



# Year-End Report Axfood AB (publ)

For the period 1 January–31 December 2008

axfood

2008	Q1	Q2	Q3	Q4
------	----	----	----	----

- Axfood's consolidated sales for the year amounted to SEK 31,663 m (29,189), an increase of 8.5%.
- Like-for-like sales rose 4.7% during the year. Sales for Group-owned stores rose 9.6%.
- Operating profit for the period January–December was SEK 1,077 m (1,121). Operating profit a year earlier included a positive one-time effect of SEK 19 m.
- Profit after financial items for the year was SEK 1,011 m (1,086).
- Profit after tax for the year was SEK 737 m (781), and earnings per share were SEK 14.05 (14.88).
- The Board of Directors proposes an ordinary dividend of SEK 8 per share (12).
- Axfood's goal for 2009 is to achieve an operating profit of at least SEK 1 billion.

## KEY RATIOS

SEK m	Oct.-Dec.		Jan.-Dec.	
	2008	2007	2008	2007
Net sales	8,144	7,653	31,663	29,189
Operating profit	277	264	1,077	1,121
Operating margin, %	3.4	3.4	3.4	3.8
Profit after financial items	264	255	1,011	1,086
Profit after tax	199	183	737	781
Earnings per share, SEK <sup>1</sup>	3.79	3.48	14.05	14.88
Equity ratio, %	-	-	30.7	32.6
Return on capital employed, %	-	-	32.0	37.6
Return on shareholders' equity %	-	-	33.4	34.2
Net asset value per share, SEK	-	-	43.06	41.02

1) Before and after dilution.

## CEO'S COMMENTS

2008 was yet another successful year for Axfood, with good sales growth, stable profitability and continued strong cost control. We achieved our earnings target, and we ended the year with a positive result for Hemköp in the fourth quarter.

Axfood's sales rose 8.5% to SEK 31,663 m (29,189). Operating profit was SEK 1,077 m (1,121), with an operating margin of 3.4% (3.8%). Operating profit a year ago included a positive one-time effect of SEK 19 m for Willys. The lower operating margin is mainly attributable to the weak performance for Hemköp.

2008 was a turbulent year that was initially marked by sharply rising food prices caused by higher prices for raw materials and rising global demand. This trend subsided during the third quarter. At the same time, the faltering economy in the wake of the financial crisis became increasingly apparent, and the Swedish krona weakened. For Axfood this entailed, above all, a large number of negotiations with suppliers to ensure the right prices for consumers.

For Willys, 2008 was a record year. Sales as well as operating profit developed favourably, and the number of customers rose sharply. Willys' success can be credited to good store operations, an expanded product offering and improved communication with customers. Another contributing factor has been the ongoing renewal of the Willys concept, which by year-end had been completed at 15 stores. The rising flow of customers is also a sign of how well Willys is positioned in a weaker economy. A total of four new Willys stores were established during the year. In 2009 we plan to open new stores at the same pace as in 2008.

Unfortunately, Hemköp did not perform in line with the expectations we had at the start of the year. The conditions for achieving a positive operating margin for the full year were made considerably more difficult by the worsening economy. In response, we have further accelerated the pace of the ongoing action programme to improve stores and poor profitability. Focus has been on cost control, a changed price and product range strategy, and efforts to ensure the right gross profit. This resulted in tangible effects during the fourth quarter, when a positive operating result was achieved. Two Group-owned stores were acquired during the year. No new store openings are planned for 2009.

PrisXtra was acquired at the end of January. The integration work with Axfood has had high priority, and the process has proceeded according to plan. Sales for two stores have been hurt by traffic re-routing and road construction associated with the construction of the Norra länken traffic connector in Stockholm. Both of these store locations are right from a long-term strategic perspective, however. The newly established store, which opened at Fridhemsplan in Stockholm in October, has performed well from the start.

Axfood Närlivs has shown favourable, stable performance in a competitive market. Several contracts were signed during the year, including a renewed agreement with the OKQ8 service station chain. The cash and carry operation posted good sales growth.

