Year-End Report Axfood AB (publ)

FOURTH QUARTER SUMMARY

- Axfood's consolidated sales for the period October–December totalled SEK 9,252 m (8,914), an increase of 3.8%.
- Retail sales for Group-owned stores increased by 2.5% during the period.
- Like-for-like sales increased by 0.2% during the period.
- Operating profit for the period was SEK 256 m (322).
- Operating profit was charged with impairment of SEK 55 m for the PrisXtra brand.
- Profit after financial items was SEK 248 m (312) for the period.
- Profit after tax totalled SEK 227 m (226) for the period, and earnings per share were SEK 4.33 (4.32). The reduced company tax rate in Sweden had a positive effect on profit by SEK 50 m.
- The Board of Directors proposes a dividend of SEK 12 per share (12).
- Thomas Gäreskog was appointed as the new President of Hemköp.
- Axfood's goal for 2013 is to achieve an operating profit at the same level as in 2012.

NO SIGNIFICANT EVENTS HAVE TAKEN PLACE AFTER THE BALANCE SHEET DATE

Key ratios

SEK m	Q4 2012	Q4 2011	Change	Full year 2012	Full year 2011	Change
Net sales	9,252	8,914	3.8%	36,306	34,795	4.3%
Operating profit	256	322	-20.5%	1,192	1,250	-4.6%
Operating profit excl. impairment	311	322	-3.4%	1,247	1,250	-0.2%
Operating margin, %	2.8	3.6	-0.8	3.3	3.6	-0.3
Operating margin excl. impairment, %	3.4	3.6	-0.2	3.4	3.6	-0.2
Profit after financial items	248	312	-20.5%	1,154	1,214	-4.9%
Profit after tax	227	226	0.4%	895	891	4.5%
Earnings per share, SEK[1]	4.33	4.32	0.2%	17.06	16.99	0.4%
Cash flow per share, SEK	2.6	2.0	30.0%	3.9	0.0	-
Cash flow from operating activities per share, SEK	10.1	7.3	38.4%	36.5	26.4	38.3%
Return on capital employed, %[2]	28.0	31.0	-3.0	28.0	31.0	-3.0
Return on shareholders' equity, %[2]	26.7	28.7	-2.0	26.7	28.7	-2.0
Shareholders' equity per share, SEK[3]	-	-	-	66.21	61.70	7.3%
Equity ratio, %	-	-	-	39.8	39.1	0.7

1) Before and after dilution.
2) Moving 12-month figures.
3) Net asset value per share corresponds to shareholders' equity per share.

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The information in this interim report is such that Axfood is required to disclose in accordance with the Securities Market Act. Submitted for publication at 7.30 a.m. (CET) on 7 February 2013.

CEO'S COMMENTS

2012 sums up as yet another good year with continued stable earnings and sales. All units once again contributed to this through good profitability and high efficiency. The increase in like-for-like sales was not entirely satisfactory, however.

Positive result for all units

Willys delivered its best result ever, with stable sales despite a high pace of remodelling in the modernization project and continued tough competition. In 2013 the remaining some 20 stores in the project will be remodelled, while an additional 10 new stores will be established. Willys has also made considerable progress in the development of its customer loyalty programme, which is being launched during the first quarter of 2013.

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

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

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

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

PrisXtra's largest store to become Hemköp

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

Highest private label share

During the year we reached our goal of attaining a 25% private label share. This is the highest level ever achieved for Axfood or any other retailer in Swedish food retail market. The increase can be credited in part to our successful investment in the Group-wide Garant brand, which has been highly appreciated by customers.

Market outlook 2013

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

New year with ambitious agenda

Axfood has a good starting point, as we are entering 2013 with the same strategy, a favourable financial position and well managed stores on the whole. However, to be able to continue growing long-term with stronger profitability, it is becoming increasingly important that we succeed in meeting and exceeding customers' expectations. We will therefore continue our ambitious pace of investment for one more year, with a higher number of new establishments, modernization of the store portfolio and implementation of the new business system. Parallel with this, our focus in 2013 will continue to be on stimulating profitable sales growth with attractive customer offerings and on maintaining a high private label share. The pace of investment in 2013 will level with 2012.

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

Anders Strålman
President and CEO, Axfood AB

SALES, AXFOOD GROUP

Fourth quarter

Consolidated wholesale and retail sales for the Axfood Group totalled SEK 9,252 m (8,914) during the fourth quarter, an increase of 3.8%. Store sales for the Axfood Group (wholly owned stores and Hemköp franchises) totalled SEK 7,897 m (7,690), an increase of 2.7%. Sales for Group-owned retail operations increased by 2.5% during the fourth quarter, with a 0.2% rise in like-for-like sales. Axfood's private label share was 24.4% (24.2%) as of December.

Full year

Consolidated wholesale and retail sales for the Axfood Group totalled SEK 36,306 m (34,795) during the year, an increase of 4.3%. Store sales for the Axfood Group (wholly owned stores and Hemköp franchises) totalled SEK 30,959 m (28,601), an increase of 8.2%. Sales for Axfood-owned retail operations increased by 3.0% during the year, with a 0.2% rise in like-for-like sales.

