m (211) to investments in IT development.

Working capital

Of current assets, inventories make up the single largest item, totalling SEK 1,906 m (1,932). Inventories consist of finished retail goods, accounting for 54% (51%), and wholesale goods, accounting for 46% (49%). Trade accounts payable make up the largest item in current liabilities, SEK 2,225 m (2,359).

Shareholders' equity and liabilities

Shareholders' equity amounted to SEK 3,802 m (3,426), including SEK 34 m (28) in non-controlling interests, representing a net increase of SEK 376 m. During the year, SEK 630 m (630) was paid out in dividends to the Company's shareholders.

Provisions for pensions and similar obligations pertain primarily to liabilities in the FPG/PRI system. Interest-bearing liabilities excluding interest-bearing pension provisions decreased from SEK 429 m to SEK 125 m. Interest-bearing net debt decreased from SEK 340 m as per 31 December 2012 to SEK 78 m as per 31 December 2013.

CHANGE IN INTEREST-BEARING NET DEBT FOR THE GROUP

	31/12/2012	Cash flow	Change in borrowings	Other changes	31/12/2013
Cash and cash equivalents	521	-64			457
Non-current interest-bearing liabilities	-63			2	-61
Current interest-bearing liabilities	-366		312	-10	-64
Interest-bearing pensions ¹⁾	-432			22	-410
Interest-bearing net debt	-340	-64	312	14	-78

¹⁾ Due to new accounting policies that took effect on 1 January 2013 regarding pension costs (IAS 19), the comparative figures for 2012 have been adjusted, see Note 27.

Statement of financial position, Group

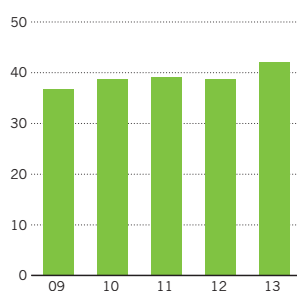
Amounts in SEK m	Note	31/12/2013	31/12/2012
ASSETS			
Non-current assets			
<i>Intangible assets</i>	17		
Goodwill		1,800	1,759
Other intangible assets		845	883
		2,645	2,642
<i>Property, plant and equipment</i>	18, 20		
Land and buildings		56	57
Equipment, tools and fixtures		1,772	1,710
Construction in progress		88	53
		1,916	1,820
<i>Financial assets</i>	23, 28		
Participations in associated companies	22	10	3
Other long-term securities holdings	23, 28	29	29
Other non-current receivables	24	21	13
		60	45
Deferred tax assets	15	36	38 ¹⁾
Total non-current assets		4,657	4,545
Current assets			
<i>Inventories</i>			
Finished products and goods for resale		1,906	1,932
		1,906	1,932
<i>Current receivables</i>	28		
Accounts receivable – trade	25	909	867
Current tax assets		29	2
Other current receivables	24	129	83
Prepaid expenses and accrued income	26	842	870
		1,909	1,822
<i>Cash and cash equivalents</i>	28		
Cash and bank balances		457	521
		457	521
Total current assets		4,272	4,275
TOTAL ASSETS		8,929	8,820

¹⁾ Due to new accounting policies that took effect on 1 January 2013 regarding pension costs (IAS 19), the comparative figures for 2012 have been adjusted, see Note 27.

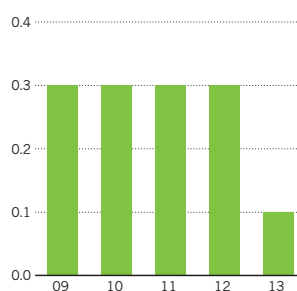
Amounts in SEK m	Note	31/12/2013	31/12/2012
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	32		
Share capital		262	262
Other capital contribution		496	496
Reserves		6	7
Profit brought forward		3,004	2,633 ¹⁾
		3,768	3,398
Non-controlling interests		34	28
		3,802	3,426
Non-current liabilities	20, 28, 29		
Provisions for pensions and similar obligations	27	410	432 ¹⁾
Other interest-bearing liabilities		61	63
Deferred tax liability	15	385	310
Other non-current liabilities		18	21 ¹⁾
		874	826
Current liabilities	28, 29		
Liabilities to credit institutions		22	329
Other interest-bearing liabilities		42	37
Accounts payable – trade		2,225	2,359
Liabilities to associated companies		0	0
Other current liabilities		170	157
Accrued expenses and deferred income	19, 30	1,794	1,686
		4,253	4,568
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		8,929	8,820
CONTINGENT ASSETS, PLEDGED ASSETS AND CONTINGENT LIABILITIES			
Pledged assets	31	32	29
Contingent liabilities		27	32

¹⁾ Due to new accounting policies that took effect on 1 January 2013 regarding pension costs (IAS 19), the comparative figures for 2012 have been adjusted, see Note 27.

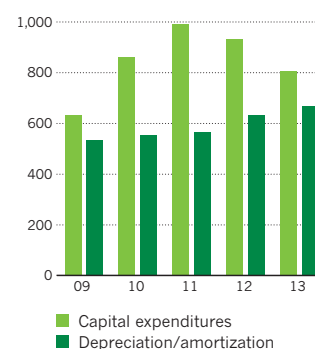
Equity ratio, %



Debt-equity ratio, multiple



Capital expenditures/
depreciation & amortization, SEK m



Statement of cash flows, Group

Amounts in SEK m	Note	2013	2012
Operating activities			
Profit before financial items		1,302	1,200
Depreciation/amortization charged against profit		643	613
Interest paid		-15	-27
Interest received		6	7
Adjustments for non-cash items		-29	16
Paid tax		-235	-135
Cash flow from operating activities before changes in working capital		1,672	1,674
Cash flow from changes in working capital			
Change in inventories		25	-9
Change in current receivables		-58	-212
Change in current liabilities		-43	462
Cash flow from operating activities		1,596	1,915
Investing activities			
Acquisitions of intangible assets		-121	-211
Acquisitions of property, plant and equipment		-592	-508
Acquisitions of operations	3	-19	-130
Sales of operations	4	-	17
Sales of property, plant and equipment		23	16
Change in other financial assets		-9	0
Cash flow from investing activities		-718	-816
Financing activities			
New loans raised		0	324
Amortization of debt		-312	-589
Shareholder dividend		-630	-630
Cash flow from financing activities		-942	-895
CASH FLOW FOR THE YEAR		-64	204
Cash and cash equivalents at start of year		521	317
Cash and cash equivalents at year-end		457	521

Adjustments for non-cash items amounted to SEK -29 m (16), net, and pertained mainly to provisions for pensions and impairment charges.

Statement of changes in equity, Group

Amounts in SEK m	Equity attributable to owners of the parent							Non-controlling interests	Total shareholders' equity
	Share capital	Other capital contributions	Fair value reserve	Hedging reserve	IAS 19 pensions ¹⁾	Profit brought forward	Total		
Opening shareholders' equity 2012	262	496	7	0	0	2,472	3,237	0	3,237
Change in accounting policy, IAS 19	–	–	–	–	–95	–	–95	–	–95
Adjusted shareholders' equity, 1/1/2012	262	496	7	0	–95	2,472	3,142	0	3,142
Comprehensive income for the year									
Profit for the year	–	–	–	–	7	895	902	0	902
Other comprehensive income for the year	–	–	–	0	12	0	12	–	12
Comprehensive income for the year	–	–	–	0	19	895	914	0	914
Shareholder dividend	–	–	–	–	–	–630	–630	–	–630
Acquisition of non-controlling interests	–	–	–	–	–	–28	–28	28	0
Closing shareholders' equity 2012	262	496	7	0	–76	2,709	3,398	28	3,426
Opening shareholders' equity 2013	262	496	7	0	–76	2,709	3,398	28	3,426
Comprehensive income for the year									
Profit for the year	–	–	–	–	–	987	987	6	993
Other comprehensive income for the year	–	–	–	–1	14	0	13	–	13
Comprehensive income for the year	–	–	–	–1	14	987	1,000	6	1,006
Shareholder dividend	–	–	–	–	–	–630	–630	0	–630
Closing shareholders' equity 2013	262	496	7	–1	–62	3,066	3,768	34	3,802

¹⁾ This item is part of profit brought forward in the statement of financial position.

The share capital as per 31/12/2013 amounted to SEK 262,338,390 (262,338,390), distributed among 52,467,678 shares (52,467,678). There is only one class of share. The share quota value is SEK 5. The Board of Directors proposes a dividend of SEK 15 per share (12).

In 2012 Axfood acquired 50% of the operations of Hall Miba AB, see Note 3. Shareholders' equity attributable to non-controlling interests amounted to SEK 34 m as per 31/12/2013 (28). Profit for the year attributable to non-controlling interests amounted to SEK 6 m (0).

Fair value reserve

The fair value reserve includes the accumulated net change in the fair value of available-for-sale financial assets until such time the asset is eliminated

from the statement of financial position. The change in the fair value reserve pertains to the change in fair value of available-for-sale financial assets, totalling SEK – m (0), and deferred tax, totalling SEK – m (0).

Hedging reserve

The hedging reserve includes the effective portion of the accumulated net change in the fair value of cash flow hedge instruments attributable to hedge transactions that have not yet been carried out. The change in the hedging reserve pertains to the change in the fair value of forward contracts, totalling SEK –1 m (0), and deferred tax, totalling SEK 0 m (0). A compilation of the change in value of the hedging reserve during the year is provided in Note 32.

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

Group cash flow from operating activities

The Group's cash flow from operating activities before changes in working capital decreased by SEK 2 m, to SEK 1,672 m (1,674), and consisted mainly of the net amount of purchases and sales of food retail products. Excluding SEK –235 m (–135) in paid tax, cash flow from operating activities before changes in working capital increased by SEK 98 m. Reversed depreciation has been adjusted for the portion that pertains to leased assets, totalling SEK 24 m (23). Adjustments for non-cash items amounted to SEK –29 m (16), net, and pertained mainly to provisions for pensions and impairment charges. Interest received during the year amounted to SEK 6 m (7), and interest paid amounted to SEK 15 m (27).

Capital expenditures and divestments

The Group's total capital expenditures amounted to SEK 806 m (932) and pertained primarily to investments of SEK 503 m (545) in machinery and equipment. Investments in businesses amounted to SEK 43 m (175), and investments in IT development amounted to SEK 121 m (211). Of total capital expenditures, SEK 738 m (849) affected the Group's cash flow. In cash flow, capital expenditures have been adjusted in the amount of SEK –44 m (–38) for finance leases.

Financing activities

The Group's change in interest-bearing liabilities affected cash flow by SEK –312 m (–265). During the year, new loans of SEK 0 m (324) were raised, and previously raised loans were amortized in the amount of SEK 312 m

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

Comments on shareholders' equity and capital management

The Group's shareholders' equity, which is defined as total reported shareholders' equity, amounted to SEK 3,802 m (3,426) at year-end, including the effect of the amended IAS 19 at the start of 2012, in the amount of SEK –95 m, and SEK 34 m (28) in non-controlling interests. The return on shareholders' equity was 27.5% (27.2%).

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 2013 the equity ratio was 42.6% (38.8%). Axfood does not have any externally assigned capital requirement.

Axfood's dividend policy calls for a minimum dividend payout of 50% of profit after tax. During the last five years, the ordinary dividend has averaged 67.7% of profit after tax. In addition to the ordinary dividend, the Group has paid extra dividends on three occasions, for the 2004, 2005 and 2006 financial years. The Board of Directors has proposed an ordinary dividend for 2013 of SEK 15 (12) per share. Based 52,467,678 shares, the dividend will amount to SEK 787 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

Amounts in SEK m	Note	2013	2012
Selling expenses		-1	-1
Administrative expenses	8	-269	-283
Other operating income	7	164	184
Operating result		-106	-100
Interest income and similar profit/loss items	13	15	19
Interest expense and similar profit/loss items	13	-12	-22
Result after financial items		-103	-103
Appropriations	14	1,010	973
Profit before tax		907	870
Current tax	15	-200	-229
Deferred tax	15	-1	-3
Profit for the year		706	638

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

BALANCE SHEET

Amounts in SEK m	Note	13/12/31	12/12/31
ASSETS			
Property, plant and equipment			
Equipment, tools and fixtures	18	1	2
Construction in progress		31	3
		32	5
Financial assets	23, 28		
Participations in Group companies	21, 23	3,606	3,573
Other long-term securities holdings	28	3	3
Deferred tax assets	15	6	7
Other non-current receivables	24	3	2
		3,618	3,585
Total non-current assets		3,650	3,590
Current assets			
Current receivables	28		
Accounts receivable – trade		0	0
Receivables from Group companies		2,203	2,213
Current tax assets	15	8	-
Other current receivables	24	3	0
Prepaid expenses and accrued income	26	10	13
		2,224	2,226
Cash and cash equivalents	28		
Cash and bank balances		114	0
Total current assets		2,338	2,226
TOTAL ASSETS		5,988	5,816

BALANCE SHEET, CONT.