Dagab has completed the reorganization of its warehouse operations that was begun in 2007. Operations in Borlänge have been refined to that of a full-range cold storage warehouse, and a new, fully automated high bay storage facility has been put into operation in Jordbro. During the second half of the year, the planned

implementation was begun of the new system for automated store restocking. Dagab continues to show the highest level of delivery reliability in the industry.

In December we were happy to announce a new, five-year cooperation agreement with the Vi Retailers Association. Under the terms of the agreement, the Axfood Group – through Dagab – will supply retail food products to the Vi stores starting in November 2009, and the Vi stores will be included in Axfood's purchasing process. The agreement also opens up opportunities for deeper cooperation in store establishment, product range matters, IT and training.

Axfood's capital structure today is well-suited to the Group's operations. Our balance sheet is strong, and interest-bearing net debt ended up at SEK 1,069 m, an increase of only SEK 599 m despite the high level of capital expenditures and the dividend payout of SEK 630 m. We were also able to meet our equity ratio target of a minimum level of 25% in each quarter.

The price trend and market outlook for 2009 are both difficult to judge. One reason is the weak Swedish krona, which may counteract the effects of lower raw material prices and also entail price increases. Another reason is the growing recession, which could put a damper on sales as households tighten their belts. However, we believe that private label products and discount alternatives will benefit from this trend. In this respect, Axfood is well-positioned. In addition to Willys' leading position in the discount segment, for several years we have had the highest private label share in Sweden's retail food market.

Axfood's strategic orientation remains firm. The long-term work on developing and improving the various concepts continues. Adaptation to changes in the external environment and to customer demands is a part of this. Our goal – through continued strong cost control, an effective price and product range strategy and greater efficiency – is to attain a higher market share as well as profitable growth.

Axfood's goal for 2009 is to achieve an operating profit of at least SEK 1 billion.

Anders Strålman  
President and CEO

## IMPORTANT EVENTS DURING THE FOURTH QUARTER

- On 1 October, a new PrisXtra store was opened on Fleminggatan in Stockholm.
- Two new Willys stores were opened, in Staffanstorp and Sala. A Hemköp store in Skellefteå was converted from a franchise to Group-owned.
- In December, Axfood and the Vi Retailers Association entered into a cooperation agreement. The agreement takes effect in November 2009 and has a term of five years.

## IMPORTANT EVENTS EARLIER IN THE YEAR

- Axfood's acquisition of PrisXtra was completed on 28 January.
- In April, Axfood acquired a Vi store in the Solna Centrum shopping centre, with annual sales of approximately SEK 130 m. Following the takeover, the store was converted to Hemköp.
- Two new Willys stores were opened – in Uppsala and Älvsjö.
- Axfood Närlivs renewed its contract with OKQ8.
- Dagab's new high-bay storage facility in Jordbro was inaugurated in June.
- Axfood launched the Garant Ekologiska brand of organic products, which will be sold in all of the Group's store concepts.

## CHANGE IN STORE STRUCTURE, JAN.-DEC. 2008

	Dec. 2007	Establish- ment	Acquisitions	Sales/ closures	Conversions to/from	Dec. 2008
Hemköp	79		2	-1		80
Willys <sup>1)</sup>	138	3	1	-2		140
PrisXtra		1	5			6
<b>Total, wholly owned</b>	<b>217</b>	<b>4</b>	<b>8</b>	<b>-3</b>	<b>-</b>	<b>226</b>
Hemköp franchises	86		4	-1		89

1) Of which, Willys hemma 31 (33).

## NET SALES, OWN AND FRANCHISE STORES

	Oct.-Dec. 2008, SEK m	Like-for-like sales %1)	Jan.-Dec. 2008, SEK m	Like-for-like sales %1)
Hemköp	1,437	-3.0	5,583	-0.7
Hemköp franchises	997	3.5	3,931	7.0
<b>Hemköp total</b>	<b>2,434</b>	<b>-0.4</b>	<b>9,514</b>	<b>2.4</b>
<b>Willys total</b>	<b>4,355</b>	<b>8.0</b>	<b>16,776</b>	<b>9.1</b>
<b>PrisXtra</b>	<b>203</b>	<b>-</b>	<b>653</b>	<b>-</b>
<b>Total</b>	<b>6,992</b>	<b>7.9</b>	<b>26,943</b>	<b>9.2</b>
		2.2		4.5

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

## SALES AND EARNINGS FOR THE AXFOOD GROUP

Consolidated wholesale and retail sales for the Axfood Group totalled SEK 31,663 m (29,189) for the year, an increase of 8.5%. Store sales for the Axfood Group (wholly owned stores and Hemköp franchises) amounted to SEK 26,943 m (24,677), an increase of 9.2%. Sales by Axfood-owned stores increased during the year by 9.6%, with a 4.7% rise in like-for-like sales.

