



## Year-End Report Axfood AB (publ)

### FOURTH QUARTER SUMMARY

- Axfood's consolidated sales for the period October–December totalled SEK 9,978 m (9,550), an increase of 4.5%.
- Retail sales for Group-owned stores increased by 3.3% during the period. Like-for-like sales increased by 2.4% during the period
- Operating profit for the period was SEK 372 m (340).
- Profit after financial items was SEK 370 m (337) for the period.
- Profit after tax totalled SEK 277 m (257) for the period, and earnings per share were SEK 5.23 (4.79).
- Annica Elmehegen Lundquist was appointed as new Head of Corporate Communications.
- The Board of Directors proposes a dividend of SEK 17 per share (15).
- The Board proposes a 4:1 stock split.
- Axfood's goal for 2015 is to exceed the level of profit achieved in 2014.

### NO SIGNIFICANT EVENTS HAVE TAKEN PLACE AFTER THE BALANCE SHEET DATE

#### Key ratios

SEK m	Q4 2014	Q4 2013	Change	Full year 2014	Full year 2013	Change
Net sales	9,978	9,550	4.5%	38,484	37,522	2.6%
Operating profit	372	340	9.4%	1,447	1,302	11.1%
Operating margin, %	3.7	3.6	0.1	3.8	3.5	0.3
Profit after financial items	370	337	9.8%	1,430	1,278	11.9%
Profit after tax	277	257	7.8%	1,104	993	11.2%
Earnings per share, SEK <sup>1</sup>	5.23	4.79	9.2%	20.88	18.80	11.1%
Cash flow per share, SEK	11.1	4.8	131.3%	12.4	-1.2	-
Cash flow from operating activities per share, SEK	14.1	9.2	53.3%	38.7	30.4	27.3%
Return on capital employed, % <sup>2</sup>	32.4	30.3	2.1	32.4	30.3	2.1
Return on shareholders' equity, % <sup>2</sup>	28.1	27.5	0.6	28.1	27.5	0.6
Shareholders' equity per share, SEK <sup>3</sup>	-	-	-	76.79	71.82	6.9%
Equity ratio, %	-	-	-	41.9	42.6	-0.7

1) Before and after dilution.

2) Moving 12-month figures.

3) Net asset value per share corresponds to shareholders' equity per share.

#### For further information, please contact:

Anders Strålmán, President and CEO, mobile +46-70-293 16 93  
Karin Hygrell-Jonsson, CFO, mobile +46-70-662 69 70

The information in this year-end 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 10 February 2015.

## CEO'S COMMENTS

Earnings for 2014 were once again Axfood's best ever, and all units reported good results, with higher sales and increased market shares. Our strategy of having attractive customer offerings combined with a high level of efficiency and good cost control has proved to be spot-on.

Our ambitious investments in the future have continued with many new establishments, renewal of a large number of stores, and further development of the new business system. The digital customer programme is a key strategic investment in the future aimed at further stimulating sales through stronger customer relationships and more compelling offers.

### Strong earnings for all units

Willys continues to post strong earnings and stable sales growth. The Christmas shopping season, in particular, was a great success. The inflow to Willys' digital customer programme, Willys+, has continued, and the number of registered customers is now up to 1.6 million. At the same time, eight new stores opened in 2014, and the major modernization project has been concluded. Willys is thereby defending its position as Sweden's leading discount chain with increasingly better stores, a wide product selection, a rich offering of fresh products, and Sweden's cheapest bag of groceries.

Hemköp posted its best result ever, with very good like-for-like sales growth. In an effort to strengthen the customer offering, focus has been primarily on augmenting the assortment with more fresh products. Hemköp opened two new stores during the year and modernized 10 stores.

Axfood Närlivs had good earnings, considering the costs for implementation of the new business system. A long, warm summer combined with enhanced campaign offers contributed to the positive performance. During the year, the agreement with EMAB was extended and an expanded agreement was signed with Statoil.

Dagab has now returned to the same level of efficiency and delivery reliability it had prior to implementation of the new business system, which can be seen in its strong earnings improvement. It is important that the new system is working for Dagab – and not only for Dagab, but for the entire Group's success.

### New organization

To achieve further efficiency, in 2014 Axfood successfully combined the Group's warehouse and transport operations into a single unit. The next step will be taken in 2015, when Axfood's entire product supply from purchasing and inventory to logistics will be gathered in Axfood Sverige. Further information about the change is provided on page 8.

### Market outlook

There are several areas of concern regarding the Swedish economy's performance in 2015. The weakening of the Swedish krona and political uncertainty – both in Sweden and the world – are negative factors. We believe, however, that the market conditions for the food retail sector will remain stable, with continued high competition and food price inflation of 1%–2%.

### Axfood's strategy remains firm

Axfood is entering 2015 on solid footing and with the same strategy that has secured our profitable growth for several years. It is from this strategy that we will continue to develop our concepts, strengthen our brands and exceed customers' expectations. We are also keeping our focus fixed on greater efficiency and a high pace of establishment, good cost control and further development of our customer programmes.

Parallel with this, Axfood will now – step by step – be seeing the results of the major investments we have made in recent years in the new business system as well as in our stores and new customer programmes. Several of these projects were concluded during the year, entailing that our rate of investment will now be brought down to more normal levels. In 2015 we will invest in store modernizations and on maintaining an ambitious pace of establishment with 11 new stores. Capital expenditures in 2015 are expected to total SEK 700–800 m.

Axfood's goal for 2015 is to exceed the level of profit achieved in 2014.