Amounts in SEK m	Note	13/12/31	12/12/31
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Restricted shareholders' equity			
Share capital		262	262
Revaluation reserve		25	25
		287	287
Unrestricted shareholders' equity			
Profit brought forward		2,762	2,754
Profit for the year		706	638
		3,468	3,392
Total shareholders' equity		3,755	3,679
Untaxed reserves	14	867	563
Provisions			
Provisions for pensions and similar obligations	27	25	28
Non-current liabilities	28, 29		
Other non-current liabilities		2	3
Current liabilities	28, 29		
Liabilities to credit institutions		-	314
Accounts payable – trade		26	19
Liabilities to Group companies		1,285	1,155
Current tax liability		-	26
Other current liabilities		2	1
Accrued expenses and deferred income	19, 30	26	28
		1,339	1,543
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		5,988	5,816
CONTINGENT ASSETS, PLEDGED ASSETS AND CONTINGENT LIABILITIES	31		
Contingent liabilities		329	360

Cash flow statement and shareholders' equity, Parent Company

CASH FLOW STATEMENT

Amounts in SEK m	2013	2012
Operating activities		
Result before financial items	-106	-100
Interest paid	-12	-22
Interest received	15	19
Depreciation/amortization charged against the result	1	1
Adjustments for non-cash items	7	15
Paid tax	-234	-146
Cash flow from operating activities before changes in working capital	-329	-233
Cash flow from changes in working capital		
Change in current receivables	41	-34
Change in current liabilities	146	103
Cash flow from operating activities	-142	-164
Investing activities		
Acquisitions of property, plant and equipment	-28	-3
Acquisitions of subsidiaries	-33	-96
Sales of businesses	-	-
Cash flow from investing activities	-61	-99
Financing activities		
Newly raised loans	-	300
Amortization of debt	-314	-589
Shareholder dividend	-630	-630
Group contribution received	1,291	1,212
Group contribution rendered	-30	-30
Cash flow from financing activities	317	263
CASH FLOW FOR THE YEAR	114	0
Cash and cash equivalents at start of year	0	0
Cash and cash equivalents at year-end	114	0

SHAREHOLDERS' EQUITY

Amounts in SEK m	Restricted shareholders' equity		Unrestricted shareholders' equity	Total share-holders' equity
	Share capital	Revaluation reserve	Profit brought forward	Total
Opening shareholders' equity 2012	262	-	3,384	3,646
Revaluation of financial assets	-	25	-	25
Profit for the year	-	-	638	638
Shareholder dividend	-	-	-630	-630
Closing shareholders' equity 2012	262	25	3,392	3,679
Profit for the year	-	-	706	706
Shareholder dividend	-	-	-630	-630
Closing shareholders' equity 2013	262	25	3,468	3,755

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

The Board of Directors proposes a dividend of SEK 15 per share. Based on 52,467,678 shares, the total dividend will amount to SEK 787 m.



Notes to the financial statements

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, Supplementary Reporting Rules for Groups, is applied.

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

The Annual Report and consolidated financial statements were approved for publication by the Board of Directors on 3 February 2014. The Group's statement of profit or loss and other comprehensive income, and the Parent Company's income statement and balance sheet, are subject to adoption by the Annual General Meeting on 12 March 2014.

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

Basis of measurement applied in preparation of the financial statements

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

Functional currency and presentation currency

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

Estimations and assumptions in the financial statements

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

Significant accounting policies applied

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

Changed accounting policies 2013

Following is a description of changed accounting policies that the Group applies as from 1 January 2013. Other IFRS changes that apply as from 2013 have not had any material impact on the Group's accounting.

Effective 1 January 2013, the Group applies IFRS 13 Fair Value Measurement, a new, uniform way of measuring fair value, and improved disclosure requirements. The new disclosure requirements are described in Note 28. In connection with the drafting of IFRS 13, a requirement was also added in IAS 36 regarding disclosure of recoverable value in connection with yearly impairment testing. However, this requirement has been removed from IAS 36 as from 2014. This removal is applied retrospectively.

Effective 1 January 2013 the Group applies the Amended IAS 19 Employee Benefits: Changed Reporting of Actuarial Gains and Losses. Starting on 1 January 2013 the Group has changed over from reporting actuarial gains and losses in accordance with the corridor method to reporting them in their entirety in other comprehensive income in the period in which they arise. This provides relevant information mainly in the statement of financial position, since after the change, reported pension obligations will indicate a value that better reflects the Group's actual net obligation. The change has been applied retrospectively in accordance with IAS 8 and affects the financial statements for the current period, preceding period, and accumulated as per the start of the comparison period. The effect of the changed policy is described in Note 27.

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

The Group also applies amendments to IAS 1 Presentation of Financial Statements: Reporting of Items in Comprehensive Income. The change entails that items in "Other comprehensive income" have been broken down into two categories: items that have been reclassified or can be reclassified to profit or loss for the period, and items that cannot be reclassified to profit or loss for the period. Items that have been reclassified or can be reclassified include translation differences and gains/losses on cash flow hedges. Items that cannot be reclassified include revaluations of defined benefit pension plans and revaluations of intangible and tangible assets in accordance with the revaluation method. Comparison figures are presented in the new layout.

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

Changed accounting policies 2014 and later

A number of new or amended IFRSs and interpretations take effect in 2014 and later, and have not been prospectively applied in the preparation of these financial statements. New IFRSs and interpretations or amendments that are applicable as from the financial years after 2014 and later are not planned to be applied prospectively. To the extent that anticipated effects on the financial statements of the application of the following new or amended IFRSs and interpretations are not described below, Axfood has determined that they will not have any material effect on the consolidated accounting.

Effective 1 January 2014 the Group applies IFRSs 10, 11 and 12. IFRS 10 Consolidated Financial Statements supersedes IAS 27 with respect to the rules for consolidated accounting and SIC-12 with respect to when a company is to be covered by consolidated accounting rules. IFRS 10 includes a model that is to be used for determining if control exists or not. IFRS 11 Joint Arrangements mainly entails two changes: determining if an arrangement is a joint operation or a joint venture, and the elimination of proportionate consolidation for joint ventures. IFRS 12 Disclosure of Interests in Other Entities requires a range of disclosures about an entity's interests in other companies in the consolidated financial statements, and more extensive disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated "structured entities". The current opinion is that the investments in joint arrangements and associated companies in the Group will not need to be consolidated in accordance with IFRS 10.

Classification of current and non-current items

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

Operating segment reporting

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

PRINCIPLES OF CONSOLIDATION

General

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

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

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

An acquisition of a subsidiary is regarded as a transaction in which

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

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

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

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

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

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

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

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

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

Associated companies

Companies in which Group companies have a significant influence but not control are classified as associated companies and are reported in accordance with the equity method. The holding amounts to 20%–50% of the number of votes. The equity method entails that the Group's share of the associated company's shareholders' equity, including Group goodwill and remaining Group surplus and deficit values, is reported as shares and participations in associated companies. The increase or decrease of the associated company's book value that arises through application of the equity method increases/decreases the Group's profit brought forward. Dividends received from associated companies decrease the reported value of shares and participations in associated companies. When the Group's share of reported losses in the associated company exceeds the reported value of the



participations in the Group, the value of the participations is reduced to zero. Deduction for losses is also made from long-term financial arrangements without collateral, which in an economical sense constitutes the owning company's net investment in the associated company.

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

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

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

Principles for internal pricing

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

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

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

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

INCOME

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

Franchise fees

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

invoiced on a continuing basis, and a definitive reconciliation is made during the following financial year.

Rental income

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

Commission income

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

Government support

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

Insurance indemnification

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

EXPENSES

Operating expenses

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

Operating leases

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

Finance leases

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

FINANCIAL INCOME AND EXPENSES

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

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

Foreign exchange gains and losses are reported net.

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

Receivables and liabilities in foreign currency

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

TAXES

The Group's total taxes consist of current tax and deferred tax. Taxes are recognized in profit or loss for the year except for when the underlying transaction is recognized in other comprehensive income or reported against shareholders' equity, whereby the associated tax effect is recognized in other comprehensive income or shareholders' equity. Current tax is tax that is to be paid or received in the current year, based on the tax rates that have been decided on or essentially decided on as per the balance sheet date. 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. Valuation of deferred tax is based on how the temporary differences are expected to be recognized or settled and using the tax rates and tax rules that have been decided on or essentially decided on as per the balance sheet date.

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

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

INTANGIBLE ASSETS

Goodwill

In connection with business combinations, goodwill is reported in the statement of financial position in cases where the consideration paid, any non-controlling interests and the fair value of previously owned interests (for business combinations achieved in stages) exceed the

fair value of separately reported acquired assets and liabilities taken over. With respect to goodwill attributable to acquisitions that took place before 1 January 2004, the Group has not applied IFRS retrospectively, which means that the reported value of goodwill as per 1 January 2004 will continue to constitute the Group's cost after testing for impairment, see Note 17.

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

Other intangible assets

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

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

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

Amortization of intangible assets

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

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

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

Useful life is reassessed every year.

Customer relationships have a maximum amortization period of five years.

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

Useful life for improvement expenses for another party's property is based on the remaining lease period for the underlying lease and varies from 1–10 years.

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

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

FINANCIAL INSTRUMENTS

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

Reporting of financial assets and liabilities

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

financial position when an invoice has been sent. A liability is recorded when the counterparty has delivered a product or service and a contractual obligation to pay exists, even if an invoice has not yet been received. Trade accounts payable are recorded when an invoice has been received.

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

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

Classification and valuation

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

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

Loan receivables and trade accounts receivable

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

Trade accounts receivable are reported in the amount at which they are expected to be received, less a deduction for doubtful debts, which are assessed individually. A provision for decreases in the value of trade accounts receivable is made when there is objective evidence 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 insol-

gency, has not been able to pay a debt or is judged on good grounds to not be able to meet its liabilities within three months, a provision shall be made for the entire confirmed or possible loss. A provision for probable doubtful debts is made based on an individual assessment of each customer based on the customer's ability to pay, anticipated future risk and the value of collateral received. The anticipated duration of the trade account receivable is short, which is why the value is reported at nominal amount without discounting. When a trade account receivable cannot be recovered, it is written off against a depreciation account for trade accounts receivable. Write-downs of trade accounts receivable are reported as a selling expense. Recoveries of amounts that have been previously written off reduce selling expenses in profit or loss.

Cash and cash equivalents

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

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

Available-for-sale financial assets

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

Financial liabilities carried at amortized cost

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

Derivatives and hedge accounting

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

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

Forward exchange contracts are stated at fair value in the statement of financial position. Since all forward exchange contracts are used for hedging purposes, changes in the fair value of forward exchange contracts are reported, via other comprehensive income, in the hedging reserve in shareholders' equity until the hedged flow is reported as inventory in the statement of financial position, under the condition that the hedge is effective. When delivering goods that have been hedged for currency risk through a cash flow hedge, a transfer is made of the accumulated change in value of hedge instruments from the hedge reserve to the delivered goods. The goods are thus valued at the hedged price. Both hedged inventory items and therewith attributable changes in value of hedge instruments are reported as cost of goods sold when the goods are sold or are used in some other way. The currency exposure that arises from delivery of a cash flow-hedged inventory to the date for settlement of the forward contracts is recognized continuously in profit or loss as other operating income or other operating expense. Changes in value of trade accounts payable are offset by changes in the value of forward 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 reflects the current market assessment of the time value of money and the cash-generating units' specific risks. This interest rate is believed to correspond 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 received. A provision for estimated bonus payments is reported when the Group has a legal or constructive obligation to make such payments due to the fact that the services in question have been received from the employees and the provision amount can be estimated in a reliable manner.

Post-employment compensation

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

The service cost for defined benefit pension plans is calculated using the Projected Unit Credit (PUC) method, which in short sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation at the end of the reporting period. The obligation is discounted to present value at the end of the reporting period, from

which the fair value of any plan assets is deducted. Further, the calculations are affected by actuarial assumptions, such as longevity, future rates of employee retirement and future salary levels. Actuarial gains and losses arise either when an assumption changes or when the actual outcome deviates from underlying assumptions. Revaluation effects are recognized in other comprehensive income. Calculations of defined benefit pension plans are performed by an independent external actuary.