Operating profit for the year was SEK 1,077 m (1,121). Operating profit for the preceding year included a positive one-time effect of SEK 19 m. The operating margin for the year was 3.4% (3.8%).

Net financial items totalled SEK -66 m (-35), and profit after financial items was SEK 1,011 m (1,086). The margin after financial items was 3.2% (3.7%). Profit after tax was SEK 737 m (781).

## CAPITAL EXPENDITURES

Total capital expenditures during the year amounted to SEK 1,158 m (576). Of these, SEK 477 m (65) pertained to acquisitions of businesses, SEK 371 m (249) to investment in non-current assets in retail operations, SEK 128 m (105) to non-current assets in wholesale operations, and SEK 129 m (104) to IT development.

On 28 January 2008 Axfood took over as the owner of PrisXtra Förvaltning AB (PrisXtra). At the time of the acquisition, PrisXtra conducted retail trade via five stores plus an online store in the Stockholm area. Annual sales for PrisXtra at the time of acquisition were estimated at approximately SEK 700 m. The purchase price was SEK 400 m and was paid in cash during the period. Acquired assets and liabilities pertaining to PrisXtra are stated in Axfood's balance sheet at fair value. In connection with the acquisition, the following intangible assets are reported: trademarks SEK 80 m, customer relationships SEK 15 m, leaseholds SEK 14 m and goodwill SEK 286 m. Identified goodwill is entirely attributable to the synergies that will be available to Axfood in connection with the acquisition. On 1 October 2008, PrisXtra opened an additional store in central Stockholm.

In addition to PrisXtra, three stores were acquired during the year for a combined purchase price of SEK 77 m. The purchase price was paid in cash during the year. Acquired goodwill amounts to SEK 68 m. No intangible assets other than goodwill have been identified.

## FINANCIAL POSITION

Cash flow from operating activities for the period before paid tax was SEK 1,435 m (1,496). Paid tax amounted to SEK -283 m (-330). Cash and cash equivalents held by the Group amounted to SEK 312 m, compared with SEK 471 m in December 2007. Interest-bearing assets amounted to SEK 325 m at the end of the year, compared with SEK 497 m in December 2007. Interest-bearing liabilities and provisions totalled SEK 1,394 m at the end of the year, compared with SEK 967 m in December 2007. Interest-bearing net debt was SEK 1,069 m at the end of the year, compared with SEK 470 m in December 2007. Payout of the shareholder dividend affected cash flow by SEK -630 m (-1,049), and net capital expenditures affected cash flow by SEK -1,108 m (-525), for a total cash flow effect of SEK -1,738 m (-1,574). Despite the high level of capital expenditures and the dividend payout of SEK 630 m, interest-bearing net debt increased by only SEK 417 m (497).

The equity ratio was 30.7%, compared with 32.6% in December 2007.

## EMPLOYEES

The Axfood Group had an average of 6,847 employees (6,463) during the year. Of the Group's employees, approximately 75% work in stores and slightly more than 20% in the wholesaling operations.

## STORE OPERATIONS

### WILLYS

Sales for Willys totalled SEK 16,776 m (15,382) for the period January–December, an increase of 9.1% compared with a year earlier. Like-for-like sales rose 7.3% during the same period. Sales for the fourth quarter totalled SEK 4,355 m (4,033). Sales growth as well as earnings followed the favourable trend that Willys showed since the start of the year, and in 2008 the number of customers increased by 8.3%.

This favourable performance can be credited to good store operations, an expanded product offering and improved communication with customers, but also to the renewal of the Willys concept, which by year-end had been carried out at 15 stores. This concept entails, among other things, a focus on fresh products and organic products as well as an expansion of the product offering by approximately 1,000 items.