Net sales per operating segment

SEK m	Q4 2012	Q4 2011	Full year 2012	Full year 2011
Hemköp	1,347	1,255	5,082	4,787
Willys	4,927	4,848	19,407	18,904
PrisXtra	127	140	502	549
Axfood Närlivs[1]	1,570	1,382	6,336	5,516
Dagab[1]	6,348	6,273	24,634	24,295
Other[1, 2]	1,167	1,019	4,521	4,156
Internal sales				
Dagab	-5,113	-5,027	-19,835	-19,436
Axfood Närlivs	-2	-2	-8	-11
Other	-1,119	-974	-4,333	-3,965
Total	**9,252**	**8,914**	**36,306**	**34,795**

1) The operations of Dagab, Axfood Närlivs and Axfood Sverige were legally combined on 1 January 2012. Internal sales between these units have ceased as from 2012. Comparative figures have been adjusted and are shown in the tables on page 11.
2) Includes joint-Group support functions, such as purchasing coordination, IT and corporate offices.

Retail sales, Group-owned and franchise stores

SEK m	Q4 2012	%[1)]	Like-for-like sales, %[1)]	Full year 2012	%[1)]	Like-for-like sales, %[1)]
Hemköp	1,330	7.1	1.3	5,011	5.8	2.0
Hemköp franchises	1,513	3.6	0.8	6,039	36.8	1.1
Hemköp total	**2,843**	**5.2**	**1.0**	**11,050**	**20.8**	**1.6**
Willys total	**4,927**	**1.6**	**0.2**	**19,407**	**2.7**	**0.0**
PrisXtra total	**127**	**-9.3**	**-9.3**	**502**	**-8.6**	**-8.6**
Total	**7,897**	**2.7**	**0.3**	**30,959**	**8.2**	**0.3**

1) Percentage change compared with the corresponding period a year ago.

Change in store structure, full year 2012

	Dec. 2011	New establishment	Acquisitions	Sales/ closures	Conversions to/from	Dec. 2012
Hemköp	62	1	9	-5		67
Willys[1)]	170	3	1			174
PrisXtra	5					5
Total, Group-owned	**237**	**4**	**10**	**-5**	**-**	**246**
Hemköp franchises	121	1	5	-13		114
[1)] Of which, Willys Hemma	44	1	1			46

EARNINGS, AXFOOD GROUP

Fourth quarter

Operating profit for the quarter totalled SEK 256 m (322). The operating margin was 2.8% (3.6%). Operating profit was charged with impairment of SEK 55 m for the PrisXtra brand. The operating margin excluding impairment was 3.4% (3.6%). Net financial items totalled SEK -8 m (-10), and profit after financial items was SEK 248 m (312). The margin after financial items was 2.7% (3.5%). Profit after tax was SEK 227 m (226). The company tax rate in Sweden was lowered as per the first of January 2013, from 26.3% to 22.0%. At year-end, deferred tax assets and tax liabilities were recalculated on account of the lower tax rate, entailing a reduction in the tax expense for the fourth quarter of SEK 50 m. Joint-Group costs were affected by higher depreciation for the new business system.

Full year

Operating profit for the year totalled SEK 1,192 m (1,250). The operating margin was 3.3% (3.6%). Excluding impairment, the operating margin was 3.4% (3.6%). Net financial items for the year totalled SEK -38 m (-36), and profit after financial items was SEK 1,154 m (1,214). The margin after financial items was 3.2% (3.5%). Profit after tax was SEK 895 m (891).

Axfood has no significant transactions with related parties, other than transactions with subsidiaries.

Operating profit for the period, broken down by operating segment

SEK m	Q4 2012	Q4 2011	Full year 2012	Full year 2011
Hemköp	55	24	133	94
Willys	192	201	796	775
PrisXtra	3	5	16	15
Axfood Närlivs	27	24	113	110
Dagab	44	54	163	192
Other[1]	-65	14	-29	64
Operating profit for the period, total[2]	**256**	**322**	**1,192**	**1,250**

1) Includes joint-Group support functions, such as purchasing coordination, IT and corporate offices. Also includes accumulated charges for, among other things, amortization of surplus value pertaining to the acquisition of PrisXtra and depreciation of SEK 55 m (33) pertaining to the new business system. Profit for the fourth quarter was charged with impairment of SEK 55 m for the value of the PrisXtra brand.

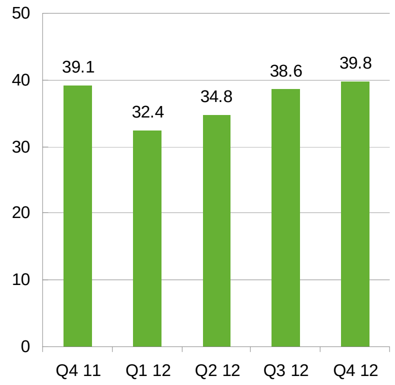
2) Net financial items are not distributed per operating segment.

CAPITAL EXPENDITURES

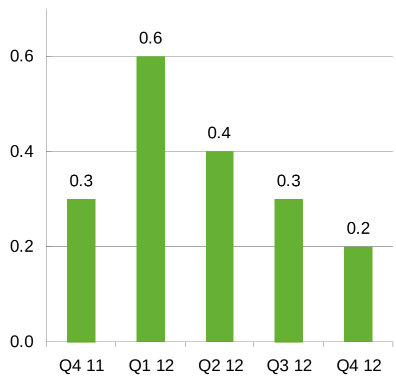
Total capital expenditures during the period January–December amounted to SEK 932 m (993), of which SEK 175 m (70) pertained to acquisitions of businesses. In addition, SEK 386 m (468) pertained to investments in non-current assets in retail operations, SEK 86 m (111) to investments in non-current assets in wholesale operations, and SEK 211 m (239) to IT development.