The net interest expense/income on the defined benefit obligation/asset is recognized in profit for the year under net financial items. Net interest income is based on the interest that arises when discounting the net obligation, i.e., interest on the obligation, plan assets and interest on the effect of any asset limitations. Other components are recognized in operating profit.

The special employer's payroll tax constitutes part of the actuarial assumptions and is therefore reported as part of the net obligation/asset. The portion of the special employer's payroll tax that is calculated based on the Pension Obligations Vesting Act (*Tryggandelagen*) for legal entities is reported for purposes of simplification as an accrued expense instead of as part of the net obligation/asset.

The policyholder tax is reported on a continuous basis in profit or loss for the period that the tax pertains to and is thus not included in the calculation of the liability. For funded plans, the tax is charged on the return on plan assets and is reported in other comprehensive income. For unfunded or partially funded plans, the tax is charged against profit or loss for the year.

Alecta

Retirement pension and family pension obligations for employees in Sweden are funded partly through insurance with Alecta. According to pronouncement UFR 3 issued by the Swedish Financial Reporting Board (RFR), this is classified as a multi-employer defined benefit plan. For the 2013 financial year Axfood did not have access to such information that makes it possible to report this plan as a defined benefit plan. The ITP pension plan that is funded through insurance with Alecta is therefore reported as a defined contribution plan. See also Note 27.

Termination pay

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

CONTINGENT LIABILITIES/FINANCIAL GUARANTEES

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

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

PARENT COMPANY ACCOUNTING POLICIES

The Parent Company complies with the Swedish Annual Accounts Act and Swedish Financial Reporting Board recommendation RFR 2 Reporting for Legal Entities. Application of RFR 2 entails that the Parent Company, in the annual report for the legal entity, shall comply with all EU-endorsed IFRSs and pronouncements as far as possible within the framework of the Annual Accounts Act, the Pension Obligations Vesting Act (*Tryggandelagen*), and taking into account the connection between reporting and taxation. The recommendation indicates which exceptions from and amendments to IFRS are to be made. The differences between the Parent Company's and Group's accounting policies are described below.

Changed accounting policies 2013

The Parent Company has adopted changed accounting policies in accordance with RFR 2 IAS 18 p. 3 and RFR IAS 27 p. 2, and reports Group contributions in accordance with the alternative rule.

Unless indicated otherwise, the Parent Company's accounting policies in 2013 have been changed in accordance with what applies for the Group.

Classification and presentation format

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

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

Subsidiaries and associated companies

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

Employee benefits/defined benefit pension plans

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

Financial guarantees

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

Leased assets

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

Taxes

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

Group contributions and shareholder contributions

The Parent Company reports Group contributions received and rendered in accordance with the alternative rule as appropriations. Previous years' figures have also been changed. Shareholder contributions are reported directly in shareholders' equity of the receiving party and are capitalized in shares and participations of the rendering party, to the extent that there is no need to recognize impairment.

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 companies at the values these had in the consolidated accounts. During the year, six mergers took place within the Group; the mergers did not take place with Axfood AB.

Changed accounting policies 2014 and later

See the changed accounting policies for the Group above.



2 OPERATING SEGMENTS

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

External sales pertain exclusively to sales of products, and all sales take place in Sweden.

In 2013, impairment losses of SEK – m (55) were charged against profit. No impairment losses were reversed in 2013 or 2012. No significant non-cash items other than depreciation and impairment of non-current assets were booked in 2013 and 2012.

Axfood's operating segments have been identified as follows:

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

Hemköp. Sales of food retail products with a broad product offering and high level of service. On account of the conversion of PrisXtra that has been started in 2013, PrisXtra has ceased to be an own segment in the reporting and is included as from the first of January 2013 as part of Hemköp. Comparative figures for 2012 have been adjusted and are included in the tables below.

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

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

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

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

Per operating segment	Willys		Hemköp ²⁾		Axfood Närlivs ⁴⁾		Dagab ⁴⁾		Other ^{3,4)}		Eliminations		Total ⁴⁾	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Result of operations														
External net sales	20,394	19,407	5,578	5,584	6,482	6,328	4,887	4,799	181	188			37,522	36,306
Internal net sales					7	8	20,622	19,835	4,939	4,333	-25,568	-24,176	-	-
Net sales	20,394	19,407	5,578	5,584	6,489	6,336	25,509	24,634	5,120	4,521	-25,568	-24,176	37,522	36,306
Depreciation/amortization	-247	-235	-99	-95	-53	-53	-53	-53	-215	-201			-667	-637
Share of profit in associated companies					1	0							1	0
Operating profit	808	796	151	149	140	114	114	168	89	-27			1,302	1,200
Financial items, net													-24	-38
Consolidated profit before tax													1,278	1,162
Other disclosures														
Investments in non-current assets ¹⁾	265	271	167	116	27	36	59	49	239	286			757	758

¹⁾ Tangible and intangible non-current assets.

²⁾ As per 1 January 2013 PrisXtra is reported under the segment Hemköp. Comparative figures for 2012 have been adjusted as a result of the combination of Hemköp and PrisXtra.

³⁾ Includes for 2012 an impairment charge of SEK 55 m for the PrisXtra brand. The impairment charge is a consequence of the conversion of PrisXtra stores to other brands.

⁴⁾ On account of new accounting policies as from 1 January 2013 with respect to pension costs (IAS 19), the comparative figures for 2012 have been recalculated.

3 ACQUIRED OPERATIONS

In 2013 four stores and one in-store service counter were acquired. Two stores were converted to Willys Hemma, one was converted to Willys, and one to Hemköp.

Combined consideration for acquisitions in 2013 was SEK 43 m. Payments were made in cash, and SEK 5 m remains to be paid. Acquisition-related expenses attributable to acquisitions for the year totalled SEK 0 m. Acquired assets and liabilities are carried in Axfood's statement of financial position at fair value.

The following assets and liabilities were acquired in 2013:

	Fair value reported in Group
Property, plant and equipment	2
Financial assets	1
Current assets	21
Other current liabilities	-22
Total identified net assets	2
Goodwill	41
Purchase price	43
Cash and cash equivalents in acquired companies	-19
Consideration not yet paid	-5
Impact of acquisitions of companies on cash and cash equivalents since the start of the year	19

Identified goodwill is entirely attributable to the synergies that will become available in connection with acquisitions. Additional adjustments of carrying amounts to fair value in accordance with IFRS have not been necessary. Acquired goodwill amounted to SEK 41 m in 2013. 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 -9 m to consolidated profit after tax. The operations have combined annual sales of approximately SEK 170 m. If the acquisitions had been made as per 1 January 2013, the Group's income would have been approximately SEK 106 m higher, i.e., a total of approximately SEK 37,628 m. The profit/loss effect from 1 January 2013 until the date of acquisition is difficult to estimate since the stores were initially charged with one-time costs.

Events after the balance sheet date

No acquisitions have been made after the balance sheet date.

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

3 ACQUIRED OPERATIONS, CONT.

Acquisitions in preceding year

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

The combined consideration for acquisitions in 2012 was SEK 165 m. Payment was made in cash, and SEK 28 m remains to be paid. Acquisition-related expenses attributable to the year's acquisitions amounted to SEK 0 m. Acquired assets and liabilities are carried at fair value in Axfood's statement of financial position.

The following assets and liabilities were acquired in 2012

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

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

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

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

Parent Company

During the year, the Parent Company increased the value of its participations in Group companies by SEK 33 m (121). The increase is attributable to intra-Group transactions.

4 DISCONTINUED OPERATIONS

Sold operations

During the year, no store operations were sold. In the preceding year, the e-commerce business in NetXtra was sold to MatHem i Sverige AB. Also during the preceding year, five store operations were sold; all of these were sales of operating assets and liabilities. The sales were not of such size that they needed to be reported separately as discontinued operations in the statement of comprehensive income.

Impact on cash flow of closed/sold operations

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

	Group	
	2013	2012
Cash flow from sales of operating assets and liabilities	-	17
Total cash flow from sales of operations	-	17

All consideration for the sales during the year has been paid. The Parent Company did not sell or close any businesses in 2013.

5 BREAKDOWN OF INCOME

Group	2013	2012
Net sales:		
Sales of products	37,297	36,040
Other sales	225	266
Total net sales	37,522	36,306
Other operating income	329	304
Total	37,851	36,610

6 BREAKDOWN OF EXPENSES

Group	2013	2012
Cost of goods for resale	27,717	26,598
Payroll costs	4,437	4,259
Depreciation/amortization	667	637
Other	3,729	3,916
Total	36,550	35,410

7 INFORMATION ON INTRA-GROUP INCOME AND EXPENSES

The Parent Company's income from Group companies amounted to SEK 162 m (183). The Parent Company's expenses from Group companies amounted to SEK 85 m (96). The Parent Company's sales to Group companies consisted mainly of compensation to cover shared costs for rents, central administration and shared systems. The Parent Company's compensation to Group companies consists mainly of compensation for system support.



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

Average number of employees^{1,2)}

	2013	Of whom, men	2012	Of whom, men
Parent Company				
Parent Company	104	26	111	29
Subsidiaries				
Average number of employees	8,181	3,811	7,910	3,673
TOTAL, GROUP	8,285	3,837	8,021	3,702

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

²⁾ Calculation of the number of employees has been adjusted for 2013, and thus the comparative figure has been adjusted.

Gender breakdown, Group, number

	Board of Directors		Other senior executives	
	2013	2012	2013	2012
Men	44	29	49	48
Women	13	12	12	15
Total	57	41	61	63

Gender breakdown, Parent Company, number

	Board of Directors		Other senior executives	
	2013	2012	2013	2012
Men	4	3	8	8
Women	3	4	3	3
Total	7	7	11	11

Wages, salaries and other remuneration, and social security charges

	2013			2012		
	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	64	34	14	67	34	13
Subsidiaries	3,010	1,065	215	2,832	964	227
TOTAL, GROUP	3,074	1,099	229	2,899	998	240

Salaries and other benefits paid to other senior executives, KSEK

2013	Base salary	Variable compensation	Other benefits	Pension cost	Other compensation	Total
CEO ¹⁾	5,665	2,315	357	2,050	–	10,387
Other senior executives, Parent Company ^{2,3)}	20,834	7,112	1,177	8,476	65	37,664
Total	26,499	9,427	1,534	10,526	65	48,051
Other senior executives, subsidiaries ^{2,3)}	48,840	6,635	1,891	15,008	382	72,756
TOTAL, GROUP	75,339	16,062	3,425	25,534	447	120,807

2012

CEO ¹⁾	5,500	3,259	345	2,348	–	11,452
Other senior executives, Parent Company ^{2,4)}	19,738	6,832	1,060	7,477	54	35,161
Total	25,238	10,091	1,405	9,825	54	46,613
Other senior executives, subsidiaries ^{3,4)}	51,026	6,215	1,987	16,052	301	75,581
TOTAL, GROUP	76,264	16,306	3,392	25,877	355	122,194

¹⁾ Anders Strålmán is CEO of the Parent Company.

²⁾ The Axfood Group's Executive Committee in 2013 (excluding the CEO) consisted of Karin Hygrel-Jonsson, Hans Holmstedt, Anders Quist, Louise Ring, Jan Lindmark, Anders Agerberg, Nicholas Pettersson, Thomas Evertsson, Anne Rhenman Eklund and Thomas Gäreskog.

³⁾ Of base salaries, variable compensation and other compensation paid out by the Parent Company, KSEK 20,742 (18,659) pertains to remuneration that the senior executives received from other Group companies. Of the Parent Company's other benefits, KSEK 848 (749) pertains to compensation from other Group companies.

⁴⁾ The Axfood Group's Executive Committee in 2012 (excluding the CEO) consisted of Karin Hygrel-Jonsson, Hans Holmstedt, Anders Quist, Louise Ring, Jan Lindmark, Anders Agerberg, Thomas Evertsson, Nicholas Pettersson, Thomas Gäreskog and Anne Rhenman Eklund.

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

	2013		2012	
	Boards, presidents and other senior executives	Other employees	Boards, presidents and other senior executives	Other employees
Parent Company ¹⁾	38	46	38	47
Subsidiaries	56	2,934	58	2,756
TOTAL, GROUP	94	2,980	96	2,803

¹⁾ Of the Parent Company's salaries and other compensation to senior executives, SEK 21 m (19) pertains to compensation from other Group companies.