Operating profit for the year was SEK 730 m (666). Profit for the preceding year included a one-time effect of SEK 19 m, attributable to the valuation of store inventories. The operating margin was 4.4% (4.3%). Operating profit for the fourth quarter was SEK 181 m (178).

The private label share as of December was 23.4% (23.1%) for Willys and 27.1% (26.5%) for Willys hemma.

The Willys chain comprises 140 wholly owned stores, including 31 Willys hemma stores.

### HEMKÖP

Sales for Hemköp's stores – both wholly owned and franchises – rose 2.4% during the period January–December. Sales for Group-owned Hemköp stores totalled SEK 5,583 m (5,620) during the year, a decrease of 0.7%. Like-for-like sales for Group-owned stores decreased by 3.0% during the year.

Sales for franchise stores totalled SEK 3,931 m (3,675), an increase of 7.0%, with a 3.0% rise in like-for-like sales.

Sales for Group-owned stores totalled SEK 1,437 m (1,482) during the fourth quarter.

An operating loss of SEK -8 m (+51) was reported for the year. The operating margin for the year was -0.1% (+0.9%). Operating profit for the fourth quarter was SEK 10 m (2).

Compared with the industry as a whole, Hemköp's performance was weak in 2008. The conditions for achieving a positive operating margin for the full year were hampered considerably by the worsening economy. Consequently, the pace of the ongoing action programme designed to improve and strengthen under-performing stores has been stepped up further. A positive operating result was achieved for the fourth quarter.

Hemköp's new customer loyalty card continues to grow, and by year-end 217,000 cards were in issue. The goal for the year was to reach 200,000 cardholders. This is a key part of a long-term initiative to boost customer loyalty and thus sales and market shares.

Hemköp's private label share (incl. franchise stores) was 14.6% as of December (14.0%).

Hemköp had 169 stores at year-end, of which 80 were Group-owned.

### PRISXTRA

PrisXtra's sales amounted to SEK 653 m during the period February–December. Operating profit for the period February–December was SEK 9 m, and the operating margin for the period was 1.4%.

PrisXtra, which was acquired at the end of January, has prioritized its integration work with Axfood. Progress of the various projects has been according to plan. Sales of two stores were hurt by the traffic re-routing and road work associated with the construction of the Norra länken traffic connector. The newly established store that opened in October has shown very favourable performance from the start.

PrisXtra currently has six stores plus an online store in the Stockholm area.

## **AXFOOD PARTIHANDEL (WHOLESALING)**

### **DAGAB AND AXFOOD NÄRLIVS**

Dagab's sales for the period January–December totalled SEK 23,424 m (21,294). Sales during the fourth quarter totalled SEK 6,050 m (5,697). Operating profit for the year was SEK 138 m (131). The operating margin for the year was 0.6% (0.6%). Operating profit for the fourth quarter was SEK 45 m (43). Dagab has completed the reorganization of its warehouse operations that was begun in 2007 and continues to show a high level of delivery reliability. During the second half of the year, the planned implementation was begun of Autoorder, Axfood's new automated store restocking system.

Sales for Axfood Närlivs during the period January–December totalled SEK 5,662 m (5,465). Sales during the fourth quarter totalled SEK 1,394 m (1,403). Operating profit for the year was SEK 110 m (101). The operating margin for the year was 1.9% (1.8%). Operating profit for the fourth quarter was SEK 22 m (23). Axfood Närlivs has shown steady, stable sales in a fiercely competitive market. Several contracts have been renewed, and the cash and carry operations have had very favourable sales growth.

## **SIGNIFICANT RISKS AND UNCERTAINTIES**

In the course of its operations the Axfood Group is exposed to both financial and business risks. Financial risks include liquidity risk, interest rate risk and currency risk, while business risks include competitive risk and operating risk.

The Parent Company is responsible for the Group's external financing and is thereby exposed to liquidity, interest rate and currency risks. The goal of Axfood's financial management is to limit the short-term impact of fluctuations in the financial markets on the Group's earnings and cash flow. Toward this end, Axfood has a finance policy that regulates liquidity, interest rate and currency risks. In other respects, the Parent Company conducts holding company activities for the Group, including central functions, and is not exposed to risks other than indirectly via its subsidiaries. Axfood works continuously with risk identification and assessment.