Anders Strålman

*President and CEO, Axfood AB*

## SALES, AXFOOD GROUP

### Fourth quarter

Consolidated wholesale and retail sales for the Axfood Group totalled SEK 9,978 m (9,550) during the fourth quarter, an increase of 4.5%. Store sales for the Axfood Group (wholly owned stores and Hemköp franchises) totalled 8,406 m (8,126), an increase of 3.4%. Sales for Group-owned retail operations increased by 3.3% during the fourth quarter, with a 2.4% rise in like-for-like sales.

Axfood's private label share was 25.9% (25.0%) as of December.

### Full year

Consolidated wholesale and retail sales for the Axfood Group totalled SEK 38,484 m (37,522) for the year, an increase of 2.6%. Store sales for the Axfood Group (wholly owned stores and Hemköp franchises) totalled 32,417 m (31,868), an increase of 1.7%. Sales for Group-owned retail operations increased by 2.0% during the year, with a 0.7% rise in like-for-like sales.

## THE SWEDISH FOOD RETAIL MARKET

According to Statistics Sweden's retail trade index for December, accumulated sales for the food retail segment rose 2.2% compared with the start of the year in current prices. In fixed prices, adjusted for price and calendar effects, volume increased by 1.4%.

Net sales per operating segment				
SEK m	Q4 2014	Q4 2013	Full year 2014	Full year 2013
Hemköp	1,454	1,438	5,510	5,578
Willys	5,416	5,209	20,974	20,394
Axfood Närlivs	1,648	1,596	6,597	6,489
Dagab	6,949	6,569	26,330	25,509
Other <sup>1</sup>	1,306	1,286	5,225	5,120
<i>Internal sales</i>				
Dagab	-5,538	-5,308	-21,123	-20,622
Axfood Närlivs	-1	-1	-3	-7
Other	-1,256	-1,239	-5,026	-4,939
<b>Total</b>	<b>9,978</b>	<b>9,550</b>	<b>38,484</b>	<b>37,522</b>

<sup>1)</sup> Includes joint-Group support functions, such as purchasing coordination, IT and corporate offices.

Retail sales, Group-owned and franchise stores						
SEK m	Q4 2014	% <sup>1)</sup>	Like-for-like sales, % <sup>1)</sup>	Full year 2014	% <sup>1)</sup>	Like-for-like sales, % <sup>1)</sup>
Hemköp	1,433	1.0	3.7	5,426	-1.3	2.3
Hemköp franchises	1,557	3.9	4.0	6,017	0.7	3.1
<b>Hemköp total</b>	<b>2,990</b>	<b>2.5</b>	<b>3.9</b>	<b>11,443</b>	<b>-0.3</b>	<b>2.8</b>
<b>Willys total</b>	<b>5,416</b>	<b>4.0</b>	<b>2.1</b>	<b>20,974</b>	<b>2.8</b>	<b>0.3</b>
<b>Total</b>	<b>8,406</b>	<b>3.4</b>	<b>2.7</b>	<b>32,417</b>	<b>1.7</b>	<b>1.1</b>

<sup>1)</sup> Percentage change compared with the corresponding period a year ago.

Change in store structure, full year 2014						
	Dec. 2013	New establishment	Acquisitions	Sales/closures	Conversions to/from	Dec. 2014
Hemköp	69	2	1	-3	-1	68
Willys <sup>1)</sup>	183	7			1	191
<b>Total, Group-owned</b>	<b>252</b>	<b>9</b>	<b>1</b>	<b>-3</b>	<b>-</b>	<b>259</b>
Hemköp franchises	111	1	2	-3		111
<sup>1)</sup> Of which, Willys Hemma	47	5				52

## EARNINGS, AXFOOD GROUP

### Fourth quarter

Operating profit for the fourth quarter totalled SEK 372 m (340). The operating margin was 3.7% (3.6%). All units showed stronger earnings. The new business system was implemented in the distribution centres during the same period a year ago, which gave rise to higher costs at the time. Net financial items totalled SEK -2 m (-3), and profit after financial items was SEK 370 m (337). The margin after financial items was 3.7% (3.5%). Profit after tax was SEK 277 m (257). During the fourth quarter Axfood received repayment of SEK 46 m in collective insurance premiums from Fora from previous years. At the same time, joint-Group costs were affected by higher depreciation for the new business system, retirement of intangible non-current assets, and reorganization costs in the logistics operations.

### Full year

Operating profit for the year totalled SEK 1,447 m (1,302). The operating margin was 3.8% (3.5%). Net financial items for the year totalled SEK -17 m (-24), and profit after financial items was SEK 1,430 m (1,278). Profit after tax was SEK 1,104 m (993).

#### Operating profit for the period, broken down by operating segment

SEK m	Q4 2014	Q4 2013	Full year 2014	Full year 2013
Hemköp	55	35	197	151
Willys	236	208	870	808
Axfood Närlivs	28	34	139	140
Dagab	73	41	208	114
Other <sup>1</sup>	-20	22	33	89
<b>Operating profit for the period, total<sup>2</sup></b>	<b>372</b>	<b>340</b>	<b>1,447</b>	<b>1,302</b>

<sup>1</sup> "Other" includes joint-Group support functions, such as purchasing coordination, IT and corporate offices. Other also includes accumulated charges for, among other things, amortization of surplus value pertaining to the acquisition of PrisXtra and depreciation of SEK 77 m (67) pertaining to the new business system.

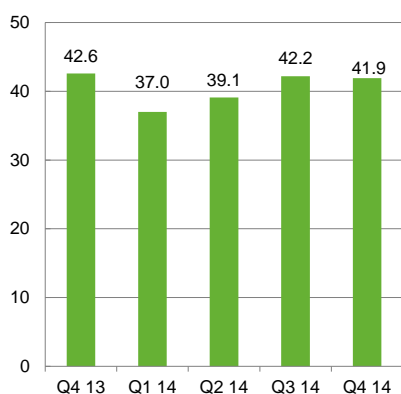
<sup>2</sup> Net financial items are not distributed per operating segment. Axfood has no significant transactions with related parties other than transactions with subsidiaries.