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

	2013		2012	
	Directors' fees	Other compensation	Directors' fees	Other compensation
Parent Company				
Chairman of the Board ¹⁾	525	–	525	–
Vice Chairman of the Board ²⁾	375	–	375	–
Other board members:				
Antonia Ax:son Johnson	300	–	300	–
Peggy Bruzelius	300	–	300	–
Maria Curman ⁴⁾	75	–	300	–
Lars Olofsson ⁴⁾	225	–	–	–
Odd Reitan	300	–	300	–
Annika Åhnberg	300	–	300	–
Michael Sjöström ³⁾	–	–	–	–
Ulla-May Iwahr Rydén ³⁾	–	–	–	–
Inger Sjöstrand ³⁾	–	–	–	–
Total	2,400	–	2,400	–

¹⁾ Fredrik Persson is Chairman of the Board.

²⁾ Marcus Storch is Vice Chairman of the Board.

³⁾ Employee representatives.

⁴⁾ Maria Curman through the 2013 AGM, Lars Olofsson for time thereafter.

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 2013 Annual General Meeting, the annual fee payable to directors was set at KSEK 2,400 (2,400), of which KSEK 525 (525) is payable to the Chairman. Seventy-five per cent of the fee was paid out in 2013, with the remainder being paid out after year-end. Expensed compensation paid to the board members is shown in the table.

CEO

Axfood's CEO, Anders Strålman, received SEK 8.0 m (8.8) in contractual salary and other benefits in 2013, including SEK 2.3 m (3.3) in variable compensation. The CEO's variable compensation is based on the performance and development of the business. His variable compensation can amount to a maximum of 70% of his yearly salary. Fifty per cent of the set variable compensation is paid out after the Annual General Meeting in the year following the year in which it was earned. The remaining 50% will be paid out after the 2015 Annual General Meeting, provided he is still employed.

In addition, the CEO has a taxable housing and travel benefit, a car benefit and private health 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 2013 amounted to SEK 12.2 m (10.3). In the event Axfood serves notice, the CEO is entitled to a 12-month notice period plus severance pay corresponding to 12 months' salary, on account. In the event the CEO gives notice, the notice period is six months.

Other senior executives

Salary and other benefits paid to other senior executives of the Parent Company amounted to SEK 27.9 m (26.6), including SEK 7.1 m (6.8) in variable compensation. By other senior executives is meant the ten persons who together with the CEO form the Axfood Group's Executive Committee. See

pages 54–55 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 for persons enrolled in ITP 2. The Board's compensation committee makes decisions on salary and other terms of employment for members of the Executive Committee (except for the CEO, for whom the Board in its entirety sets the level of compensation and other terms of employment), according to the principles decided on by the Annual General Meeting.

9 AUDITORS' FEES

	Group		Parent Company	
	2013	2012	2013	2012
KPMG				
Auditing fees	4	4	1	1
Auditing activities in addition to the audit assignment	1	0	0	0
Tax consulting	0	1	0	0
Other services	0	0	0	0
Total	5	5	1	1

By auditing fees is meant fees for the statutory audit of the annual report and consolidated financial statements and bookkeeping, the Board of Directors' and CEO's administration, and other auditing activities performed in accordance with an agreement or contract.

10 DEPRECIATION, AMORTIZATION AND IMPAIRMENT

Group	Other intangible assets		Land and buildings		Equipment, tools, fixtures and fittings		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
Cost of goods sold	159	143	1	1	410	402	570	546
Selling expenses	0	0	–	–	41	38	41	38
Administrative expenses	0	1	–	–	56	52	56	53
Total depreciation/amortization	159	144	1	1	507	492	667	637

The Parent Company's depreciation of SEK 1 m (1) pertains to equipment, tools, fixtures and fittings and is reported under administrative expenses. Impairment charges of SEK 55 m in 2012 are included in other operating expenses.

11 OPERATING LEASES

	Group		Parent Company	
	2013	2012	2013	2012
Minimum lease payments during the financial year	1,312	1,224	32	31
Variable charges	11	10	–	–
Total leasing costs during the financial year¹⁾	1,323	1,234	32	31
Leasing income pertaining to sublet premises	110	108	25	21
Contracted future minimum lease payments				
Within one year	1,180	1,175	28	25
Between one and five years	2,581	2,436	101	102
Longer than five years	1,007	1,037	123	147
Total future lease payments	4,768	4,648	252	274

¹⁾ Of which, rents for premises SEK 1,266 m (1,180) for the Group and SEK 31 m (30) for the Parent Company.

Axfood rents warehouse and store premises. Premises are rented from outside parties, while premises are sublet mainly to Group companies and to franchisees. The terms of rental agreements are in line with the going rate in the market with respect to price as well as duration. The variable charge consists of an arrangement whereby certain rental agreements have minimum rents plus a sales-based portion.



12 RELATED PARTY TRANSACTIONS

The Axfood Group's transactions with related parties, aside from those covered by the consolidated accounting, consist of transactions with associated companies and with subsidiaries of the Axel Johnson Group. All prices are set at arm's length. During the year, purchases from associated companies totalled SEK 2 m (-). Sales to associated companies totalled 1 m (-).

Axfood AB is 50.1%-owned by Axel Johnson AB.

Martin & Servera AB, a subsidiary of Axel Johnson AB, delivers wholesale food products to Axfood companies. Purchases from Martin & Servera amounted to SEK 92 m (42) during the year. Axfood's sales to Martin & Servera during the year amounted to SEK 12 m (16). As per 31 December 2013, the Axfood Group's current liabilities to Martin & Servera amounted to SEK 5 m (1), and current receivables amounted to SEK 1 m (1). All prices are set at arm's length.

AxFast AB, a company in the Axel Johnson Group, leases property to companies in the Axfood Group. During the year Axfood's profit was charged with SEK 44 m (41) in rents to AxFast AB. All rents have been set at arm's length. As per 31 December 2013, the Axfood Group's current liabilities to AxFast AB amounted to SEK 12 m (13).

Axstores AB, a subsidiary of Axel Johnson AB, runs department stores and boutiques. The Axfood Group leases premises from Axstores, among others. During the year, Axfood's profit was charged with SEK 28 m (30) for in rents for premises. As per 31 December 2013, the Axfood Group's current liabilities to Axstores amounted to SEK 9 m (9).

Axfood's associated companies owned no shares in Axfood AB as per 31 December 2013.

13 NET FINANCIAL ITEMS

	Group		Parent Company	
	2013	2012	2013	2012
Interest income from bank deposits	1	0	1	0
Interest income from non-impaired loan receivables and trade accounts receivable ¹⁾	5	7	14	19
Interest income from impaired loan receivables and trade accounts receivable	0	0	-	0
Exchange rate movements	0	0	0	0
Other financial income	0	0	0	0
Total financial income	6	7	15	19
Interest expenses on financial liabilities carried at amortized cost				
Borrowings (bank loans and bank lines of credit) ²⁾	-8	-18	-8	-18
Trade accounts receivable and other current liabilities	-3	-4	0	0
Pension liability	-14	-18	0	0
Other financial expenses	-5	-5	-4	-4
Total financial expenses	-30	-45	-12	-22
Net financial items	-24	-38	3	-3

¹⁾ Interest income in the Parent Company from Group companies amounted to SEK 14 m (19).

²⁾ Interest expense in the Parent Company to Group companies amounted to SEK - m (-).

Starting in 2013, Group contributions received and rendered are reported as appropriations; the comparative figures have been adjusted.

All interest income pertains to financial items that are not stated at fair value through profit or loss.

14 APPROPRIATIONS AND UNTAXED RESERVES

	Parent Company	
	2013	2012
Appropriations		
Group contribution received	1,323	1,291
Group contribution rendered	-9	-30
Provision to tax allocation reserve	-304	-289
Change in accumulated excess depreciation	0	1
Total	1,010	973
Untaxed reserves		
Tax allocation reserves	867	563
Accumulated excess depreciation	0	0
Total	867	563

15 TAXES

	Group		Parent Company	
	2013	2012	2013	2012
Current tax				
Current tax on profit for the year	-212	-243	-200	-229
Adjustment of current tax from previous years	0	0	0	0
	-212	-243	-200	-229
Deferred tax				
Deferred tax pertaining to temporary differences	-73	-66	-1	-1
Adjustment of deferred tax attributable to changed rules in IAS 19	-	-1	-	-
Adjustment of deferred tax pertaining to previous years	0	0	-	-
Recalculation of deferred tax ¹⁾	-	50	-	-2
Total reported tax charge	-73	-17	-1	-3
Totalt redovisad skattekostnad	-285	-260	-201	-232

¹⁾ Effective 1 January 2013, the company tax rate is 22.0%. Closing deferred tax in 2012 has been recalculated to reflect the change in the tax rate from 26.3% to 22.0%.

Group – reconciliation of applicable tax rate and effective tax rates

	2013	%	2012	%
Reported profit before tax	1,278		1,162 ²⁾	
Tax based on applicable tax rate for Parent Company	-281	-22.0	-305 ²⁾	-26.3
Tax effect of:				
Other non-deductible expenses	-9	-0.7	-6	-0.5
Other tax-exempt revenues	4	0.3	2	0.2
Adjustments of current tax attributable to changed rules in IAS 19	-	-	2	0.2
Adjustments of current tax pertaining to previous years	-1	-0.1	-2	-0.2
Adjustments of deferred tax pertaining to previous years	2	0.2	0	0.0
Adjustment of deferred tax attributable to changed rules in IAS 19	-	-	-1	-0.1
Recalculation of deferred tax ¹⁾	-	-	50	4.3
Reported tax charge/effective tax rate	-285	-22.3	-260	-22.4
Current tax attributable to other comprehensive income	-4		-4 ²⁾	

¹⁾ Effective 1 January 2013, the company tax rate is 22.0%. Closing deferred tax in 2012 has been recalculated to reflect the change in the tax rate from 26.3% to 22.0%.

²⁾ On account of new accounting policies as from 1 January 2013 with respect to pension costs (IAS 19), the comparative figures for 2012 have been recalculated, see Note 27.

15 TAXES, CONT.

Parent Company – reconciliation of current tax rate and effective tax rate

	2013	%	2012	%
Reported profit before tax	907		870	
Tax based on applicable tax rate for Parent Company	-199	-22.0	-229	-26.3
Tax effect of:				
Other non-deductible expenses	-1	-0.1	-1	-0.1
Other tax-exempt revenues	0	0.0	0	0.0
Adjustments of current tax pertaining to previous years	0	0.0	0	0.0
Adjustments of deferred tax pertaining to previous years	-1	-0.1	0	0.0
Recalculation of deferred tax ¹⁾	0	0.0	-2	-0.2
Reported tax charge/effective tax rate	-201	-22.2	-232	-26.6
Current and deferred tax items reported directly against shareholders' equity	-		-	

¹⁾ Effective 1 January 2013, the company tax rate is 22.0%. Closing deferred tax in 2012 has been recalculated to reflect the change in the tax rate from 26.3% to 22.0%.

Reported deferred tax assets and tax liabilities

	Group		Parent Company	
	2013	2012	2013	2012
Intangible assets	-62	-62	-	-
Land and buildings	-1	-1	-	-
Equipment, tools, fixtures and fittings	3	1	-	-
Other receivables	6	6	-	-
Untaxed reserves	-316	-241	-	-
Provisions ¹⁾	19	23	6	7
Other liabilities	2	2	0	0
Total deferred tax asset (+)/deferred tax liability (-), net	-349	-272	6	7
Deferred tax asset	36	38	6	7
Deferred tax liability	-385	-310	-	-

¹⁾ Includes SEK 22 m in the preceding year attributable to an adjustment to amendments in IAS 19 pertaining to pensions.

The Group has no unreported deferred tax assets or tax liabilities pertaining to temporary differences.

Tax attributable to other comprehensive income¹⁾

Group	2013			2012		
	Before tax	Tax	After tax	Before tax	Tax	After tax
Cash flow hedges	-1	0	-1	0	0	0
Actuarial gains and losses	18	-4	14	16	-4	12
Other comprehensive income	17	-4	13	16	-4	12

¹⁾ The Parent Company has no taxes attributable to other comprehensive income.

Change in deferred tax in temporary differences during the year, Group

	Amount at start of year	Recognized in profit for the year	Recognized in other comprehensive income	Amount at end of year
Intangible assets	-62	2	-2	-62
Land and buildings	-1	0	-	-1
Equipment, tools, fixtures and fittings	1	2	-	3
Other receivables	6	0	0	6
Untaxed reserves	-241	-77	2	-316
Provisions	23 ¹⁾	0	-4	19
Other liabilities	2	0	-	2
Total	-272	-73	-4	-349

¹⁾ Includes SEK 22 m attributable to an adjustment to amendments in IAS 19 pertaining to pensions.

16 EARNINGS PER SHARE

Earnings per share were SEK 18.80 (17.20).