The price increases announced in 2007 by suppliers on account of higher raw material and transport costs continued in 2008. However, Axfood believes that these price increases have now culminated.

One of the most significant operating 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 an unforeseen event.

For a thorough account of the risks that affect the Group, please refer to the 2007 Annual Report and, after 23 February 2009, the 2008 Annual Report.

## **ENVIRONMENTAL IMPACT**

Axfood works actively with environmental matters, and in cooperation with the trade organization Svensk Dagligvaruhandel, Axfood has taken the initiative on an industry-wide standard for climate labelling of products in the retail food trade. Together with other members of this trade organization, Axfood is working on formulating long-term goals for reducing carbon dioxide emissions. Axfood is also participating in a pilot study on the use of biogas-powered delivery vehicles.

In its day-to-day work, Axfood focuses on three primary areas in an effort to reduce its environmental impact:

- transports to and from stores, warehouses and suppliers,
- sorting of waste in all operations, and

- energy use in stores, warehouses and offices.

One concrete result of the Group's environmental effort is the adoption of a new fish policy during the second quarter. This policy stipulates, among other things, that fish and shellfish from threatened fishing waters may not be sold in Axfood's stores.

## PARENT COMPANY

Other operating revenue for the Parent Company during the period January–December amounted to SEK 165 m (160). After selling expenses, administrative expenses and other operating expenses, totalling SEK 205 m (192), and SEK -45 m (-18) in net financial items, the result after financial items was SEK -85 m (-50). Capital expenditures during the year amounted to SEK 403 m (8).

Cash and cash equivalents held by the Parent Company totalled SEK 0 m, compared with SEK 0 m in December 2007. Interest-bearing net debt was SEK 1,532 m at year-end, compared with SEK 1,090 m in December 2007.

The Parent Company has no significant transactions with related parties, other than transactions with subsidiaries.

## ACCOUNTING PRINCIPLES

This year-end report has been prepared in accordance with IAS 34 Interim Financial Reporting. The same accounting principles and methods of calculation have been used as in the most recent annual report.

In order to prepare the financial statements in accordance with generally accepted accounting principles, the Board and company management 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.

Effective 1 January 2008, three new IFRIC interpretations take effect: IFRIC 11, 12 and 14. IFRIC 12 has still not been endorsed by the EU and is therefore not applied. In addition to IFRIC 11, 12 and 14, amendments were made to IAS 39 and IFRS 7 in autumn 2008, which have been endorsed for application within the EU. The interpretations and amendments to IAS 39 and IFRS 7 have no effect on Axfood's consolidated income statement, balance sheet, cash flow statement or shareholders' equity.

On 1 January 2009 a new standard took effect, IFRS 8 Operating Segments. IFRS 8 is strictly a disclosure standard, which is why it does not have any effect on the consolidated income statement and balance sheet, cash flow, or shareholders' equity. In addition to IFRS 8 are amendments to IAS 1 – Presentation of Financial Statements, IFRS 2 Share-based Payments, IAS 23 Borrowing Costs, IAS 32 Financial Statements – Classification, and IFRIC 13 Customer Loyalty Programmes. These amendments have no effect on Axfood's income statement, balance sheet, cash flow statement or shareholders' equity.

IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 16 Hedges of a Net Investment in a Foreign Operation, and IFRIC 17 Distributions of Non-Cash Assets to Owners, take effect on 1 January 2009 but have not yet been endorsed for application within the EU, and therefore have not been applied.

## PARENT COMPANY

The same accounting principles and calculation methods as in the most recent annual report have been used. The Parent Company complies with the Swedish Annual Accounts Act and recommendation RFR 2.1 – Reporting for Legal Entities, issued by the Swedish Financial Reporting Board (RFR). Application of RFR 2.1 entails that in interim reporting for legal entities, the Parent Company is to apply all IFRSs and interpretations endorsed by the EU as far as possible within the framework of the Swedish Annual Accounts Act, the Pension Obligations Vesting Act, and taking into account the connection between accounting and taxation.