## CAPITAL EXPENDITURES

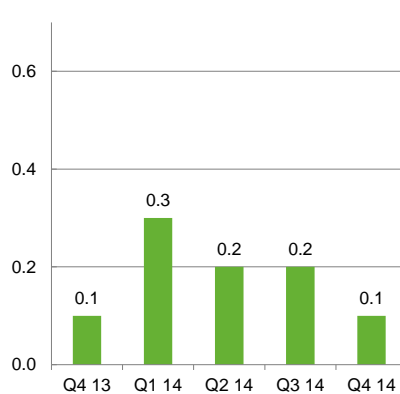
Total capital expenditures during the period January–December amounted to SEK 643 m (806), of which SEK 22 m (43) pertained to acquisitions of businesses, while SEK 342 m (432) pertained to investments in non-current assets in retail operations, SEK 70 m (86) to investments in non-current assets in wholesale operations, and SEK 35 m (121) to IT development.

In February Axfood increased its ownership in the Urban Deli group to 50%. Axfood previously owned 5% of the Urban Deli Nytorget unit and 50% of Urban Deli Sickla. Urban Deli conducts restaurant, food market and specialty store sales in the Stockholm area. After the acquisition, Axfood has a non-controlling interest in Urban Deli, and the holding is reported as a joint venture. The purchase price was SEK 22 m and was paid in cash.

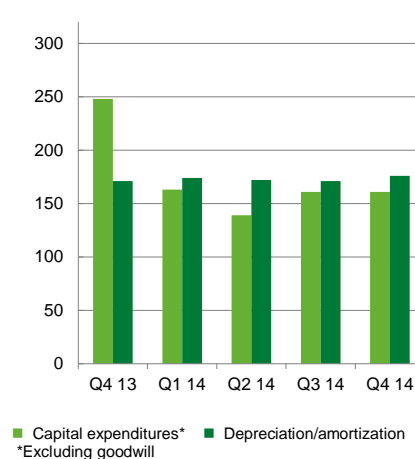
#### Equity ratio, %



#### Debt-equity ratio, multiple



#### Capital expenditures\*, depreciation/amortization, SEK m



## FINANCIAL POSITION

Cash flow from operating activities before paid tax was SEK 2,246 m (1,831) for the year. Paid tax amounted to SEK -217 m (-235). Cash and cash equivalents held by the Group amounted to SEK 1,109 m, compared with SEK 457 m in December 2013. Interest-bearing liabilities and provisions totalled SEK 585 m at year-end, compared with SEK 535 m in December 2013. The Group had an interest-bearing net debt receivable of SEK 524 m at the year-end, compared with interest-bearing net debt of SEK 78 m in December 2013. Payout of the shareholder dividend affected cash flow by SEK -794 m (-630), and net capital expenditures affected cash flow by SEK -582 m (-718).

The equity ratio was 41.9%, compared with 42.6% in December 2013.

## STORE OPERATIONS

### Willys

#### Fourth quarter

Willys once again posted strong earnings and stable sales growth. Sales amounted to SEK 5,416 m (5,209), an increase of 4.0% compared with the same period a year ago. Like-for-like sales increased by 2.1%. Operating profit totalled SEK 236 m (208). The operating margin was 4.4% (4.0%). The earnings improvement is partly attributable to the repayment of Fora insurance premiums. During the quarter four new stores opened and two re-opened following modernization.

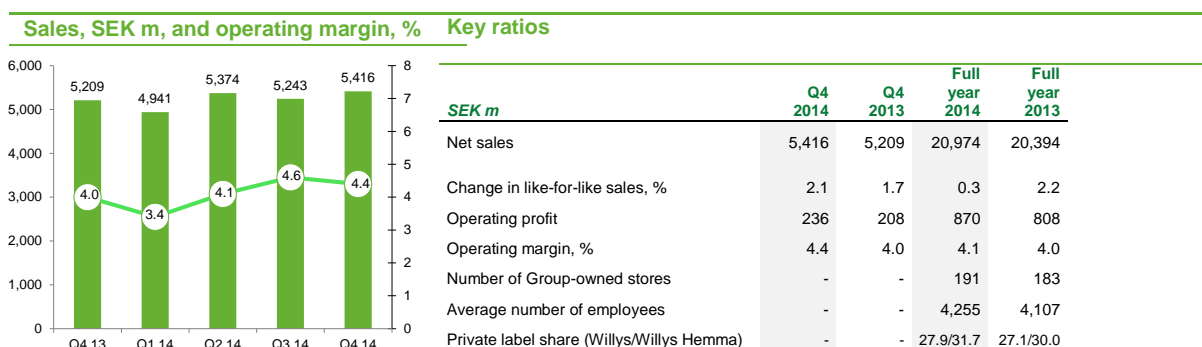
The private label share as of December was 27.9% (27.1%) for Willys and 31.7% (30.0%) for Willys Hemma.

The focus going forward is on further growing sales with more compelling customer offerings, among other things through further development of the Willys+ digital customer programme. Willys will also maintain an ambitious pace of establishment.

#### Full year

Willys' sales during the period January–December amounted to SEK 20,974 m (20,394), an increase of 2.8% compared with a year ago. Like-for-like sales increased by 0.3%. Operating profit totalled SEK 870 m (808), and the operating margin was 4.1% (4.0%).

Three new Willys stores and five Willys Hemma stores opened during the year. At year-end the Willys chain comprised 139 Willys stores and 52 Willys Hemma stores.