During the year, ten stores were acquired as well as 50% of the wholesale company Hall Miba, a supplier of car care products and automotive accessories. Axfood has control of this partly owned wholesale business, which was acquired in January 2012, through shareholder agreements and board dominance. Combined consideration for the acquisitions amounted to SEK 175 m, of which SEK 28 m consists of contingent payments. Intangible assets associated with the acquisitions amounted to SEK 168 m, including SEK 146 m in goodwill. Goodwill is primarily attributable to the synergies that the acquired operations are expected to generate. Combined annual sales of the acquired businesses amount to approximately SEK 900 m. Consideration for the acquisitions, excluding the contingent payments, has been paid in cash.

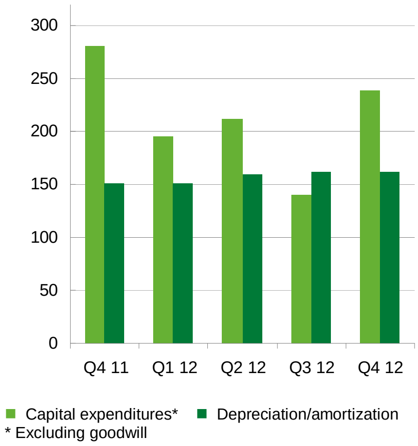
Equity ratio, %



Debt-equity ratio, multiple



Capital expenditures*, depreciation/amortization, SEK m



FINANCIAL POSITION

Cash flow from operating activities before paid tax was SEK 2,050 m (1,707) during the year. Paid tax amounted to SEK -135 m (-323). Cash and cash equivalents (interest-bearing assets) held by the Group amounted to SEK 521 m, compared with SEK 317 m in December 2011. Interest-bearing liabilities and provisions totalled SEK 782 m at the end of the year, compared with SEK 1,042 m in December 2011. Interest-bearing net debt was SEK 261 m at the end of the year, compared with SEK 725 m in December 2011. Payout of the shareholder dividend affected cash flow by SEK -630 m (-630), and net capital expenditures affected cash flow by SEK -816 m (-941).

The equity ratio was 39.8%, compared with 39.1% in December 2011.

THE SWEDISH FOOD RETAIL MARKET

According to Statistics Sweden's retail trade index for December, accumulated sales for the food retail segment rose 3.3% since the start of the year in current prices. In fixed prices, adjusted for price and calendar effects, volume increased by 1.3%.

STORE OPERATIONS

Willys

Fourth quarter

Willys reported continued stable profitability and sales performance. Sales amounted to 4,927 m (4,848), an increase of 1.6% compared with a year ago. Like-for-like sales increased by 0.2%. As part of efforts to improved customers' shopping experience and boost sales, an additional five stores were modernized during the period. A total of 98 stores have now been remodelled, and the remaining approximately 20 stores will be modernized in 2013. Operating profit amounted to SEK 192 m (201). The operating margin was 3.9% (4.1%).

The private label share as of December was 26.9% (26.7%) for Willys and 29.5% (29.7%) for Willys Hemma.

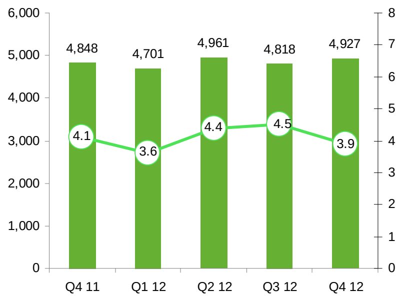
Two new stores were opened during the period.

Full year

Willys' sales during the period January–December amounted to SEK 19,407 m (18,904), an increase of 2.7% compared with a year ago. Like-for-like sales were unchanged compared with a year ago. Operating profit for the year was SEK 796 m (775), and the operating margin was 4.1% (4.1%).

During the year, two Willys stores and one Willys Hemma store were established, and one Willys Hemma store was acquired. Willys thereby comprises 174 stores, of which 46 are Willys Hemma.

Sales, SEK m, and operating margin, %



Key ratios

SEK m	Q4 2012	Q4 2011	Full year 2012	Full year 2011
Net sales	4,927	4,848	19,407	18,904
Change in like-for-like sales, %	0.2	-3.0	0.0	-1.6
Operating profit	192	201	796	775
Operating margin, %	3.9	4.1	4.1	4.1
Number of Group-owned stores	-	-	174	170
Average number of employees	-	-	3,494	3,410
Private label share (Willys/Willys Hemma)	-	-	26.9/29.5	26.7/29.7

Hemköp

Fourth quarter

Hemköp delivered strong earnings and favourable sales performance. The positive development can be credited to, among other things, the new brand platform that was launched at the start of the year and a number of different marketing activities.

Sales for Hemköp's stores – both Group-owned and franchises – rose 5.2% during the fourth quarter. Sales for Group-owned stores amounted to SEK 1,330 m (1,242), an increase of 7.1%. Like-for-like sales for Group-owned stores increased by 1.3% during the period. Sales for franchise stores totalled SEK 1,513 m (1,460), an increase of 3.6%. Like-for-like sales for franchise stores increased by 0.8%.

Operating profit for the fourth quarter was SEK 55 m (24). The operating margin for the period was 4.1% (1.9%).

Hemköp's private label share was 18.1% (18.8%) as of December.

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

One store was acquired during the period.

Full year

Like-for-like sales for Group-owned stores increased by 2.0% during the year.