As is the case for the Axfood Group, the new and amended standards that take effect on 1 January 2009 have no effect on the Parent Company's income statement, balance sheet, cash flow statement or shareholders' equity.

## FUTURE OUTLOOK

Axfood's goal for 2009 is to achieve an operating profit of at least SEK 1 billion.

## NEXT REPORTING DATE

The interim report for the period January–March 2009 will be released on 17 April 2009.

## ANNUAL GENERAL MEETING

The 2009 Annual General Meeting will be held at 5 p.m. on 10 March 2009. Location: Cirkus, Stockholm. The 2008 Annual Report will be published on 23 February 2009 on Axood's website, at which time it will be available at Axfood's head offices in Solna. In addition, printed copies of the Annual Report will be distributed by post to shareholders approximately one week before the Annual General Meeting upon request.

Stockholm, 3 February 2009

Anders Strålman

*President and CEO*

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

## CONTACT INFORMATION

For further information, please contact:

Anders Strålman, President and CEO, mobile +46-70-293 16 93

Karin Hygrell-Jonsson, CFO, mobile +46-70-662 69 70

Anne Rhenman-Eklund, Head of Investor Relations, +46-8-553 998 13, mobile +46-70-280 64 59

**FINANCIAL STATEMENTS, GROUP****NET SALES PER BUSINESS UNIT**

SEK m	Oct.-Dec.		Jan.-Dec.	
	2008	2007	2008	2007
Hemköp	1,451	1,496	5,640	5,674
Willys	4,355	4,033	16,776	15,382
PrisXtra	203	-	653	-
Axfood Närlivs <sup>1</sup>	1,394	1,403	5,662	5,465
Dagab <sup>2</sup>	6,050	5,697	23,424	21,294
Other <sup>3</sup>	570	389	1,981	1,230
Internal sales <sup>4</sup>	-5,879	-5,365	-22,473	-19,856
<b>Net sales, total</b>	<b>8,144</b>	<b>7,653</b>	<b>31,663</b>	<b>29,189</b>

**OPERATING PROFIT FOR THE PERIOD (EBIT), BROKEN DOWN BY BUSINESS UNIT**

SEK m	Oct.-Dec.		Jan.-Dec.	
	2008	2007	2008	2007
Hemköp	10	2	-8	53
Willys	181	178	730	666
PrisXtra	1	-	9	-
Axfood Närlivs	22	23	110	101
Dagab	45	43	138	131
Other <sup>3</sup>	18	18	98	170
<b>Operating profit for the period, total</b>	<b>277</b>	<b>264</b>	<b>1,077</b>	<b>1,121</b>

<sup>1)</sup> Of which, distributed sales totalling SEK 1,135 m for October–December (1,125) and SEK 4,566 m for January–December (4,389).

<sup>2)</sup> Of which, distributed sales totalling SEK 4,022 m for October–December (3,757) and SEK 15,327 m for January–December (13,921).

<sup>3)</sup> Includes joint-Group functions and the support company Axfood IT. Figures for the year have been affected by a change in internal pricing, in the amount of approximately SEK 55 m. This does not affect the Axfood Group's consolidated earnings. The item "other" also includes charges for, among other things, amortization of surplus value pertaining to the acquisition of PrisXtra.

<sup>4)</sup> Of which, SEK 5,327 m for Dagab for October–December (5,010) and SEK 20,625 m for January–December (18,769).

**CONDENSED INCOME STATEMENT**

SEK m	Oct.-Dec.		Jan.-Dec.	
	2008	2007	2008	2007
Net sales	8,144	7,653	31,663	29,189
Cost of goods sold	-7,042	-6,622	-27,413	-25,119
<i>Gross profit</i>	1,102	1,031	4,250	4,070
Selling/administrative expenses, etc.	-825	-767	-3,173	-2,949
<i>Operating profit</i>	277	264	1,077	1,121
Net financial items	-13	-9	-66	-35
<i>Profit after financial items</i>	264	255	1,011	1,086
Tax	-65	-72	-274	-305
<b>Net profit for the period</b>	<b>199</b>	<b>183</b>	<b>737</b>	<b>781</b>
Operating profit includes depreciation/amortization of	133	122	526	477
Earnings per share, SEK	3.79	3.48	14.05	14.88