### Hemköp

#### Fourth quarter

Like-for-like sales performance remained very favourable, with good profitability. Investments in modernizing stores with an attractive product selection and stronger customer offerings, combined with improved store operations, contributed to the positive performance. Total sales were affected by a fewer number of stores compared with a year ago. Sales increased by 1.1%, with sales for Group-owned stores totalling SEK 1,433 m (1,419), an increase of 1.0%. Like-for-like sales for Group-owned stores rose 3.7% during

the period. Sales for franchise stores amounted to SEK 1,557 m (1,498), an increase of 3.9%, while like-for-like sales for franchise stores rose 4.0% (see table on page 3). Hemköp's private label share was 20.3% (19.3%) as of December.

Operating profit for the fourth quarter totalled SEK 55 m (35). The operating margin for the period was 3.8% (2.4%).

## Full year

Like-for-like sales for Group-owned stores increased by 2.3% during the year.

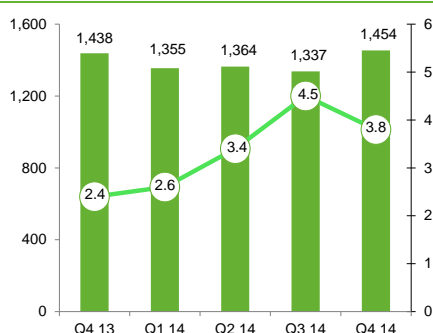
Sales for Hemköp's stores – Group-owned and franchises – decreased by 0.3% during the period January–December. Sales for Group-owned stores amounted to SEK 5,426 m (5,500), a decrease of 1.3%.

Sales for franchise stores amounted to SEK 6,017 m (5,974), an increase of 0.7%, with a 3.1% rise in like-for-like sales.

Operating profit for the period January–December totalled SEK 197 m (151). The operating margin for the period was 3.6% (2.7%).

During the year two stores were established and one was acquired. Three stores were closed or sold, and one was converted to Willys. In addition, three franchise stores opened and three closed during the period. Hemköp had 179 stores at year-end, of which 68 were Group-owned.

### Sales, SEK m, and operating margin, %



### Key ratios

SEK m	Q4 2014	Q4 2013	Full year 2014	Full year 2013
Net sales	1,454	1,438	5,510	5,578
Change in like-for-like sales, %	3.7	0.7	2.3	0.9
Operating profit	55	35	197	151
Operating margin, %	3.8	2.4	3.6	2.7
Number of Group-owned stores	-	-	68	69
Average number of employees	-	-	1,683	1,675
Private label share	-	-	20.3	19.3

## AXFOOD WHOLESALING

### Dagab

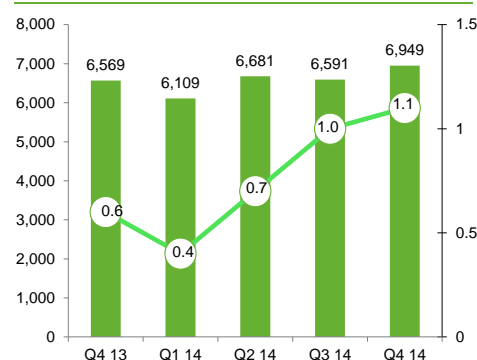
#### Fourth quarter

Dagab continued to improve its efficiency and delivered considerably improved earnings. Both delivery reliability and productivity improved in pace with completion of the intensive and resource-intensive implementation of the business system. Operating profit totalled SEK 73 m (41), and the operating margin was 1.1% (0.6%). Sales amounted to SEK 6,949 m (6,569).

#### Full year

Dagab's sales during the period January–December amounted to SEK 26,330 m (25,509). Operating profit for the period totalled SEK 208 m (114), and the operating margin was 0.8% (0.4%).

### Sales, SEK m, and operating margin, %



### Key ratios

SEK m	Q4 2014	Q4 2013	Full year 2014	Full year 2013
Net sales	6,949	6,569	26,330	25,509
Distributed sales	4,836	4,639	18,248	17,817
Operating profit	73	41	208	114
Operating margin, %	1.1	0.6	0.8	0.4
Average number of employees	-	-	1,135	1,089
Delivery reliability <sup>1</sup>	97.2	-	95.9	-

1) Delivery reliability could not be measured during the second to fourth quarters of 2013 due to implementation of the new business system.

## Axfood Närlivs

### Fourth quarter

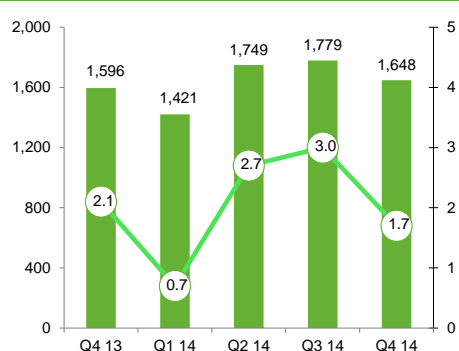
Axfood Närlivs delivered good sales and stable earnings despite structural costs associated with centralization of the sales offices. Growth was very favourable particularly for Axfood Snabbgross as a result of improved offerings and more customers. Sales during the fourth quarter amounted to SEK 1,648 m (1,596), an increase of 3.3%.

Operating profit for the fourth quarter totalled SEK 28 m (34), and the operating margin was 1.7% (2.1%).

### Full year

Axfood Närlivs' sales during the period January–December amounted to SEK 6,597 m (6,489), an increase of 1.7%. Operating profit for the period totalled SEK 139 m (140), and the operating margin was 2.1% (2.2%).