Since Axfood does not have, nor has had any outstanding convertible or stock option programmes during the year, there is no

dilutive result in calculations of earnings per share. The number of shares outstanding was 52,467,678 (52,467,678), and the average number of shares outstanding was 52,467,678 (52,467,678).

17 INTANGIBLE ASSETS

Group	Goodwill		Intangible assets in progress		Other intangible assets ¹⁾	
	31/12/13	31/12/12	31/12/13	31/12/12	31/12/13	31/12/12
Opening cost	1,759	1,613	157	237	1,445	1,131
Investments	41	146	121	212	-	22
(of which, internally developed)	-	-	(24)	(26)	-	-
Sales and disposals	-	-	-	-	-	0
Reclassifications	-	-	-200	-292	200	292
(of which, internally developed)	-	-	(-26)	(-50)	(26)	(50)
Closing accumulated cost	1,800	1,759	78	157	1,645	1,445
Opening amortization	-	-	-	-	-664	-520
Sales and disposals	-	-	-	-	-	0
Amortization for the year	-	-	-	-	-159	-144
Closing accumulated amortization	-	-	-	-	-823	-664
Opening impairment ²⁾	-	-	-	-	-55	-
Impairment for the year	-	-	-	-	-	-55
Closing accumulated impairment	-	-	-	-	-55	-55
Closing planned residual value	1,800	1,759	78	157	767	726

¹⁾ Of other intangible assets, SEK 29 m (31) pertains to trademarks, SEK 1 m (3) to leaseholds, and SEK 23 m (34) to customer relationships.

²⁾ Opening impairment consists of the impairment charge of SEK 55 m in 2012 for the PrisXtra brand.



17 INTANGIBLE ASSETS, CONT.

Goodwill

The Group's reported goodwill is broken down per segment as follows:

	31/12/13	31/12/12
Hemköp, incl. PrisXtra	637	617
Willys	521	500
Axfood Närlivs	125	125
Dagab	517	517
Total	1,800	1,759

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 715 m (658). Capitalized IT costs are amortized on a straight-line basis according to the estimated useful life of the assets, which is five to ten years. The remaining amortization period for capitalized IT costs is six years (seven).

In 2013 PrisXtra's largest store was converted to Hemköp. Over time, the remaining PrisXtra stores will be converted to either of the brands Hemköp or Willys. As a consequence of this, an impairment charge of SEK 55 m was recognized in 2012 for the PrisXtra brand. PrisXtra has ceased to be an own segment in the reporting as is included as part of Hemköp as from 1 January 2013.

The useful life of all intangible assets except for goodwill and trademarks is limited and is described in Note 1.

Amortization of other intangible assets is broken down in the statement of profit or loss and other comprehensive income 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 calculating the respective units' benefit in use are based on the business plan for 2014 for the respective units. Thereafter, the cash flows are based on assumed annual growth of 1.5% (1.5%). The forecast cash flows have been discounted to present value using a discount rate of 7.2% after tax (7.4%), which corresponds to a discount rate before tax of approximately 8.8% (9.5%). The discount rate corresponds to Axfood's estimated average cost of capital, i.e., the weighted sum of the required rate of return on equity and the cost of externally borrowed capital. The required rate of return on equity is based on an assumption of risk-free interest of 3.0% (3.5%), a going-rate risk premium of 4.9% (5.1%), and a beta coefficient of 0.9 (0.8). The beta coefficient shows the relationship between the price of Axfood's shares and changes in a benchmark index. With a discounting factor of 7.2% (7.4%), benefit in use exceeds the carrying amount for all tested units. Thus there is no need to recognize impairment as per 31 December 2013.

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 2014 business plan, which forms the basis for cash flow calculations, the Executive Committee has made an assumption on price and volume growth of approximately 1% (1%), which is based on estimates performed both by the Executive Committee and external parties of the price and volume trend in Sweden for food retail products in Axfood's product offering. This estimate is based on previous years' experience and on the anticipated competitive situation in the industry. In the opinion of the Executive Committee, reasonable, possible changes in the variables (assumptions) used in these calculations would not have such large effects that they would individually reduce the recoverable value to a value that is lower than the carrying amount.

18 PROPERTY, PLANT AND EQUIPMENT

Group	Land and buildings ¹⁾		Equipment, tools, fixtures and fittings		Construction in progress	
	31/12/13	31/12/12	31/12/13	31/12/12	31/12/13	31/12/12
Opening cost	67	67	5,707	5,423	53	73
Investments	–	1	550	494	88	54
Increases through acquisitions	–	–	–	5	–	–
Sales and disposals	–2	–1	–279	–289	0	0
Reclassifications	–	–	52	74	–53	–74
Closing accumulated cost	65	67	6,030	5,707	88	53
Opening depreciation	–10	–9	–3,982	–3,738	–	–
Increases through acquisitions	–	–	–	0	–	–
Sales and disposals	2	0	246	248	–	–
Depreciation for the year	–1	–1	–507	–492	–	–
Closing accumulated depreciation	–9	–10	–4,243	–3,982	–	–
Opening impairment	–	–	–15	–15	–	–
Closing accumulated impairment	–	–	–15	–15	–	–
CLOSING PLANNED RESIDUAL VALUE	56	57	1,772	1,710	88	53

¹⁾ The cost of land was SEK 10 m (10).

Parent Company	Equipment, tools, fixtures and fittings		Construction in progress	
	31/12/13	31/12/12	31/12/13	31/12/12
Opening cost	45	44	3	–
Investments	0	1	28	3
Closing accumulated cost	45	45	31	3
Opening depreciation	–43	–42	–	–
Depreciation for the year	–1	–1	–	–
Closing accumulated depreciation	–44	–43	–	–
CLOSING PLANNED RESIDUAL VALUE	1	2	31	3

19 GOVERNMENT SUPPORT

Government support in the form of labour market policy grants amounted to SEK 3 m (2) in the statement of financial position (reported under pre-paid income) and SEK 48 m (43) in the statement of comprehensive income, which reduced payroll costs.

No other unfulfilled conditions or contingent liabilities exist.

20 FINANCE LEASES

Group	Equipment, tools, fixtures and fittings	
	31/12/13	31/12/12
Opening cost	125	126
Investments	44	38
Sales and disposals	-42	-39
Closing accumulated cost	127	125
Opening depreciation	-50	-51
Sales and disposals	25	24
Depreciation for the year	-24	-23
Closing accumulated depreciation	-49	-50
CLOSING PLANNED RESIDUAL VALUE	78	75

Finance lease liabilities fall due for payment as follows:

2013	Future minimum lease payments	Interest	Present value of minimum lease payments
Within 1 year	43	1	42
Between 1 and 5 years	37	1	36
Total	80	2	78

2012	Future minimum lease payments	Interest	Present value of minimum lease payments
Within 1 year	38	1	37
Between 1 and 5 years	39	1	38
Total	77	2	75

In the Group, no properties with finance leases have been sublet. In addition, there were no variable fees in profit for the period.

21 PARTICIPATIONS IN GROUP COMPANIES

2013 Parent Company	Reg. no.	Registered office	Number of shares	Share of capital, %	Book value
Hemköpskedjan AB	556113-8826	Solna	100,000	100	475
Axfood Sverige AB	556004-7903	Solna	3,434,656	100	2,129
Willys AB	556163-2232	Göteborg	1,000	100	349
Axfood IT AB	556035-6163	Solna	1,000	100	2
Dagab AB	556070-3166	Solna	28,000,000	100	350
PrisXtra AB	556460-9542	Solna	500	100	301
Total, Group companies					3,606

2012 Parent Company	Reg. no.	Registered office	Number of shares	Share of capital, %	Book value
Hemköpskedjan AB	556113-8826	Solna	100,000	100	356
Axfood Sverige AB	556004-7903	Solna	3,434,656	100	2,129
Willys AB	556163-2232	Göteborg	1,000	100	336
Axfood IT AB	556035-6163	Solna	1,000	100	2
Dagab AB	556070-3166	Solna	28,000,000	100	350
PrisXtra AB	556460-9542	Solna	500	100	400
Total, Group companies					3,573

22 PARTICIPATIONS IN ASSOCIATED COMPANIES

Group	2013	2012
Opening cost	2	2
Acquisitions	6	-
Closing cost	8	2
Adjustments of shareholders' equity pertaining to investments in associated companies		
Opening carrying amount	1	1
Share in profit after tax	1	0
Divestments and other changes	-	0
Closing carrying amount	2	1
Total	10	3

2013 Group	Reg. no.	Registered office	Number of shares	Share of capital/ votes, %	Book value	Share of capital
United Nordic Inc AB	556043-4606	Solna	250	25	0	0
Direktbutikerna Scandinavia AB	556535-8826	Stockholm	105,360	50	2	2
God Mat i Sickla AB	556908-1465	Stockholm	250	50	6	0
Total					8	2

2012 Group	Reg. no.	Registered office	Number of shares	Share of capital/ votes, %	Book value	Share of capital
United Nordic Inc AB	556043-4606	Solna	250	25	0	0
Direktbutikerna Scandinavia AB	556535-8826	Stockholm	105,360	50	2	1
Total					2	1



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
2013				
Opening cost	3,573	3	29	13
Acquisitions during the year	33	6	–	1
Additional receivables	–	–	–	7
Share in associated company profit after tax	–	1	–	–
Reclassifications	–	–	–	0
Closing accumulated book value	3,606	10	29	21
2012				
Opening cost	3,452	3	29	12
Acquisitions during the year	96	–	–	–
Additional receivables	–	–	–	1
Disposals/amortization	0	–	–	–
Share in associated company profit after tax	–	0	–	–
Revaluation	25	–	–	–
Reclassifications	–	–	–	0
Closing accumulated book value	3,573	3	29	13

24 NON-CURRENT AND CURRENT RECEIVABLES

	Group		Parent Company	
	31/12/13	31/12/12	31/12/13	31/12/12
Non-current noninterest-bearing receivables	21	13	3	2
Total other non-current receivables	21	13	3	2
Other noninterest-bearing receivables	129	83	3	0
Total other current receivables	129	83	3	0

25 ACCOUNTS RECEIVABLE – TRADE

Accounts receivable – trade	31/12/13	31/12/12
Trade accounts receivable, gross	931	893
Provision for impaired loans	–22	–26
Trade accounts receivable, net	909	867
Provision account for loan losses	31/12/13	31/12/12
Provision at start of year	–26	–28
Provision for possible loan losses	–2	0
Confirmed and recovered loan losses	6	2
Provision at year-end	–22	–26
Age analysis of trade accounts receivable	31/12/13	31/12/12
Trade accounts receivable not due	710	597
Trade accounts receivable past due 0–30 days	177	234
Trade accounts receivable past due >30–90 days	15	12
Trade accounts receivable past due >90–180 days	2	5
Trade accounts receivable past due >180–360 days	6	27
Trade accounts receivable past due >360 days	21	18
Total	931	893

To limit the maximum credit risk associated with trade accounts receivable, Axfood has accepted security which, as per the end of the reporting period, covers SEK 66 m (61) of outstanding trade accounts receivable. Accepted security consists mainly of chattel mortgages, bank guarantees and guarantees. In 2013 a total of SEK 1 m (1) of accepted security was utilized to settle unpaid trade accounts receivable.

The credit quality of non-impaired receivables is judged to be good. For further information on financial risks, see pages 41–42.

26 PREPAID EXPENSES AND ACCRUED INCOME

	Group		Parent Company	
	31/12/13	31/12/12	31/12/13	31/12/12
Prepaid rents	278	282	8	8
Accrued bonuses and similar	386	430	–	–
Delivered, uninvoiced	13	7	–	–
Other prepaid expenses	147	97	2	5
Other accrued income	18	54	–	–
Total	842	870	10	13

27 PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

Comparative figures have been changed to reflect changed accounting rules in IAS 19.

	Group	
	2013	2012
Defined benefit pension plans, Group		
Present value of funded obligations	10	10
Present value of unfunded obligations	409	430
Total present value of obligations	419	440
Fair value of plan assets	–9	–8
Present value of net obligations	410	432
Net liability in statement of financial position	410	432
Amounts reported in statement of financial position		
– provisions	410	432
– assets	–	–
Net liability in statement of financial position	410	432

Of Axfood's net liability for defined benefit pension plans in Sweden, SEK 371 m (319) consists of obligations within the FPG/PRI system. Of these obligations, SEK 371 m (319) are locked, which for Axfood's part entails that all new earning now takes place in the Alecta system. Obligations in the FPG/PRI system are unfunded pension plans, which is why these are reported in their entirety as Provision for pensions.

Net liability also includes the Company's own defined benefit pension plans for the CEO and former CEOs. These are unfunded plans and are reinsured with FPG/PRI and amount to SEK 23 m (26).