**CONDENSED BALANCE SHEET**

<b>SEK m</b>	<b>31/12/2008</b>	<b>31/12/2007</b>
<b>Assets</b>		
Goodwill	1,536	1,182
Interest-bearing receivables	-	13
Other financial assets	33	30
Other non-current assets	2,072	1,755
<b>Total non-current assets</b>	<b>3,641</b>	<b>2,980</b>
Inventories	1,769	1,597
Accounts receivable — trade	736	685
Interest-bearing receivables	13	13
Other current assets	879	862
Cash and bank balances	312	471
<b>Total current assets</b>	<b>3,709</b>	<b>3,628</b>
<b>Total assets</b>	<b>7,350</b>	<b>6,608</b>
<b>Shareholders' equity and liabilities</b>		
Equity attributable to equity holders of the parent	2,259	2,152
<b>Total shareholders' equity</b>	<b>2,259</b>	<b>2,152</b>
Interest-bearing non-current liabilities	690	587
Noninterest-bearing non-current liabilities	230	168
<b>Total non-current liabilities</b>	<b>920</b>	<b>755</b>
Current interest-bearing liabilities	704	380
Accounts payable — trade	1,849	1,850
Other current noninterest-bearing liabilities	1,618	1,471
<b>Total current liabilities</b>	<b>4,171</b>	<b>3,701</b>
<b>Total shareholders' equity and liabilities</b>	<b>7,350</b>	<b>6,608</b>
<b>Contingent liabilities</b>	<b>24</b>	<b>23</b>
<b>Pledged assets</b>	<b>1</b>	<b>2</b>

## CONDENSED CASH FLOW STATEMENT

<i>SEK m</i>	Jan.-Dec.	
	2008	2007
<b>Operating activities</b>		
–Cash flow from operating activities before changes in working capital before paid tax	1,520	1,531
–Paid tax	-283	-330
–Changes in working capital	-85	-35
<i>Cash flow from operating activities</i>	<b>1,152</b>	<b>1,166</b>
<b>Investing activities</b>		
–Company acquisitions, net	-466	-54
–Acquisitions of non-current assets, net	-642	-471
–Reduction of financial non-current assets	10	13
<i>Cash flow from investing activities</i>	<b>-1,098</b>	<b>-512</b>
<b>Financing activities</b>		
–Change in interest-bearing liabilities	417	497
–Dividend paid out	-630	-1,049
<i>Cash flow from financing activities</i>	<b>-213</b>	<b>-552</b>
<b>Cash flow for the period</b>	<b>-159</b>	<b>102</b>

**CHANGE IN SHAREHOLDERS' EQUITY, 31/12/2008**

SEK m	Total
Amount at start of year	2,152
Change in fair value of forward exchange contracts	0
<b>Total changes in net worth reported directly against shareholders' equity, excluding transactions with the company's owners</b>	<b>0</b>
Profit for the period	737
<b>Total changes in net worth, excluding transactions with the company's owners</b>	<b>737</b>
Dividend to shareholders	-630
<b>Amount at end of period</b>	<b>2,259</b>

**CHANGE IN SHAREHOLDERS' EQUITY, 31/12/2007**

SEK m	Total
Amount at start of year	2,420
Change in fair value of forward exchange contracts	0
<b>Total changes in net worth reported directly against shareholders' equity, excluding transactions with the company's owners</b>	<b>0</b>
Profit for the period	781
<b>Total changes in net worth, excluding transactions with the company's owners</b>	<b>781</b>
Dividend to shareholders	-1,049
<b>Amount at year-end</b>	<b>2,152</b>

Since the start of 2007, no part of shareholders' equity is affected by minority interests; all shareholders' equity is attributable to the majority owner.