Sales, SEK m, and operating margin, %



Key ratios

SEK m	Q4 2014	Q4 2013	Full year 2014	Full year 2013
Net sales	1,648	1,596	6,597	6,489
Distributed sales	1,547	1,492	6,183	6,049
Operating profit	28	34	139	140
Operating margin, %	1.7	2.1	2.1	2.2
Axfood Snabbgross, no. stores	-	-	20	20
Average number of employees	-	-	858	869
Delivery reliability, %	98.3	97.5	97.4	97.6

## SUSTAINABLE DEVELOPMENT

One of Axfood's strategic objectives is to be an active driver of sustainable development and thereby be best in the industry for the benefit of society. Sustainability work strengthens Axfood's business and contributes to long-term development of the operations. 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 material flows. All of these areas have major bearing on Axfood's business and have large potential for improvement.

During the year a number of important decisions were made regarding sustainable business. Among other things, a goal was set to sell only fish assigned a green light by WWF by 2020. Hemköp, which stopped selling eggs from caged hens in 2008, also made the decision to sell only organic bananas in its stores. During the autumn Willys also stopped selling eggs from caged hens entirely. Providing clearer source labelling of food ingredients is another important area in which efforts have been made to guide consumers. Axfood has set a goal that its private label products will include information about the main ingredients' country of origin by 2015 at the latest. This goal was already achieved in 2014 for a large number of products. For products containing meat, the goal has already been fully achieved.

One overall goal is to reduce the climate impact of Axfood's operations by 75% during the period 2009–2020. An area of importance going forward involves work on improving energy efficiency and changing over to refrigerants that do not have any adverse climate impact. As a step in reducing energy consumption, a system for detailed measurement and control of electricity consumption has been installed in Axfood's Group-owned stores and warehouses. In addition, Dagab has installed one of Sweden's largest solar panel systems, which helps power the refrigeration system at the company's freezer warehouse in Gothenburg.



Dagab and Axfood Närlivs are working continuously to minimize their environmental impact. These measures include maximizing load capacity in delivery vehicles and the use of so-called eco-driving techniques to reduce fuel consumption. To further lower emissions from Dagab's and Axfood Närlivs' transports, Evolution Diesel is used, which is based in part on pine oil and produces lower CO<sub>2</sub> emissions than standard diesel. In 2015 Dagab will take over distribution of beverages to the Group's stores, which will lower the overall environmental impact by coordinating beverage deliveries with other product deliveries.

Another important goal is to increase recycling, where most waste is either recycled for use as raw material by the recycling industry or is converted to energy.

In autumn 2013 an ambitious diversity goal was also set, with the vision that the Group's employees will reflect the diversity of the Group's customers. Axfood is a firm believer that diversity increases business benefit.

A more detailed description of Axfood's environmental work can be found at [axfood.se](http://axfood.se) and in Axfood's Sustainability Report for 2014, which will be published on 23 February. See the table on page 15 for follow-up data on electricity consumption and transport emissions.

## COMBINATION OF OPERATIONS IN 2015

During 2014 steps were taken to coordinate Axfood's logistics functions. Axfood Närlivs' transport and inventory functions have been transferred to Dagab. Effective 1 January 2015, Axfood's logistics operation – Dagab, including Axfood's Assortment & Purchasing function – reports as a separate segment in Axfood Sverige. This means that sales in Axfood's total wholesaling operation are reported in Axfood Sverige. The Assortment & Purchasing function was previously reported under "Other". In connection with this change, the segment "Other" has been renamed to "Joint-Group", which includes joint-Group functions, such as the Executive Committee, HR and IT.

Pro forma data for sales and operating profit per segment in 2014 are provided in the tables below.

### Sales 2014, pro forma

	Q1	Adjustment	Q1 pro forma
Axfood Närlivs	1,421	-876	545
Dagab	6,109	-6,109	-
Axfood Sverige	-	8,077	8,077
Joint-Group	1,263	-1,092	171
<i>Internal sales</i>			
Dagab	-4,926	4,926	-
Axfood Sverige	-	-5,981	-5,981
Axfood Närlivs	-1	-	-1
Joint-Group	-1,216	1,055	-161

### Sales 2014, pro forma

	Q2	Adjustment	Q2 pro forma	Six months	Adjustment	Six months pro forma
Axfood Närlivs	1,749	-1,081	668	3,170	-1,957	1,213
Dagab	6,681	-6,681	-	12,790	-12,790	-
Axfood Sverige	-	8,948	8,948	-	17,025	17,025
Joint-Group	1,355	-1,186	169	2,618	-2,278	340
<i>Internal sales</i>						
Dagab	-5,399	5,399	-	-10,325	10,325	-
Axfood Sverige	-	-6,560	-6,560	-	-12,541	-12,541
Axfood Närlivs	0	-	0	-1	-	-1
Joint-Group	-1,320	1,161	-159	-2,536	2,216	-320



## Sales 2014, pro forma

	Q3	Adjustment	Q3 pro forma	Nine months	Adjustment	Nine months pro forma
Axfood Närlivs	1,779	-1,102	677	4,949	-3,059	1,890
Dagab	6,591	-6,591	-	19,381	-19,381	-
Axfood Sverige	-	8,829	8,829	-	25,854	25,854
Joint-Group	1,301	-1,136	165	3,919	-3,414	505
Internal sales						
Dagab	-5,260	5,260	-	-15,585	15,585	-
Axfood Sverige	-	-6,336	-6,336	-	-18,877	-18,877
Axfood Närlivs	-1	-	-1	-2	-	-2
Joint-Group	-1,234	1,076	-158	-3,770	3,292	-478