Sales for Hemköp's stores – both Group-owned and franchises – increased by 20.8% during the period January–December. Sales for Group-owned stores amounted to SEK 5,011 m (4,735), an increase of 5.8%.

Sales for franchise stores totalled SEK 6,039 m (4,413), an increase of 36.8%, with a 1.1% rise in like-for-like sales.

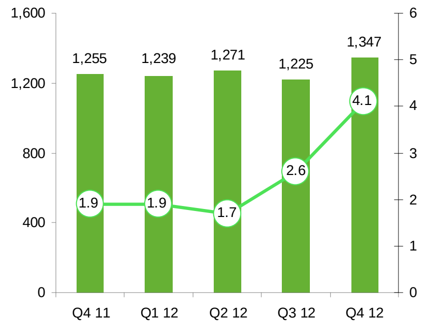
Operating profit for the period January–December amounted to SEK 133 m (94). The operating margin for the year was 2.6% (2.0%). Operating profit was affected by nonrecurring expenses totalling SEK 14 m (8).

As part of efforts to improve customers' shopping experience and further boost sales, ten stores were modernized during the year.

During the year, one store was converted in accordance with the 91/9 model. This entails that Axfood has majority ownership of the store in the initial years. The goal is that the proprietor will subsequently own 99% and Axfood 1%.

During the year, nine stores were acquired, one was established, four were sold, and one was closed. Also during the year, one franchise store was established, five were acquired, and 13 were sold or closed. Hemköp had 181 stores at year-end, of which 67 were Group-owned.

Sales, SEK m, and operating margin, %



Key ratios

SEK m	Q4 2012	Q4 2011	Full year 2012	Full year 2011
Net sales	1,347	1,255	5,082	4,787
Change in like-for-like sales, %	1.3	-0.5	2.0	0.4
Operating profit	55	24	133	94
Operating margin, %	4.1	1.9	2.6	2.0
Number of Group-owned stores	-	-	67	62
Average number of employees	-	-	1,413	1,364
Private label share	-	-	18.1	18.8

PrisXtra

Fourth quarter

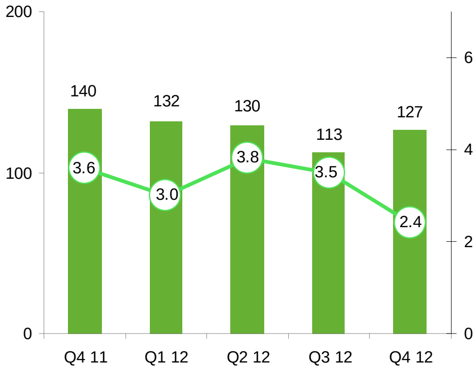
PrisXtra once again reported a positive result. As previously, sales were affected by traffic re-routing and road work in Stockholm. Sales during the fourth quarter totalled SEK 127 m (140), a decrease of 9.3%. Like-for-like sales decreased by 9.3%. Operating profit was SEK 3 m (5), and the operating margin was 2.4% (3.6%).

In 2013 PrisXtra's largest store, at Norra Station, will be converted to Hemköp and move to new premises in the same area. Over time, the remaining four PrisXtra stores will be gradually converted to one of Axfood's two strong brands, Hemköp or Willys. As a consequence of this, an impairment loss of SEK 55 m has been recognized for the value of the PrisXtra brand. PrisXtra will cease to constitute an own segment in the reporting, and as from the first of January 2013, it will be included in Hemköp. See the tables on page 11.

Full year

PrisXtra's sales during the period January–December amounted to SEK 502 m (549), a decrease of 8.6%. Like-for-like sale decreased by 8.6% during the year. Operating profit for the period January–December was SEK 16 m (15), and the operating margin was 3.2% (2.7%).

Sales, SEK m, and operating margin, %



Key ratios

SEK m	Q4 2012	Q4 2011	Full year 2012	Full year 2011
Net sales	127	140	502	549
Change in like-for-like sales, %	-9.3	-10.3	-8.6	-10.0
Operating profit	3	5	16	15
Operating margin, %	2.4	3.6	3.2	2.7
Number of Group-owned stores	-	-	5	5
Average number of employees	-	-	116	135

AXFOOD WHOLESALING

Dagab

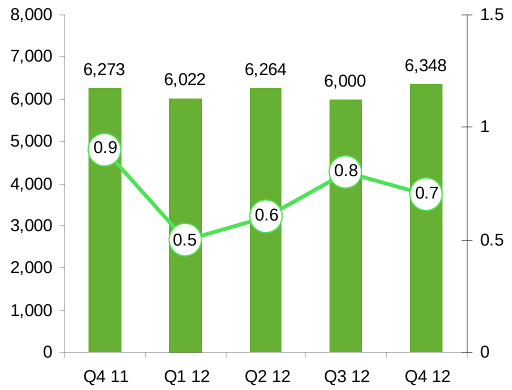
Fourth quarter

Dagab had stable performance, with high levels of delivery reliability and efficiency. Sales during the fourth quarter amounted to SEK 6,348 m (6,273). Operating profit totalled SEK 44 m (54), and the operating margin was 0.7% (0.9%). Implementation of the new business system continued during the period, which – like in earlier quarters – entailed higher costs. According to plan, additional costs for this work will be charged against earnings in 2013.

Full year

Dagab's sales during the period January–December amounted to SEK 24,634 m (24,295). Operating profit for the year was SEK 163 m (192), and the operating margin was 0.7% (0.8%).