**KEY RATIOS AND OTHER DATA**

	31/12/2008	31/12/2007
Operating margin, %	3.4	3.8
Margin after financial items, %	3.2	3.7
Equity ratio, %	30.7	32.6
Debt-equity ratio, net, multiple	0.5	0.2
Debt-equity ratio, multiple	0.6	0.5
Interest coverage, multiple	14.7	25.7
Capital employed, SEK m	3,653	3,119
Return on capital employed, %	32.0	37.6
Return on shareholders' equity, %	33.4	34.2
Capital expenditures, SEK m	1,158	576
Earnings per share, SEK <sup>1,2</sup>	14.05	14.88
Ordinary dividend per share, SEK	8,00 <sup>3</sup>	12.00
Net asset value per share, SEK <sup>1,2</sup>	43.06	41.02
Number of shares outstanding <sup>2</sup>	52,467,678	52,467,678
Weighted average number of shares <sup>1,2</sup>	52,467,678	52,467,678
Weighted average number of shares after dilution <sup>1,2</sup>	52,467,678	52,467,678
Number of treasury shares held	-	-
Average number of employees during the year <sup>3</sup>	6,847	6,463

1) Axfood has no outstanding incentive programmes that entail a dilutive effect.

2) Axfood had no holdings of treasury shares. The same applies for the comparison periods.

3) Proposed by the Board of Directors.

**FINANCIAL STATEMENTS, PARENT COMPANY****CONDENSED INCOME STATEMENT, PARENT COMPANY**

SEK m.	Oct.-Dec.		Jan.-Dec.	
	2008	2007	2008	2007
Net sales	-	-	-	-
Selling/administrative expenses, etc.	-11	-10	-40	-32
<i>Operating profit</i>	-11	-10	-40	-32
Net financial items	-13	-7	-45	-18
<i>Profit after financial items</i>	-24	-17	-85	-50
Appropriations	0	3	0	3
<i>Profit before tax</i>	-24	-14	-85	-47
Tax	6	3	25	13
<b>Net profit for the period</b>	<b>-18</b>	<b>-11</b>	<b>-60</b>	<b>-34</b>
Operating profit includes depreciation/amortization of	2	2	9	8

**CONDENSED BALANCE SHEET, PARENT COMPANY**

<i>SEK m</i>	31/12/2008	31/12/2007
<b>Assets</b>		
Property, plant and equipment	17	25
Participations in Group companies	3,468	2,958
Interest-bearing receivables	-	13
Other financial non-current assets	3	3
Deferred tax assets	9	9
<b>Total non-current assets</b>	<b>3,497</b>	<b>3,008</b>
Receivables from Group companies <sup>1)</sup>	1,826	1,779
Interest-bearing receivables	13	13
Other current assets	13	14
Cash and bank balances	0	0
<b>Total current assets</b>	<b>1,852</b>	<b>1,806</b>
<b>Total assets</b>	<b>5,349</b>	<b>4,814</b>
<b>Shareholders' equity and liabilities</b>		
Restricted shareholders' equity	262	262
Unrestricted shareholders' equity	2,703	2,639
<b>Total shareholders' equity</b>	<b>2,965</b>	<b>2,901</b>
<b>Untaxed reserves</b>	<b>6</b>	<b>6</b>
Interest-bearing non-current liabilities	329	226
Noninterest-bearing non-current liabilities	7	6
<b>Total non-current liabilities</b>	<b>336</b>	<b>232</b>
Current interest-bearing liabilities	671	354
Liabilities to Group companies <sup>2)</sup>	1,328	1,263
Accounts payable — trade	12	9
Other current noninterest-bearing liabilities	31	49
<b>Total current liabilities</b>	<b>2,042</b>	<b>1,675</b>
<b>Total shareholders' equity and liabilities</b>	<b>5,349</b>	<b>4,814</b>
<b>Contingent liabilities</b>	<b>369</b>	<b>367</b>
<b>Pledged assets</b>	<b>-</b>	<b>-</b>
1) Of which, interest-bearing receivables	707	697
2) Of which, noninterest-bearing liabilities	1,252	1,233



**Axfood AB (publ)**  
Reg. no. 556542-0824  
Hemvärgatan 9  
SE-171 78 Solna  
Tel. +46-8-553 990 00  
Fax +46-8-730 03 59  
[info@axfood.se](mailto:info@axfood.se)  
[www.axfood.se](http://www.axfood.se)