## Sales 2014, pro forma

	Q4	Adjustment	Q4 pro forma	Full year	Adjustment	Full year pro forma
Axfood Närlivs	1,648	-1,016	632	6,597	-4,075	2,522
Dagab	6,949	-6,949	-	26,330	-26,330	-
Axfood Sverige	-	9,097	9,097	-	34,951	34,951
Joint-Group	1,306	-1,132	174	5,225	-4,546	679
Internal sales						
Dagab	-5,538	5,538	-	-21,123	21,123	-
Axfood Sverige	-	-6,632	-6,632	-	-25,509	-25,509
Axfood Närlivs	-1	-	-1	-3	-	-3
Joint-Group	-1,256	1,094	-162	-5,026	4,386	-640

## Operating profit 2014, pro forma

	Q1	Adjustment	Q1 pro forma
Axfood Närlivs	10	-3	7
Dagab	22	-22	-
Axfood Sverige	-	72	72
Joint-Group	9	-47	-38

## Operating profit 2014, pro forma

	Q2	Adjustment	Q2 pro forma	Six months	Adjustment	Six months pro forma
Axfood Närlivs	47	-5	42	57	-8	49
Dagab	48	-48	-	70	-70	-
Axfood Sverige	-	98	98	-	170	170
Joint-Group	13	-45	-32	22	-92	-70

## Operating profit 2014, pro forma

	Q3	Adjustment	Q3 pro forma	Nine months	Adjustment	Nine months pro forma
Axfood Närlivs	54	10	64	111	2	113
Dagab	65	-65	-	135	-135	-
Axfood Sverige	-	105	105	-	275	275
Joint-Group	31	-50	-19	53	-142	-89

## Operating profit 2014, pro forma

	Q4	Adjustment	Q4 pro forma	Full year	Adjustment	Full year pro forma
Axfood Närlivs	28	-3	25	139	-1	138
Dagab	73	-73	-	208	-208	-
Axfood Sverige	-	128	128	-	403	403
Joint-Group	-20	-52	-72	33	-194	-161

## DISCLOSURES ABOUT FINANCIAL ASSETS AND LIABILITIES

The tables below provide disclosures about 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 the following three levels:

Level 1: according to prices in an active market for the same instruments. 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, among other things, 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.

Group, 31/12/2014	Financial assets and liabilities			
SEK m	Carrying amount	Fair value	Non-financial assets and liabilities	Total, statement of financial position
Financial assets	51	51	29	80
Accounts receivable – trade	859	859	-	859
Other current assets	6	6	1,054	1,060
Cash and bank balances	1,109	1,109	-	1,109
<b>Total assets</b>	<b>2,025</b>	<b>2,025</b>	<b>1,083</b>	<b>3,108</b>
Non-current interest-bearing liabilities	40	40	448	488
Current interest-bearing liabilities	97	97	-	97
Accounts payable – trade	2,558	2,558	-	2,558
<b>Total liabilities</b>	<b>2,695</b>	<b>2,695</b>	<b>448</b>	<b>3,143</b>

Parent Company, 31/12/2014	Financial assets and liabilities			
SEK m	Carrying amount	Fair value	Non-financial assets and liabilities	Carrying amount
Financial assets	6	9	-	6
Receivable from Group companies	828	828	1,581	2,409
<b>Total assets</b>	<b>760</b>	<b>760</b>	<b>-</b>	<b>760</b>
Current interest-bearing liabilities	<b>1,594</b>	<b>1,597</b>	<b>1,581</b>	<b>3,175</b>
Accounts payable – trade	12	12	-	12
Liabilities to Group companies	1,185	1,185	33	1,218
<b>Total liabilities</b>	<b>1,197</b>	<b>1,197</b>	<b>33</b>	<b>1,230</b>

### Disclosures about fair value of financial instruments

The carrying amount of interest-bearing assets and liabilities in the statement of financial position can deviate from their fair value due to changes in market interest rates, among other things. To establish the fair value of financial assets and liabilities, 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). 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 on the balance sheet date (the effective interest method – level 2). For current financial assets and liabilities with variable interest rates, 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 is a reasonable approximation of fair value.

Axfood uses the market interest rate in effect on the accounting date plus a relevant interest rate spread to discount financial instruments. The interest rate used for interest-bearing liabilities as per 31 December 2014 was 0.40%.

## SIGNIFICANT RISKS AND UNCERTAINTIES

In the course of their business the Axfood Group and Parent Company are 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 of a total loss, such as from a fire at one of the central warehouses in Stockholm, Gothenburg or Örebro. 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 2013 Annual Report, and after 23 February 2015 to the 2014 Annual Report.

## SEASONAL EFFECTS

Axfood has no significant seasonal variations.

## PARENT COMPANY

Other operating revenue for the Parent Company during the period January–December amounted to SEK 177 m (164). After selling and administrative expenses, totalling SEK 320 m (270), and net financial items totalling SEK 15 m (3), profit after financial items was SEK -128 m (-103). Capital expenditures during the period totalled SEK 17 m (29).

The Parent Company had an interest-bearing net debt receivable of SEK 377 m at year-end, compared with interest-bearing net debt of SEK 306 m as per December 2013. 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 report has been prepared for the Group in accordance with IAS 34 Interim Financial Reporting and applicable provisions of the Swedish Annual Accounts Act. For the Parent Company, the year-end report has been prepared in accordance with recommendation RFR 2 – Reporting for Legal Entities, issued by the Swedish Financial Reporting Board (RFR), and Ch. 9 – Interim Financial Reporting, of the Swedish Annual Accounts Act. 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.