Sales, SEK m, and operating margin, %



Key ratios

SEK m	Q4 2012	Q4 2011	Full year 2012	Full year 2011
Net sales	6,348	6,273	24,634	24,295
Distributed sales	4,490	4,432	17,205	16,981
Operating profit	44	54	163	192
Operating margin, %	0.7	0.9	0.7	0.8
Average number of employees	-	-	955	961
Delivery reliability, %	97.9	97.7	97.5	97.1

Axfood Närlivs

Fourth quarter

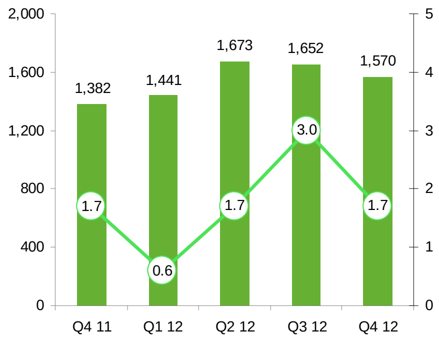
Axfood Närlivs posted continued favourable sales performance and stable earnings. Growth was largely driven by deliveries to new customers. However, like-for-like sales were negatively affected by fewer delivery days during the Christmas and New Year's holidays compared with a year ago. Sales during the fourth quarter amounted to SEK 1,570 m (1,382), an increase of 13.6%.

Operating profit for the fourth quarter amounted to SEK 27 m (24), and the operating margin was 1.7% (1.7%).

Full year

Axfood Närlivs' sales during the period January–December amounted to SEK 6,336 m (5,516), and increase of 14.9%. Operating profit for the year amounted to SEK 113 m (110), and the operating margin was 1.8% (2.0%).

Sales, SEK m, and operating margin, %



Key ratios

SEK m	Q4 2012	Q4 2011	Full year 2012	Full year 2011
Net sales	1,570	1,382	6,336	5,516
Distributed sales	1,453	1,260	5,822	4,992
Operating profit	27	24	113	110
Operating margin, %	1.7	1.7	1.8	2.0
Axfood Snabbgross, no. stores	-	-	20	20
Average number of employees	-	-	793	735
Delivery reliability, %	98.2	98.1	97.9	97.7

Legal combination of companies 2012

On 1 January 2012 a legal combination of the operations of Dagab AB, Axfood Närlivs AB and Axfood Sverige AB was carried out. The combination entailed the transfer of the operations of Dagab and Axfood Närlivs to Axfood Sverige AB. Axfood Närlivs AB has been combined with Axfood Sverige AB through a merger, and Dagab AB has transferred its entire operations to Axfood Sverige AB through an asset and liability transfer.

No changes will be made in the monitoring and reporting of the respective units as a result of the combination. Dagab and Axfood Närlivs will continue to be monitored and reported as separate segments. Combining the operations will lead to simpler administrative flows between the companies in the Axfood Group.

Internal sales between the companies ceased as of 1 January 2012, and the comparative figures for the respective units have been adjusted, as shown in the tables below. Total sales for the Axfood Group are not affected. The combination entails no change in the comparative figures for earnings in 2011, neither per unit nor in total.

Sales 2011, pro forma

	Q1	Adjustment	Q1 pro forma
Axfood Närlivs	1,370	-186	1,184
Dagab	6,141	-334	5,807
Other	1,020	-	1,020
Internal sales			
Dagab	-5,185	517	-4,668
Axfood Närlivs	-9	3	-6
Other	-974	-	-974

Sales 2011, pro forma

	Q2	Adjustment	Q2 pro forma	Six months	Adjustment	Six months pro forma
Axfood Närlivs	1,691	-224	1,467	3,061	-410	2,651
Dagab	6,623	-424	6,199	12,764	-758	12,006
Other	1,082	-3	1,079	2,102	-3	2,099
Internal sales						
Dagab	-5,600	644	-4,956	-10,785	1,161	-9,624
Axfood Närlivs	-6	4	-2	-15	7	-8
Other	-1,032	3	-1,029	-2,006	3	-2,003

Sales 2011, pro forma

	Q3	Adjustment	Q3 pro forma	Nine months	Adjustment	Nine months pro forma
Axfood Närlivs	1,714	-231	1,483	4,775	-641	4,134
Dagab	6,427	-411	6,016	19,191	-1,169	18,022
Other	1,038	0	1,038	3,140	-3	3,137
Internal sales						
Dagab	-5,425	640	-4,785	-16,210	1,801	-14,409
Axfood Närlivs	-3	2	-1	-18	9	-9
Other	-988	0	-988	-2,994	3	-2,991

Sales 2011, pro forma

	Q4	Adjustment	Q4 pro forma	Full year	Adjustment	Full year pro forma
Axfood Närlivs	1,590	-208	1,382	6,365	-849	5,516
Dagab	6,622	-349	6,273	25,813	-1,518	24,295
Other	1,021	-2	1,019	4,161	-5	4,156
Internal sales						
Dagab	-5,582	555	-5,027	-21,792	2,356	-19,436
Axfood Närlivs	-4	2	-2	-22	11	-11
Other	-976	2	-974	-3,970	5	-3,965

Operational combination 2013

In connection with the conversion of PrisXtra starting in 2013, PrisXtra will cease to constitute its own segment in the reporting and will be part of Hemköp starting on the first of January 2013. Comparative figures for 2012 have been adjusted and are shown in the tables below.