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 balance sheet. The obligation is reported net and amounted to SEK 1 m (1) on 31 December 2013.

27 PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS, CONT.

The actual return on plan assets was SEK 1 m (1), which corresponded to the expected return. No fees were paid in to the foundation during the year. During the year, SEK 1 m (1) was received in compensation from the foundation.

The defined benefit plans are exposed to actuarial risks such as life expectancy, and currency, interest rate and investment risks. All unfunded plans are reinsured with FPG/PRI. See also Note 33.

Changes in the present value of defined benefit obligations	2013	2012
Obligations for defined benefit plans as per 1 January	440	470
Benefits paid	-29	-29
Current service cost	7	1
Benefits earned in previous periods, vested	-	-11
Interest expense	15	18
Revaluations:		
Actuarial gains and losses, and changed financial assumptions	-23	0
Experience-based adjustments	9	-9
Obligations for defined benefit plans as per 31 December	419	440

The present value of obligations is broken down according to the plans' members as follows:

- Active members 0.1% (0%)
- Owners of paid-up policies 38.2% (40.0%)
- Retirees 61.7% (60.0%)

Change in net liability during the year	2013	2012
Net liability at start of year	432	462
Compensation from pension foundation	1	1
Defined benefit direct pensions	6	0
Net expense in profit for the year	14	11
Pension disbursements	-29	-29
Actuarial gains/losses reported as a liability	-14	-13
Net liability at year-end	410	432

Costs recognized in profit for the year, Group	2013	2012
<i>Defined benefit pension plans</i>		
Earned benefits	1	1
Interest expense	15	18
Actual return on plan assets	0	0
Benefits earned in previous periods, vested	-	-11
Total	16	8
<i>Defined contribution pension plans</i>		
Costs during the period ¹⁾	229	238
Total pension cost	245	246

¹⁾ Pension insurance contributions made during the year to Alecta for pension insurance under the ITP plan amounted to SEK 52 m (50). Alecta's surplus can be apportioned among the policyholders and/or the insureds. As per 30 September 2013, Alecta's surplus in the form of its collective funding ratio was 153% (123%). The collective funding ratio consists of the market value of Alecta's assets measured as a percentage of the insurance obligations calculated using Alecta's actuarial computation assumptions, which is not compatible with IAS 19. At the time of this annual report's publication, Alecta had not published its collective funding ratio as per December 2013.

Pension costs are broken down per function in profit for the year as follows (Group)	2013	2012
Cost of goods sold	132	136
Selling expenses	51	55
Administrative expenses	47	39
Interest expense	15	16
Total	245	246

Costs reported in other comprehensive income (Group)	2013	2012
<i>Defined benefit pension plans</i>		
Revaluations:		
Net actuarial gains/losses reported for the year	-18	-16
Net costs reported in other comprehensive income	-18	-16

The following actuarial assumptions have been made in calculating the present value of defined benefit obligations:

	2013	2012
Discount rate	3.5%	3.5%
Future annual salary increases ¹⁾	0.0%	0.0%
Future annual pension increases	1.5%	1.5%
Employee attrition rate ¹⁾	0.0%	0.0%
Life expectancy assumption after 65 years		
- men	23 years	23 years
- women	25 years	25 years

¹⁾ Since the Axfood Group funds benefits through insurance with Alecta, this assumption is not used as from 2012.

Effects on future cash flows

The Group estimates that approximately SEK 29 m will be paid towards defined benefit plans in 2014.

Unfunded plans – ITP2, pension payments 2014–2081, inflation assumption 1.5%

2014	22
2015	23
2016	23
2017	22
2018	22
2019	21
2020	21
2021	21
2022	21
2023	20
2014–2081	440

Parent Company

The Parent Company's reported pension liability amounted to SEK 25 m (28) 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	2013	2012
Reported capital value on 1 January	28	31
Benefits paid out	-5	-5
Defined benefit direct pensions	1	1
Cost excluding interest expense	0	1
Interest expense	1	0
Reported capital value of pension obligations on 31 December	25	28

Of the Parent Company's reported pension liability, SEK 23 m (26) is covered by credit insurance via PRI.

Pension costs	2013	2012
<i>Own undertakings</i>		
Liability revaluation of undertakings	2	2
Interest expense	1	0
Total	3	2
<i>Undertakings through insurance</i>		
Insurance premiums ¹⁾	9	9
Special employer's payroll tax on pension costs	2	2
Cost of credit insurance premiums	0	0
Total	11	11
Pension costs for the year	14	13

¹⁾ Of which, contributions paid to Alecta for pension insurance according to the ITP plan, totalling SEK 4 m (5).



27 PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS, CONT.

Assumptions for defined benefit obligations

The terms of the pension agreements entered into by the Parent Company entail that the value of the obligations is adjusted upward each year by an average of approximately 0% (0%).

It is estimated that approximately SEK 5 m will be paid out in pensions by the Parent Company in 2014.

Changed accounting policy 2013

Effective 1 January 2013, Axfood applies the amended IAS 19. The effect of the changed accounting policy is shown in the table below.

The Group will apply IAS 1 in its presentation of financial statements and the Swedish Financial Reporting Board's pronouncement in UFR 9 in the reporting of the policyholder tax, see Note 1.

Effect of changed accounting policy and changed tax rate – marginal effect only of change in policy, Group	Adjusted opening balance 01/01/2012	Adjusted profit 2012	Changed tax rate reported in equity	Adjusted closing balance 31/12/2012
Effect on balance sheet				
Provision for pensions and other obligations	98	-19		79
Other non-current liabilities	24	-5		19
Deferred tax assets	-32	5	5	-22
Shareholders' equity	-90	19	-5	-76
Effect on income statement				
Operating profit		8		
Deferred tax		-1		
Profit for the year		7		
Other comprehensive income		16		
Tax attributable to other comprehensive income		-4		
Comprehensive income for the year		19		

28 FINANCIAL ASSETS AND LIABILITIES

The tables below provide disclosures on how fair value has been determined for the financial instruments that are measured at fair value in the statement of financial position.

The breakdown of how fair value is determined is done according to three levels:

Level 1: according to prices in an active market for the same instrument. Axfood has no financial instruments at this level.

Level 2: based on direct or indirect observable market data that is not included in level 1. Level 2 includes derivatives used in hedge accounting and available-for-sale financial assets.

Level 3: based on input data that is not observable in the market. Axfood has no financial instruments at this level.

	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
Group 2013								
Other long-term securities holdings			29		29	29		29
Other non-current receivables		21			21	21		21
Accounts receivable – trade		909			909	909		909
Cash and bank balances		457			457	457		457
Total financial assets	-	1,387	29	-	1,416	1,416	-	1,416
Other non-current interest-bearing liabilities				61	61	61		61
Current liabilities to credit institutions				22	22	22		22
Other current interest-bearing liabilities				42	42	42		42
Other current liabilities	1				1	1	169	170
Accounts payable – trade				2,225	2,225	2,225		2,225
Total financial liabilities	1	-	-	2,350	2,351	2,351	169	2,520
Group 2012								
Other long-term securities holdings			29		29	29		29
Other non-current receivables		13			13	13		13
Accounts receivable – trade		867			867	867		867
Cash and bank balances		521			521	521		521
Total financial assets	-	1,401	29	-	1,430	1,430	-	1,430
Other non-current interest-bearing liabilities				63	63	63		63
Current liabilities to credit institutions				329	329	331		329
Other current interest-bearing liabilities				37	37	37		37
Other current liabilities	1				1	1	156	157
Accounts payable – trade				2,359	2,359	2,359		2,359
Total financial liabilities	1	-	-	2,788	2,789	2,791	156	2,945

28 FINANCIAL ASSETS AND LIABILITIES, CONT.

	Trade accounts receivable and loan receivables	Available- for-sale financial assets	Other financial liabil- ities	Total carrying amount	Fair value	Non-financial assets and liabilities	Total, Balance sheet
Parent Company 2013							
Other long-term securities holdings		3		3	6		3
Other non-current receivables	3			3	3		3
Accounts receivable – trade	0			0	0		0
Receivables from Group companies	889			889	889	1,314	2,203
Cash and bank balances	114			114	114		114
Total financial assets	1,006	3	–	1,009	1,012	1,314	2,323
Current liabilities to credit institutions			–	–	–	–	–
Accounts payable – trade			26	26	26		26
Liabilities to Group companies			1,272	1,272	1,272	13	1,285
Total financial liabilities	–	–	1,298	1,298	1,298	13	1,311
Parent Company 2012							
Other long-term securities holdings		3		3	6		3
Other non-current receivables	2			2	2		2
Accounts receivable – trade	0			0	0		0
Receivables from Group companies	920			920	920	1,293	2,213
Other current receivables	0			0	0		0
Cash and bank balances	0			0	0		0
Total financial assets	922	3	–	925	928	1,293	2,218
Current liabilities to credit institutions			314	314	316		314
Accounts payable – trade			19	19	19		19
Liabilities to Group companies			1,110	1,110	1,110	45	1,155
Total financial liabilities	–	–	1,443	1,443	1,445	45	1,488

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 determine 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 (Level 2). The total carrying amount of tenant-owner rights included in the item "Other non-current securities holdings" is SEK 22 m (22). Interest-bearing financial assets and liabilities that are not derivative instruments are calculated based on future cash flows of principal 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 – Level 2). The item "Other non-current interest-bearing liabilities" includes earn-out payments totalling SEK 20 m (20), which are valued in accordance with this. Finance leases totalling SEK 78 m (75), of which SEK 36 m (38) are long-term, are valued using discounted cash flows (Level 2). For current financial assets and liabilities with variable interest rates, the fair value is considered to be the same as the carrying amount. The carrying amount of trade accounts receivable, other receivables, cash and cash equivalents, trade accounts payable and other liabilities represent a reasonable approximation of fair value.

Interest rates used to determine fair value

Axfood used the market interest rate in effect on 31 December 2013 (31 December 2012) plus a relevant interest rate spread to discount financial instruments. The interest rates used are provided below.

	2013	2012
Interest-bearing liabilities	1.35%	2.52%

29 NON-CURRENT AND CURRENT INTEREST-BEARING LIABILITIES

	Group		Parent Company	
	31/12/13	31/12/12	31/12/13	31/12/12
Committed credit lines				
Long-term committed credit lines	500	500	500	500
Short-term committed credit lines	–	300	–	300
Bank overdraft facilities	250	325	220	300
Total committed credit lines	750	1,125	720	1,100
Drawn short-term credit lines	–	–300	–	–300
Drawn bank overdraft facilities	–22	–29	–	–14
Total drawn credit lines	–22	–329	–	–314
Cash and bank balances	457	521	114	0
Total¹⁾	1,185	1,317	834	786

¹⁾ The Group's refinancing risk reserve, totalling SEK 860 m (806), consists of granted, undrawn credit facilities and lines of credit totalling SEK 728 m (796) and disposable funds in bank accounts totalling SEK 132 m (10).

	Group		Parent Company	
	31/12/13	31/12/12	31/12/13	31/12/12
Non-current interest-bearing liabilities²⁾				
Finance leases ³⁾	36	38	–	–
Other non-current interest-bearing liabilities	25	25	–	–
Total other non-current interest-bearing liabilities	61	63	–	–
Provisions for pensions and similar obligations	410	432	25	28
Total non-current interest-bearing liabilities	471	495	25	28
Current interest-bearing liabilities				
Liabilities to credit institutions	22	329	–	314
Finance leases ³⁾	42	37	–	–
Liabilities to Group companies ⁴⁾	–	–	1,272	927
Total other current interest-bearing liabilities	42	37	–	–
Total current interest-bearing liabilities	64	366	1,272	1,241

²⁾ Of non-current interest-bearing liabilities, SEK – m (–) have a term exceeding five years.

³⁾ A maturity analysis of finance leases is provided in Note 20.

⁴⁾ Reported in the Parent Company balance sheet as part of liabilities to Group companies.

Group	31/12/13	Effective interest rate	31/12/12	Effective interest rate
Interest exposure, liabilities				
Maturity less than 1 year	64	2.29%	366	3.23%
Maturity later than 1 year but less than 5 years	61	2.30%	63	2.48%
Maturity later than 5 years	–	–	–	–
Total interest-bearing liabilities	125	2.29%	429	3.12%

Parent Company	31/12/13	Effective interest rate	31/12/12	Effective interest rate
Interest exposure, liabilities				
Maturity less than 1 year	–	–	314	3.36%
Total interest-bearing liabilities	–	–	314	3.36%

For further information on financial risks, see pages 41–42.