### New accounting policies 2014

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 subjected to 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 elimination of proportionate consolidation for joint ventures. The amended IAS 28 Investments in Associates and Joint Ventures, which is an effect of IFRS 11, is applied. IFRS 12 Disclosure of Interests in Other Entities requires a number 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". Axfood's 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. The Group adheres to IFRIC 21 – Levies, which provides guidance on when to recognize a liability for a levy imposed by a

government for an obligating event. IFRIC 21 has a very small effect on the Axfood Group's financial statement.

### **New accounting policies in 2015 and later**

A number of new or amended IFRSs and interpretations take effect in 2015 and later, and have not been prospectively applied in the preparation of this year-end report. New IFRSs and interpretations or amendments that will be applicable starting in financial years after 2015 and later are not planned to be applied prospectively. To the extent that anticipated effects on the financial statements of the application of the new or amended IFRSs and interpretations are not described above, Axfood has determined that they will not have any material effect on the consolidated accounting.

### **FORECAST**

Axfood's goal for 2015 is to exceed the level of profit achieved in 2014.

### **NEXT REPORT**

The interim report for the period January–March 2015 will be presented on 22 April 2015.

### **ANNUAL GENERAL MEETING**

The Annual General Meeting will be held at 5 p.m. on 18 March 2015 at Cirkus, in Stockholm. The 2014 Annual Report will be published on 23 February 2015 on Axfood's website, at which time it will be available at Axfood's head offices in Stockholm. 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.

Stockholm, 10 February 2015

Anders Strålman

*President and CEO*

### **PRESS RELEASES DURING THE FOURTH QUARTER**

19/12/2014 Annica Elmehagen Lundquist new Head of Corporate Communications at Axfood

2/12/2014 Axfood Närlivs and EMAB extend cooperation

13/11/2014 Axfood starts programme to help youths into job market

13/11/2014 Axfood to take over beverage distribution

21/10/2014 Axfood and Statoil sign Declaration of Intent on expansion of existing cooperation

## FINANCIAL STATEMENTS, GROUP

## Condensed statement of profit or loss and other comprehensive income, Group

SEK m	Q4 2014	Q4 2013	Full year 2014	Full year 2013
Net sales	9,978	9,550	38,484	37,522
Cost of goods sold	-8,581	-8,239	-33,164	-32,392
Gross profit	1,397	1,311	5,320	5,130
Selling/administrative expenses, etc.	-1,025	-971	-3,873	-3,828
Operating profit	372	340	1,447	1,302
Net financial items	-2	-3	-17	-24
Profit before tax	370	337	1,430	1,278
Tax	-93	-80	-326	-285
<b>Profit for the period</b>	<b>277</b>	<b>257</b>	<b>1,104</b>	<b>993</b>
<b>Other comprehensive income</b>				
<i>Items that cannot be reclassified to profit or loss for the period</i>				
Revaluation of defined benefit pension plans	-35	27	-64	18
Tax attributable to items that cannot be reclassified to profit or loss for the period	8	-6	14	-4
<i>Items that have been reclassified or can be reclassified to profit or loss for the period</i>				
Translation differences in calculation of foreign operations	1	0	1	0
Change in fair value of forward exchange contracts	1	-1	3	-1
Tax attributable to items that have been reclassified or can be reclassified to profit or loss for the period	-1	0	-1	0
<b>Other comprehensive income for the period</b>	<b>-26</b>	<b>20</b>	<b>-47</b>	<b>13</b>
<b>Total comprehensive income for the period</b>	<b>251</b>	<b>277</b>	<b>1,057</b>	<b>1,006</b>
Operating profit includes depreciation/amortization of	176	171	693	667
Earnings per share, SEK	5.23	4.79	20.88	18.80
Profit for the period attributable to				
Owners of the parent	274	254	1,095	987
Non-controlling interests	3	3	9	6
Total comprehensive income for the period attributable to				
Owners of the parent	248	274	1,048	1,000
Non-controlling interests	3	3	9	6

**Condensed statement of financial position, Group**

<i>SEK m</i>	31/12/2014	31/12/2013
<b>Assets</b>		
Goodwill	1,819	1,800
Other intangible non-current assets	717	845
Financial assets	80	60
Property, plant and equipment	1,894	1,916
Deferred tax assets	54	36
<b>Total non-current assets</b>	<b>4,564</b>	<b>4,657</b>
Inventories	2,100	1,906
Accounts receivable – trade	859	909
Other current assets	1,060	1,000
Cash and bank balances	1,109	457
<b>Total current assets</b>	<b>5,128</b>	<b>4,272</b>
<b>Total assets</b>	<b>9,692</b>	<b>8,929</b>
<b>Shareholders' equity and liabilities</b>		
Equity attributable to owners of the parent	4,029	3,768
Equity attributable to non-controlling interests	36	34
<b>Total shareholders' equity</b>	<b>4,065</b>	<b>3,802</b>
Non-current interest-bearing liabilities	488	471
Noninterest-bearing non-current liabilities	503	403
<b>Total non-current liabilities</b>	<b>991</b>	<b>874</b>
Current interest-bearing liabilities	97	64
Accounts payable – trade	2,558	2,225
Other current noninterest-bearing liabilities	1,981	1,964
<b>Total current liabilities</b>	<b>4,636</b>	<b>4,253</b>
<b>Total shareholders' equity and liabilities</b>	<b>9,692</b>	<b>8,929</b>
<b>Pledged assets</b>	<b>32</b>	<b>32</b>
<b>Contingent liabilities</b>	<b>22</b>	<b>27</b>