Hemköp 2012, pro forma per quarter

	Q1	Q2	Q3	Q4
Sales				
PrisXtra	132	130	113	127
Hemköp	1,239	1,271	1,225	1,347
Hemköp total	1,371	1,401	1,338	1,474
Operating profit				
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
Sales			
PrisXtra	262	375	502
Hemköp	2,510	3,735	5,082
Hemköp total	2,772	4,110	5,584
Operating profit			
PrisXtra	9	13	16
Hemköp	46	78	133
Hemköp total	55	91	149

SIGNIFICANT RISKS AND UNCERTAINTIES

In the course of its business the Axfood Group is exposed to operational, strategic and financial risks. Operational and strategic risks include business and liability risks, among others, while financial risks include liquidity risk, interest rate risk and currency risk.

Axfood works continuously with risk identification and assessment. One of the most significant business risks that Axfood has identified in its safety analysis work is a total loss, such as from a fire at one of the central warehouses in Jordbro or Backa. Major emphasis is put on preventive work, and the organization for this is well developed, as is the Company's planning to maintain operating continuity in the event of unforeseen events.

For a thorough account of the risks that affect the Group, please refer to the 2011 Annual Report and, from 18 February 2013, to the 2012 Annual Report.

SEASONAL EFFECTS

Axfood has no significant seasonal variations.

ENVIRONMENTAL IMPACT

One of Axfood's strategic objectives is to work actively for sustainable development. In the day-to-day activities, sustainability aspects are integrated in product purchasing and selection as well as in logistics, product flows and store operations. Priority areas for Axfood's environmental sustainability work are energy consumption, transports and the eco-cycle. All of these areas have major bearing on Axfood's business and have large potential for improvement.

One overall goal is to reduce the climate impact of the Group's operations by 75% during the period 2009–2020. The remainder of the Group's environmental impact will be climate-compensated. One area of importance going forward involves work on improving energy efficiency and changing over to refrigerants that do not have any adverse climate impact. During the year, work began on installation of a system for detailed measurement and control of electricity consumption in Axfood's Group-owned stores and warehouses. The system will enable central regulation and monitoring aimed at reducing electricity consumption.

Dagab and Axfood Närlivs are working continuously to minimize their climate impact. These measures include maximizing load capacity in delivery vehicles and the use of so-called eco-driving techniques to reduce fuel consumption. In addition, Dagab and Axfood Närlivs use "Evolution" diesel, which is partly based on pine oil and has lower CO_2 emissions than conventional diesel fuel. Improvements were made to Evolution diesel during the year through a higher mix of pine oil, resulting in further reductions in CO_2 emissions.

Axfood also focuses on recycling, where most waste is either recycled for use as raw material by the recycling industry or converted to energy.

Work with energy efficiency improvements continues to have high priority. A more detailed description of Axfood's work with environmental matters can be found at axfood.se, and will also be included in Axfood's Sustainability Report for 2012, which will be published on 18 February 2013. Starting with the third quarter of 2012, Axfood has been reporting a number of new sustainability key ratios. See table on page 17.

PARENT COMPANY

Other operating revenue for the Parent Company during the period January–December amounted to SEK 184 m (178). After selling and administrative expenses, totalling SEK 284 m (252), and net financial items totalling SEK 1,258 m (1,177), profit after financial items was SEK 1,158 m (1,103). Capital expenditures during the year totalled SEK 4 m (3).

The Parent Company's interest-bearing net debt was SEK 349 m at the end of the year, compared with SEK 749 m in December 2011. The Parent Company has no significant transactions with related parties, other than transactions with subsidiaries.

ACCOUNTING POLICIES

Axfood applies International Financial Reporting Standards (IFRS) as endorsed by the European Union. This year-end interim report has been prepared in accordance with IAS 34 Interim Financial Reporting, the Swedish Annual Accounts Act, and recommendation RFR 2 – Reporting for Legal Entities, issued by the Swedish Financial Reporting Board (RFR). In order to prepare the financial statements in accordance with IFRS, the Board and Executive Committee make estimations and assumptions that affect the Company's result and position as well as other disclosures in general. These estimations and assumptions are based on historical experience and are reviewed on a regular basis. The accounting policies used by the Parent Company and Group are unchanged compared with the most recently published annual report.

Effective 1 January 2013, the Group will be applying the amended IAS 19, Employee Benefits: changes in reporting of actuarial gains and losses. Starting on 1 January 2013, the Group will change over from reporting actuarial gains and losses in accordance with the corridor method to reporting them in their entirety in other comprehensive income in the period in which they arise. This will result primarily in more relevant information in the statement of financial position, since the reported pension obligation after the change will specify a value that better represents the actual net obligation of the Group. The Group also applies the amendments to IAS 1 Presentation of Financial Statements: reporting of items in other comprehensive income. The amended accounting policy entails a reduction of opening equity in 2012 by SEK 90 m and a decrease in closing equity in 2012 of SEK 76 m. The opening provision for pensions in 2012 increases by SEK 98 m, and the closing provision for pensions in 2012 increases by SEK 79 m. Operating profit for 2012 is positively affected by SEK 8 m, and comprehensive income for the year is affected positively by SEK 19 m.

FORECAST

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

NEXT REPORT

The interim report for the period January–March 2013 will be released on 19 April 2013.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at 5 p.m. on 13 March 2013 at Cirkus, in Stockholm. The 2012 Annual Report will be published on 18 February 2013 on Axfood's website, at which time it will be available at Axfood's head offices in Solna. In addition, printed versions will be distributed by post to shareholders, upon request, approximately one week before the Annual General Meeting.