30 ACCRUED EXPENSES AND DEFERRED INCOME

	Group		Parent Company	
	31/12/13	31/12/12	31/12/13	31/12/12
Payroll-related items	916	844	24	27
Accrued bonuses and similar	83	63	–	–
Accrued real estate costs	53	48	–	–
Delivered, uninvoiced	530	521	–	–
Other accrued expenses	184	196	2	1
Other deferred income	28	14	–	–
Total	1,794	1,686	26	28

31 CONTINGENT ASSETS, PLEDGED ASSETS AND CONTINGENT LIABILITIES

	Group		Parent Company	
	31/12/13	31/12/12	31/12/13	31/12/12
Pledged assets				
Chattel mortgages	32	28	–	–
Other pledged assets	0	1	–	–
Total	32	29	–	–

	Group		Parent Company	
	31/12/13	31/12/12	31/12/13	31/12/12
Contingent liabilities				
Guarantees for subsidiaries	–	–	329	360
Guarantees for others	8	14	0	0
FPG/PRI	7	7	0	0
Other contingent liabilities	12	11	0	0
Total	27	32	329	360

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.

For further information on financial risks, see pages 41–42.

32 EXCHANGE RATE DIFFERENCES AND CURRENCY EXPOSURE

Exchange rate differences reported in operating profit amounted to SEK 0 m (0); exchange rate differences reported in financial items amounted to 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	Out-standing currency risk
EUR	335	335	335	8.97	-
USD	28	28	28	6.55	-
DKK	2	2	2	1.20	-
GBP	1	1	1	10.71	-
NOK	2	2	2	1.07	-
Total outstanding currency risk	368	368	368	-	-

Maturity analysis of outstanding forward exchange contracts

Of outstanding forward exchange contracts on 31 December 2013, totalling SEK 368 m (329), contracts with a value of SEK 358 m (322) have a duration of up to 3 months and contracts with a value of SEK 10 m (7) have a maturity between 3 and 6 months.

Reported fair value of outstanding currency hedges	2013	2012
EUR	-1	-1
USD	0	0
Other	0	0
Total	-1	-1

The reported values of total hedge reserves are presented in the summary pertaining to changes in shareholders' equity. The change in value of the hedging reserve during the year was SEK 9 m (-17), and amounts transferred to inventories totalled SEK -9 m (17). The ineffective portion of cash flow hedges that has been recognized in profit for the year amounts to SEK - m (-).

Transaction exposure

The Group's transaction exposure during the respective full years is broken down into the following currencies:

Currency	2013	%	2012	%
EUR	2,359	92.1	1,967	91.1
USD	151	5.9	137	6.4
DKK	22	0.9	35	1.6
NOK	28	1.1	20	0.9
GBP	1	0.0	1	0.0
Total	2,561	100.0	2,160	100.0

For further information on financial risks, see pages 41-42.

33 CRITICAL ASSESSMENTS AND ESTIMATIONS

Impairment testing of goodwill

In calculating cash-generating units' recoverable value in connection with the Company's estimation of any need to recognize goodwill impairment, several assumptions have been made about future conditions and estimations of parameters. An account of these can be found in Note 17. As understood in the description in Note 17, changes in 2014 of the underlying conditions for these assumptions and estimations could have a material effect on the value of goodwill. However, the Executive Committee is of the opinion that reasonable, possible changes in these variables (assumptions) in the calculations would not have such a large effect that they individually would reduce the recoverable value to a value that is lower than the carrying amount.

Assumptions for calculations of pension provisions

The actuarial computation of pension obligations and pension costs is based on actuarial assumptions, which are specified in Note 27. A change in any of these assumptions could have a material effect on calculated pension obligations and pension costs.

The discount rate is based on the return for long-term mortgage bonds with a term that corresponds to the Group's average remaining duration of its obligations, which in Axfood's case amounts to 22 years.

None of the assumptions described in Note 27 deviate materially from what can be regarded as standard practice in the Swedish market.

With respect to operational and financial risks, see the particular sections in the Administration report, pages 39-42.



Proposed disposition of the Company's profit

Reg. no. 556542-0824

The Board of Directors propose that the following retained profits, totalling KSEK 3,468,362, be distributed as follows:

Shareholder dividend

SEK 15.00 per share (52,467,678 x SEK 15.00), totalling	787,015
To be carried forward	2,681,347
KSEK	3,468,362

In reference to the above and to other information that has been brought to the Board's attention, the Board is of the opinion that a comprehensive assessment of the Company's and Group's financial position entails that the dividend is justified in view of the demands that the nature, scope and risks in the business place upon the size of the Company's and Group's equity and upon the Company's and Group's funding needs, liquidity and financial position in general.

The consolidated financial statements and Annual Report have been prepared in accordance with the International Financial Reporting Standards referred to in European Parliament and Council of

Europe Regulation (EC) No. 1606/2002 of 19 July 2002, on application of International Financial Reporting Standards and generally accepted accounting principles, and gives a fair overview of the Group's and Parent Company's financial position and results of operations.

The Administration Report for the Group and Parent Company gives a fair overview of the Group's and Parent Company's operations, financial position and results of operations, and describes significant risks and uncertainties that the Parent Company and companies included in the Group face.

The Annual Report and consolidated financial statements were, as stated above, approved for publication by the Board of Directors on 3 February 2014. The Group's statement of comprehensive income and statement of financial position, and the Parent Company's income statement and balance sheet, will be subject to approval by the Annual General Meeting on 12 March 2014.

Stockholm, Sweden, 3 February 2014

Fredrik Persson
Chairman of the Board
Director

Marcus Storch
Vice Chairman of the Board
Director

Antonia Ax:son Johnson
Director

Peggy Bruzelius
Director

Lars Olofsson
Director

Odd Reitan
Director

Annika Åhnberg
Director

Ulla-May Iwahr Rydén¹⁾

Michael Sjören¹⁾

Inger Sjöstrand¹⁾

Anders Strålmán
President and CEO

Our audit report was submitted on 3 February 2014
KPMG AB

Thomas Thiel
Authorized Public Accountant

¹⁾ Employee representative.

Auditor's report

To the annual meeting of the shareholders of Axfood AB (publ), corp. id. no. 556542-0824

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

We have audited the annual accounts and consolidated accounts of Axfood AB (publ) for the year 2013. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 36–86.

Responsibilities of the Board of Directors and the President for the annual accounts and consolidated accounts

The Board of Directors and the President are responsible for the preparation and fair presentation of these annual accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the President determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the President, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2013 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2013 and of their financial performance and cash flows for the year then ended in accordance

with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. A corporate governance statement has been prepared. The statutory administration report and the corporate governance statement are consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the statement of comprehensive income and statement of financial position for the group.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the President of Axfood AB (publ) for the year 2013.

Responsibilities of the Board of Directors and the President

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the President are responsible for administration under the Companies Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the President is liable to the company. We also examined whether any member of the Board of Directors or the President has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the President be discharged from liability for the financial year.

Stockholm, 3 February 2014

Thomas Thiel
Authorized Public Accountant



Several-year overview

Amounts in SEK m	2013	2012 ⁴⁾	2011	2010	2009
Result of operations					
Net sales	37,522	36,306	34,795	34,260	32,378
Operating profit	1,302	1,200	1,250	1,209	1,128
Profit after financial items	1,278	1,162	1,214	1,172	1,082
Profit attributable to non-controlling interests	6	0	0	0	0
Tax	-285	-260	-323	-310	-289
Net profit for the year	993	902	891	862	793
Financial position					
Intangible assets	2,645	2,642	2,461	2,301	2,143
Property, plant and equipment	1,916	1,820	1,801	1,588	1,476
Financial assets	60	45	44	32	30
Other non-current assets	36	38	35	42	38
Inventories	1,906	1,932	1,916	1,822	1,790
Other current assets	1,909	1,822	1,704	1,564	1,380
Cash and cash equivalents	457	521	317	315	316
Assets	8,929	8,820	8,278	7,664	7,173
Shareholders' equity	3,768	3,398	3,237	2,972	2,635
Non-controlling interests	34	28	-	0	0
Interest-bearing liabilities and provisions	535	861	1,042	840	848
Noninterest-bearing liabilities	4,592	4,533	3,999	3,852	3,690
Shareholders' equity and liabilities	8,929	8,820	8,278	7,664	7,173
Cash flow					
Cash flow from operating activities	1,596	1,915	1,384	1,365	1,558
Cash flow from investing activities	-718	-816	-941	-831	-580
Cash flow from financing activities	-942	-895	-441	-535	-974
Cash flow for the year	-64	204	2	-1	4

Amounts in SEK m	2013	2012 ⁴⁾	2011	2010	2009
Key ratios					
Operating margin, excluding capital gains and structural costs, %	3.5	3.3	3.6	3.5	3.5
Margin after financial items, %	3.4	3.2	3.5	3.4	3.3
Equity ratio, %	42.6	38.8	39.1	38.8	36.7
Net debt-equity ratio, multiple	0.0	0.1	0.2	0.2	0.2
Debt-equity ratio, multiple	0.1	0.3	0.3	0.3	0.3
Capital employed	4,337	4,288	4,279	3,812	3,483
Return on capital employed, %	30.3	28.2	31.0	33.2	31.8
Return on shareholders' equity, %	27.5	27.2	28.7	30.7	32.4
Interest coverage, multiple	43.6	26.8	29.9	31.1	22.2
Capital expenditures, SEK m	806	932	993	862	633
Earnings per share, SEK ¹⁾	18.80	17.20	16.99	16.42	15.13
Net asset value per share, SEK ¹⁾	71.82	64.76	61.70	56.64	50.22
Cash flow per share, SEK ¹⁾	-1.2	3.9	0.0	0.0	0.08
Cash flow from operating activities per average number of shares outstanding ¹⁾	30.4	36.5	26.4	26.0	29.7
Number of shares outstanding ¹⁾	52,467,678	52,467,678	52,467,678	52,467,678	52,467,678
Weighted average number of shares ¹⁾	52,467,678	52,467,678	52,467,678	52,467,678	52,467,678
Average number of employees during the year ²⁾	8,285	8,021	7,062	6,895	6,816
Ordinary dividend	15.00 ³⁾	12.00	12.00	12.00	10.00

¹⁾ Pertains to earnings/net asset value before and after dilution.

²⁾ Calculation of the number of employees was adjusted in 2013, and thus the comparative figure (2012) has been adjusted.

³⁾ Proposed by the Board of Directors.

⁴⁾ Due to new accounting policies that took effect on 1 January 2013 regarding pension costs (IAS 19), the comparative figures for 2012 have been adjusted, see Note 27.

Axfood share data 2013

Axfood's shares were introduced on the stock market in 1997 and have been traded since 2006 on Nasdaq OMX Stockholm's Large Cap list. Starting in February 2012 the shares have been included in the Consumer Services sector classification. Based on the last price paid on 30 December 2013, which was SEK 322.70, Axfood's market capitalization was SEK 16,931 m (12,855).

SHARE PERFORMANCE 2013

Axfood's share price rose 31.7% in 2013, while the Consumer Services sector index gained 34.7% and the total index, OMX Stockholm, rose 23.2%. The total return for Axfood's shares including reinvested dividends was SEK 37.9%.

The highest closing price quoted during the year was SEK 337.60, on 21 October, and the lowest closing price was SEK 245.50, on 15 January.

TRADING VOLUME

Since implementation of the EU's Markets in Financial Derivatives (MiFID) directive, equities can be traded in other marketplaces than the exchanges on which they are listed. This has given rise to a fragmentation of equity trading, which is now conducted on both regulated marketplaces (stock exchanges) and other trading platforms. In 2013 a total of 18.4 million (26.8) Axfood shares were traded in all marketplaces, and the average daily trading volume was 73,669 shares. Trading on Nasdaq OMX Stockholm accounted for 62% (57%) of total trading volume in Axfood shares.

Since 2011, the average turnover rate for all shares listed on Nasdaq OMX Stockholm has fallen sharply, from 96% in 2011 to 67% in 2013. During the same period, the average turnover rate in Stockholm for Axfood shares decreased from 62% in 2011 to 21% in 2013.

The total turnover rate in 2013 for Axfood shares, based on trading in all marketplaces, decreased to 35% (51%).

SHARE CAPITAL

At year-end 2013 Axfood's share capital amounted to SEK 262.3 m, divided among 52,467,678 shares. All shares have a share quota value of SEK 5 and carry equal entitlement to the Company's profit and equity.