This year-end report has not been reviewed by the Company's auditors.

Anders Strålman

President and CEO

PRESS RELEASES ISSUED DURING THE FOURTH QUARTER

23 October 2012	Nominating committee
24 October 2012	Mobile payment coming to Willys and Hemköp stores
16 November 2012	Mobile payment with Bart to Willy and Hemköp stores
4 December 2012	Thomas Gäreskog appointed as new President of Hemköp

FINANCIAL STATEMENTS, GROUP

Condensed statement of comprehensive income, Group

SEK m	Q4 2012	Q4 2011	Full year 2012	Full year 2011
Net sales	9,252	8,914	36,306	34,795
Cost of goods sold	-8,028	-7,622	-31,416	-29,877
Gross profit	1,224	1,292	4,890	4,918
Selling/administrative expenses, etc.	-968	-970	-3,698	-3,668
Operating profit	256	322	1,192	1,250
Net financial items	-8	-10	-38	-36
Profit before tax	248	312	1,154	1,214
Tax	-21	-86	-259	-323
Profit for the period	**227**	**226**	**895**	**891**
Other comprehensive income				
Change in fair value of forward exchange contracts	0	-3	0	0
Change in fair value of available-for-sale financial assets	-	5	-	5
Tax attributable to components in other comprehensive income	0	0	0	-1
Other comprehensive income for the period	0	2	0	4
Total comprehensive income for the period	**227**	**228**	**895**	**895**
Operating profit includes depreciation/amortization of	162	152	637	588
Earnings per share, SEK	4.33	4.32	17.06	16.99
Profit for the period attributable to				
Owners of the parent	228	226	895	891
Non-controlling interests	-1	0	0	0
Total comprehensive income for the period attributable to				
Owners of the parent	228	228	895	895
Non-controlling interests	-1	0	0	0

Condensed statement of financial position, Group

SEK m	31/12/2012	31/12/2011
Assets		
Goodwill	1,759	1,613
Financial assets	45	44
Other non-current assets	2,719	2,684
Total non-current assets	**4,523**	**4,341**
Inventories	1,932	1,916
Accounts receivable – trade	867	639
Other current assets	955	1,065
Cash and bank balances	521	317
Total current assets	**4,275**	**3,937**
Total assets	**8,798**	**8,278**
Shareholders' equity and liabilities		
Equity attributable to owners of the parent	3,474	3,237
Equity attributable to non-controlling interests	28	-
Total shareholders' equity	**3,502**	**3,237**
Non-current interest-bearing liabilities	416	409
Noninterest-bearing non-current liabilities	312	308
Total non-current liabilities	**728**	**717**
Current interest-bearing liabilities	366	633
Accounts payable – trade	2,359	2,273
Other current noninterest-bearing liabilities	1,843	1,418
Total current liabilities	**4,568**	**4,324**
Total shareholders' equity and liabilities	**8,798**	**8,278**
Pledged assets	**32**	**20**
Contingent liabilities	**29**	**3**

Condensed statement of cash flows, Group

SEK m	Full year 2012	Full year 2011
Operating activities		
Cash flow from operating activities before changes in working capital, before paid tax	1,809	1,777
Paid tax	-135	-323
Changes in working capital	241	-70
Cash flow from operating activities	1,915	1,384
Investing activities		
Acquisitions of operations, net	-113	-68
Acquisitions of non-current assets, net	-703	-873
Change in financial non-current assets, net	0	0
Cash flow from investing activities	-816	-941
Financing activities		
Change in interest-bearing liabilities	-265	190
Change in non-controlling interest	-	-1
Dividend paid out	-630	-630
Cash flow from financing activities	-895	-441
Cash flow for the period	**204**	**2**

Condensed statement of changes in equity, Group

SEK m	31/12/2012	31/12/2011
Amount at start of year	3,237	2,972
Total comprehensive income for the period	895	895
Dividend to shareholders	-630	-630
Acquisition of previous non-controlling interest	-	0
Amount at end of period	**3,502**	**3,237**

Key ratios and other data, Group

	Full year 2012	Full year 2011
Operating margin, %	3.3	3.6
Margin after financial items, %	3.2	3.5
Equity ratio, %	39.8	39.1
Debt-equity ratio, net, multiple	0.1	0.2
Debt-equity ratio, multiple	0.2	0.3
Interest coverage, multiple	26.6	29.9
Capital employed, SEK m	4,285	4,279
Return on capital employed, %	28.0	31.0
Return on shareholders' equity, %	26.7	28.7
Capital expenditures, SEK m	932	993
Earnings per share, SEK[1]	17.06	16.99
Dividend per share, SEK	12.00[2]	12.00
Shareholders' equity per share, SEK[1, 3]	66.21	61.70
Cash flow per share, SEK[1]	3.9	0.0
Number of shares outstanding[1]	52,467,678	52,467,678
Average number of employees	7,254	7,062
Work attendance rate, %	95.0	95.3
CO_2, kg/tonne goods[4, 5]	20.1	21.2
Electricity consumption, kWh/m^2 (stores and warehouses)[4]	363.6	369.0

1) The number of shares is the same before and after dilution. The average number of shares is the same as the number of shares outstanding. Axfood has no holdings of treasury shares.
2) Proposed by the Board of Directors.
3) Net asset value per share corresponds to shareholders' equity per share.
4) Pertains to the total volume for Dagab's and Axfood Närlivs' transports from warehouses to stores with own delivery vehicles.
5) Due to a change in the calculation model, the value for 2011 has changed. Based on total area instead of retail area as previously.

Quarterly overview

	Q1 11	Q2 11	Q3 11	Q4 11	Q1 12	Q2 12	Q3 12	Q4 12
Sales	8,257	8,889	8,735	8,914	8,718	9,292	9,044	9,252
Operating profit	241	317	370	322	248	320	368	256
Operating margin, %	2.9	3.6	4.2	3.6	2.8	3.4	4.1	2.8
Earnings per share, SEK[1]	3.28	4.30	5.09	4.32	3.37	4.31	5.06	4.33
Shareholders' equity per share, SEK[1]	47.9	52.2	57.4	61.7	52.5	56.8	61.9	66.2
Return on shareholders' equity, %	35.8	34.0	31.0	28.7	34.0	31.3	28.6	26.7
Cash flow from operating activities per share, SEK	5.6	6.6	6.9	7.3	7.9	10.6	7.9	10.1
Capital expenditures	220	268	208	297	323	214	142	253

FINANCIAL STATEMENTS, PARENT COMPANY

Condensed income statement, Parent Company

SEK m	Q4 2012	Q4 2011	Full year 2012	Full year 2011
Net sales	-	-	-	-
Selling/administrative expenses, etc.	-28	-19	-100	-74
Operating profit	-28	-19	-100	-74
Group contributions received, net	1,261	1,182	1,261	1,182
Other net financial items	0	2	-3	-5
Profit after financial items	1,233	1,161	1,158	1,103
Appropriations	-288	274	-288	-274
Profit before tax	945	887	870	829
Tax	-252	-233	-232	-217
Net profit for the period	**693**	**654**	**638**	**612**
Operating profit includes deprecia-tion/amortization of	0	1	1	2

Profit for the period corresponds to total comprehensive income for the period.

Condensed balance sheet, Parent Company

SEK m	31/12/2012	31/12/2011
Assets		
Property, plant and equipment	5	2
Participations in Group companies	3,573	3,452
Other financial non-current assets	5	6
Deferred tax assets	7	9
Total non-current assets	**3,590**	**3,469**
Receivables from Group companies[1]	2,213	2,103
Other current assets	13	67
Cash and bank balances	0	0
Total current assets	**2,226**	**2,170**
Total assets	**5,816**	**5,639**
Shareholders' equity and liabilities		
Restricted shareholders' equity	287	262
Unrestricted shareholders' equity	3,392	3,384
Total shareholders' equity	**3,679**	**3,646**
Untaxed reserves	**563**	**275**
Non-current interest-bearing liabilities	28	31
Noninterest-bearing non-current liabilities	3	4
Total non-current liabilities	**31**	**35**
Current interest-bearing liabilities	314	603
Liabilities to Group companies[2]	1,155	1,047
Accounts payable – trade	19	14
Other current noninterest-bearing liabilities	55	19
Total current liabilities	**1,543**	**1,683**
Total shareholders' equity and liabilities	**5,816**	**5,639**
Pledged assets	**360**	**382**
Contingent liabilities	**-**	**-**
1) Of which, interest-bearing receivables	920	888
2) Of which, interest-bearing liabilities	927	1,003

FINANCIAL DEFINITIONS

Average number of employees: 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 year-end share price.

Earnings per share: Net profit for the year attributable to owners of the parent divided by a weighted average number of shares outstanding.

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.

Margin after financial items: Profit after financial items as a percentage of net sales for the period.

Net asset value per share: 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 period.

P/E multiple before and after dilution: Share price in relation to earnings per share.

Return on capital employed: Profit after financial items, plus financial expenses, as a percentage of average capital employed.

Return on shareholders' equity: Net profit for the year attributable to owners of the parent as a percentage of average equity attributable to owners of the parent. Average equity is calculated as shareholders' equity at the start of the year plus shareholders' equity at the end of the year, divided by two.

GLOSSARY

Autoorder: An automated store restocking system.

Delivery reliability: The share of delivered goods in relation to the share of ordered goods.

E-learning: An interactive training program.

EMAB: EMAB is a collaborative organization for independent service station stores, with approximately 400 members within the Shell, Statoil 1-2-3, Hydro, Bilisten and Preem service station chains.

Evolution diesel: Environmental diesel fuel that is based partly on pine oil.

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., two years

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ABOUT AXFOOD

Axfood conducts food retail and wholesale business in Sweden. Retail business is conducted through the wholly owned grocery chains Willys, Hemköp and PrisXtra. The number of Group-owned stores is 246. In addition, Axfood collaborates with a number of proprietor-run stores that are tied to Axfood through agreements, including stores in the Hemköp chain, but also stores operating under the Handlar'n and Tempo profiles. Wholesale business is conducted through Dagab and Axfood Närlivs. Axfood has an approximate 20% share of the food retail market in Sweden. Axfood is listed on Nasdaq OMX Stockholm AB's Large Cap list. Axfood's principal owner is Axel Johnson AB, with 50.1% of the shares.

Mission

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

Business model

Axfood's business model is built upon a strong purchasing function, focus on private label products, efficient logistics and attractive grocery stores.

Strategy

Axfood will be the most profitable company in the Swedish food retail market and grow its market shares by strengthening and developing its position. Axfood's long-term goal is to attain an operating margin of 4%. Axfood's strategy is built upon five cornerstones: customers, profitability, growth, the environment and social responsibility, and employees and organization. Read more at axfood.se.

Value drivers

Factors that affect Axfood's performance include:

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