OWNERSHIP STRUCTURE

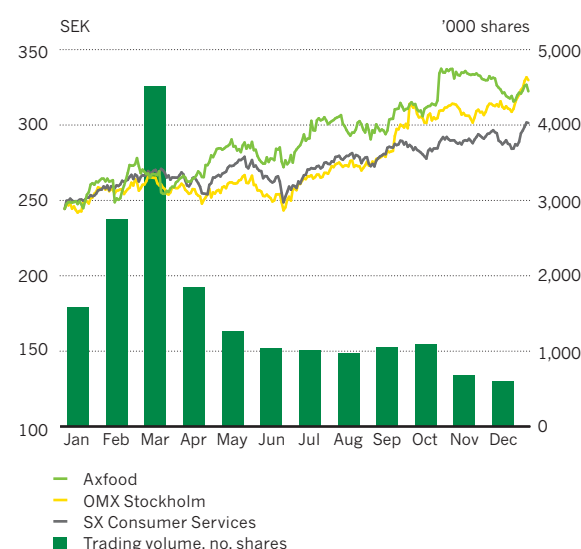
The number of shareholders increased in 2013 and was 15,701 (15,363) at year-end 2013. Of Axfood's share capital, 72.0% (72.8%) is owned by Swedish investors and 28.0% (27.2%) is owned by foreign investors. Swedish ownership is dominated by private individuals and companies, with 60.7% (60.9%) of the capital, while mutual funds own 6.7% (6.1%) and institutions own 4.6% (5.8%). The holdings of the two largest owners were unchanged compared with at year-end 2012. Norway, the USA and the UK continue to account for the largest share of foreign ownership.

DIVIDEND

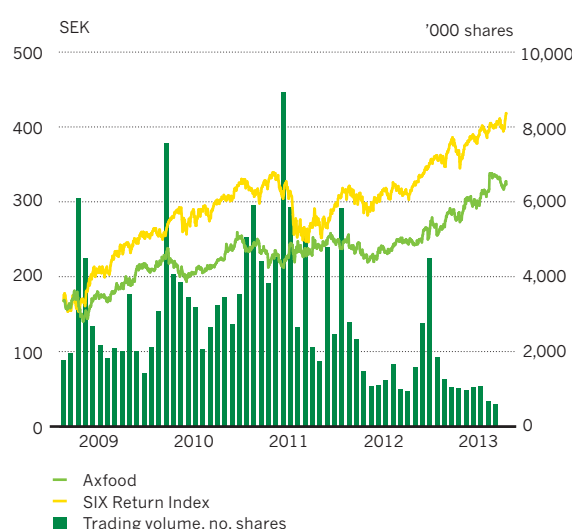
The Board of Directors has set a dividend policy that entails that at least 50% of profit after tax is to be paid out in dividends. For the 2013 financial year the Board has proposed a dividend of SEK 15 per share, corresponding to 79.8% of profit after tax. Based on the last price paid on 30 December 2013 (SEK 322.70), the proposed dividend represents a dividend yield of 4.6%.

Since 2009 Axfood has paid out an average of 67.7% of profit after tax in yearly dividends.

AXFOOD SHARE PRICE AND TRADING VOLUME 2013



AXFOOD SHARES, TOTAL RETURN 2009–2013



Ownership structure, 31 December 2013

Size class	No. share-holders	Share-holders, %	No. of shares	Share of capital and votes, %
1 – 500	13,739	87.5	1,679,048	3.2
501 – 1,000	977	6.2	831,632	1.6
1,001 – 2,000	450	2.9	715,453	1.4
2,001 – 5,000	247	1.6	814,667	1.5
5,001 – 10,000	98	0.6	743,277	1.4
10,001 – 20,000	64	0.4	950,701	1.8
20,001 – 50,000	54	0.4	1,747,478	3.3
50,001 – 100,000	35	0.2	2,508,481	4.8
100,001 –	37	0.2	42,476,941	81.0
Total	15,701	100.0	52,467,678	100.0

The 10 largest shareholders at 31 December 2013

Name	No. shares	Share of capital and votes, %
Antonia Ax:son Johnson (incl. family and companies)	26,270,066	50.1
Reitangruppen AS	8,185,817	15.6
Swedbank Robur funds	1,420,152	2.7
SEB funds	1,287,092	2.5
Norges Bank Investment Management	703,582	1.3
Odin funds	483,634	0.9
Göran Sax (incl. family and companies)	460,032	0.9
Lazard Frères Gestion funds	384,644	0.7
Fourth Swedish National Pension Fund	334,581	0.6
SHB funds	314,860	0.6
Total	39,844,460	75.9
Others	12,623,218	24.1
Total	52,467,678	100.0

Data per share, SEK

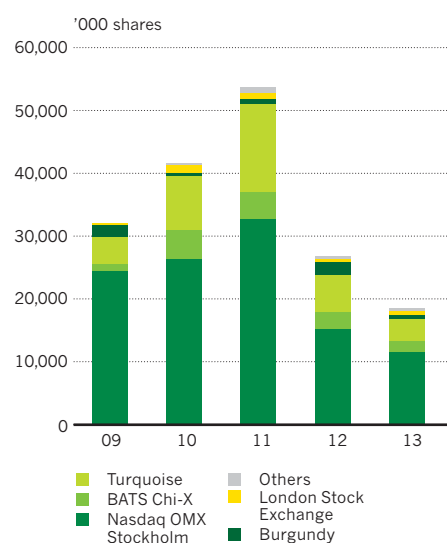
	2013	2012	2011	2010	2009
Ordinary dividend	15.00 ¹⁾	12.00	12.00	12.00	10.00
Dividend as % of net profit	79.8	69.8	70.6	73.1	66.1
Number of shares outstanding	52,467,678	52,467,678	52,467,678	52,467,678	52,467,678
Share price at year-end	322.70	245.00	253.60	251.50	209.50
Market cap at year-end, SEK m	16,931	12,855	13,306	13,196	10,991
Highest/lowest price paid	337.60/245.50	257.70/219.00	254.30/211.90	259.90/192.00	219.50/140.25
Dividend yield, %	4.6	4.9	4.7	4.8	4.8
Earnings per share	18.80	17.20	16.99	16.42	15.13
Shareholders' equity per share	71.82	64.76	61.70	56.64	50.22
P/E multiple	17.2	14.2	14.9	15.3	13.8
Turnover rate, %	21	51	102	79	61
Number of shareholders	15,701	15,363	14,247	14,707	13,404

¹⁾ Proposed by the Board of Directors.

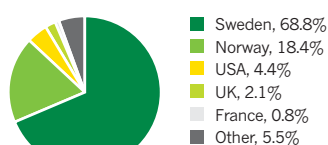
Financial calendar 2013

Report	Date
Annual General Meeting	13 March 2013
Interim report January–March	19 April 2013
Half-year interim report January–June	15 July 2013
Interim report January–September	18 October 2013

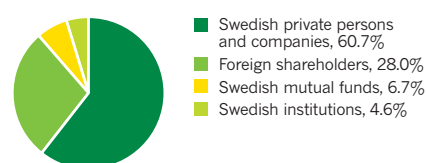
TRADING VOLUME FOR AXFOOD SHARES ON ALL MARKETPLACES, 2009–2013



GEOGRAPHICAL DISTRIBUTION OF SHAREHOLDERS



BREAKDOWN OF OWNERSHIP



SHARE DATA

ALL TIME HIGH, 1/11/2013

SEK 346.40

TRADING BLOCK

1 share

LISTING

Nasdaq OMX Stockholm AB, Large Cap list

ABBREVIATION

AXFO

SECTOR CLASSIFICATION

Consumer Services

ISIN CODE

SE0000635401

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, 12 March 2014, 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, 6 March 2014, at the following address: Axfood AGM, c/o Euroclear Sweden, Box 7841, SE-103 98 Stockholm, Sweden. Notification can also be made to the Company by phone, +46-8-402 90 51, between 9 a.m. and 4 p.m. (CET), or on Axfood's website: axfood.se. Notification must include the shareholder's name, address, personal identity number/corporate identity number, phone number (daytime), the number of shares held and the number of assistants attending (maximum of two). If participating by proxy, a proxy form must be sent to the Company, in original (along with any authorization documents, such as company certificates of registration), and be in Axfood's possession before the Annual General Meeting.

PARTICIPATION AT THE MEETING

To be entitled to participate at the Meeting, shareholders must be recorded in the register of shareholders maintained by Euroclear Sweden AB not later than Thursday, 6 March 2014, and notify the

Company of their intention to participate in the Meeting not later than 4 p.m. on Thursday, 6 March 2014 (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, 6 March 2014.

PROPOSED DIVIDEND

The Board of Directors proposes a dividend of SEK 15.00 per share (12.00) for 2013.

- Final day of trading in Axfood shares including the right to the dividend: 12 March 2014
- Record date for payment of the dividend: 17 March 2014
- Payment date for the dividend: 20 March 2014

NOTICE OF ANNUAL GENERAL MEETING

Notice of the Annual General Meeting is made by letter to the shareholders as well as through advertisement in the Official Swedish Gazette (Post- och Inrikes Tidningar) and publication on the Company's website.

Documents that will be presented at the Annual General Meeting will be available on the Company's website at least three weeks prior to the meeting and on the day of the meeting.

Financial information and Investor Relations

Financial calendar

Interim report January–March	24 April 2014
Interim report January–June	15 July 2014
Interim report January–September	22 October 2014

Printed versions of the Annual Report are distributed to shareholders only upon request approximately one week before the Annual General Meeting.

Investor Relations

Axfood's Investor Relations department is responsible for providing relevant information to – and being available for talks and meetings with – shareholders, investors, analysts and the media.

During the year Axfood conducted a number of international road shows and participated in numerous capital market activities. The Company also held regular analyst meetings and spoke at shareholder meetings.

Analysts who continuously monitor Axfood

Company	Name
ABG Sundal Collier	Andreas Lundberg
Carnegie Investment Bank	Niklas Ekman
Kepler Chevreux	Björn Gustafsson
Den Danske Bank	Anders Hansson
Handelsbanken Capital Markets	Erik Sandstedt
Nordea	Stellan Hellström
SEB Enskilda	Stefan Nelson
Swedbank Markets	Christian Andersson



Anne Rhenman Eklund

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Maria Luthström

Investor Relations manager
Tel.: +46-8-553 99 049
maria.luthstrom@axfood.se

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.

Debt-equity ratio: Interest-bearing liabilities divided by shareholders' equity including non-controlling interests.

Dividend yield: Dividend per share divided by the share price at year-end.

Earnings per share: Share of net profit for the year attributable to owners of the parent divided by a weighted average number of shares outstanding.

Employee turnover rate: Number of employment positions ended divided by the total number of employees.

Equity ratio: Shareholders' equity including non-controlling interests, as a percentage of total assets.

Interest cover ratio: Profit after financial items plus financial expenses, divided by financial expenses.

Inventory turnover rate: Cost of delivered products divided by average inventory value.

Margin after financial items: Profit after financial items as a percentage of net sales for the year.

Net asset value per share: Shareholders' equity attributable to owners of the parent divided by the number of shares outstanding.

Net debt: Cash and cash equivalents plus interest-bearing receivables less interest-bearing liabilities and provisions.

Net debt-equity ratio: Interest-bearing liabilities and provisions less cash and cash equivalents and interest-bearing receivables, divided by shareholders' equity including non-controlling interests.

Operating margin: Operating profit as a percentage of net sales for the year.

P/E multiple: Share price in relation to earnings per share.

Return on capital employed: Profit after financial items, plus financial expenses, as a percentage of average capital employed.

Return on shareholders' equity: Share of net profit for the year attributable to owners of the parent as a percentage of the average equity attributable to owners of the parent. Average shareholders' equity is calculated as shareholders' equity at the start of the year plus shareholders' equity at the end of the year, divided by two.

Share turnover rate: Number of shares traded during the year divided by the number of shares outstanding at year-end.

GLOSSARY

91/9 model: An agreement under which the majority of a store is owned by Axfood during the initial years, and subsequently becomes 99%-owned by the store proprietor and 1% by Axfood.

Autoorder: An automated store restocking system.

BSCI: Business Social Compliance Initiative.

Delivery reliability: The share of delivered goods in relation to the share of ordered goods.

Distributed sales: Volume distributed from Group-owned warehouses.

E-learning: An interactive training program.

EMAB: EMAB is collaborative organization for independent service station stores, with approximately 400 members within the Shell, Statoil 123, Hydro, Bilisten and Preem service station chains.

Fairtrade Certified: Label for products that are made with the aim of improving the working and living conditions for growers and employees in developing countries through certified fair trade practices. The label certifies that the product meets the criteria of the Fairtrade International organization.

GRI: Global Reporting Initiative

Like-for-like sales: Like-for-like sales refer to store sales reported on the basis of an entire comparison period, i.e., both years.

MSC: Marine Stewardship Council

QR code: (quick response code) A two-dimensional bar code.

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