**Condensed statement of cash flows, Group**

<i>SEK m</i>	Full year 2014	Full year 2013
<b>Operating activities</b>		
Cash flow from operating activities before changes in working capital, before paid tax	2,150	1,907
Paid tax	-217	-235
Changes in working capital	96	-76
<i>Cash flow from operating activities</i>	<i>2,029</i>	<i>1,596</i>
<b>Investing activities</b>		
Acquisitions of operations, net	-17	-19
Acquisitions of non-current assets, net	-543	-690
Change in financial non-current assets, net	-22	-9
<i>Cash flow from investing activities</i>	<i>-582</i>	<i>-718</i>
<b>Financing activities</b>		
Change in interest-bearing liabilities	-1	-312
Dividend payout	-794	-630
<i>Cash flow from financing activities</i>	<i>-795</i>	<i>-942</i>
<b>Cash flow for the period</b>	<b>652</b>	<b>-64</b>

**Condensed statement of changes in equity, Group**

SEK m	31/12/2014	31/12/2013
Amount at start of year	3,802	3,426
Total comprehensive income for the period	1,057	1,006
Dividend to shareholders	-794	-630
<b>Amount at end of period</b>	<b>4,065</b>	<b>3,802</b>

**Key ratios and other data, Group**

	Full year 2014	Full year 2013
Operating margin, %	3.8	3.5
Margin after financial items, %	3.7	3.4
Equity ratio, %	41.9	42.6
Net debt-equity ratio (+)/Net debt receivable ratio (-), multiple	-0.1	0.0
Debt-equity ratio, multiple	0.1	0.1
Interest coverage, multiple	60.6	43.6
Capital employed, SEK m	4,650	4,337
Return on capital employed, %	32.4	30.3
Return on shareholders' equity, %	28.1	27.5
Capital expenditures, SEK m	643	806
Earnings per share, SEK <sup>1</sup>	20.88	18.80
Dividend per share, SEK	17.00 <sup>5</sup>	15.00
Shareholders' equity per share, SEK <sup>1, 2</sup>	76.79	71.82
Cash flow per share, SEK <sup>1</sup>	12.4	-1.2
Number of shares outstanding <sup>1</sup>	52,467,678	52,467,678
Average number of employees	8,481	8,285
Work attendance rate, %	94.6	94.8
CO <sub>2</sub> , kg/tonne goods <sup>3</sup>	20.0	21.9
Electricity consumption, kWh/m <sup>2</sup> (stores and warehouses) <sup>4</sup>	368.7	371.0

**Quarterly overview**

	Q1 13	Q2 13	Q3 13	Q4 13	Q1 14	Q2 14	Q3 14	Q4 14
Sales	8,950	9,557	9,465	9,550	8,946	9,804	9,756	9,978
Operating profit	254	326	382	340	246	376	453	372
Operating margin, %	2.8	3.4	4.0	3.6	2.7	3.8	4.6	3.7
Earnings per share, SEK <sup>1</sup>	3.69	4.74	5.58	4.79	3.57	5.45	6.63	5.23
Shareholders' equity per share, SEK <sup>1</sup>	56.45	61.10	66.59	71.82	60.32	65.58	72.06	76.79
Return on shareholders' equity, %	31.8	30.2	28.4	27.5	29.2	30.6	29.6	28.1
Cash flow from operating activities per share, SEK	9.7	6.1	5.4	9.2	7.9	5.8	10.8	14.1
Capital expenditures	210	188	153	255	163	140	171	169

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) Net asset value per share corresponds to shareholders' equity per share.

3) Moving 12-month figures. Pertains to the total volume for Dagab's and Axfood Närlivs' transports from warehouses to stores with own delivery vehicles.

4) Moving 12-month figures. Pertains to wholly owned stores and warehouses.

5) Proposed by the Board of Directors.



## FINANCIAL STATEMENTS, PARENT COMPANY

## Condensed income statement, Parent Company

SEK m	Q4 2014	Q4 2013	Full year 2014	Full year 2013
Net sales	-	-	-	-
Selling/administrative expenses, etc.	-43	-26	-143	-106
<i>Operating profit</i>	-43	-26	-143	-106
Other net financial items	2	3	15	3
<i>Profit after financial items</i>	-41	-23	-128	-103
Appropriations, net	1,189	1,010	1,189	1,010
<i>Profit before tax</i>	1,148	987	1,061	907
Tax	-255	-219	-235	-201
<b>Net profit for the period</b>	<b>893</b>	<b>768</b>	<b>826</b>	<b>706</b>
Operating profit includes depreciation/amortization totalling	3	1	10	1

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

## Condensed balance sheet, Parent Company

SEK m	31/12/2014	31/12/2013
<b>Assets</b>		
Property, plant and equipment	38	32
Participations in Group companies	3,136	3,606
Other financial non-current assets	6	6
Deferred tax assets	5	6
<b>Total non-current assets</b>	<b>3,185</b>	<b>3,650</b>
Receivables from Group companies <sup>1</sup>	2,409	2,203
Other current assets	12	21
Cash and bank balances	760	114
<b>Total current assets</b>	<b>3,181</b>	<b>2,338</b>
<b>Total assets</b>	<b>6,366</b>	<b>5,988</b>
<b>Shareholders' equity and liabilities</b>		
Restricted shareholders' equity	287	287
Unrestricted shareholders' equity	3,507	3,468
<b>Total shareholders' equity</b>	<b>3,794</b>	<b>3,755</b>
<b>Untaxed reserves</b>	<b>1,226</b>	<b>867</b>
Non-current interest-bearing liabilities	22	25
Noninterest-bearing non-current liabilities	1	2
<b>Total non-current liabilities</b>	<b>23</b>	<b>27</b>
Liabilities to Group companies <sup>2</sup>	1,218	1,285
Accounts payable – trade	12	26
Other current noninterest-bearing liabilities	93	28
<b>Total current liabilities</b>	<b>1,323</b>	<b>1,339</b>
<b>Total shareholders' equity and liabilities</b>	<b>6,366</b>	<b>5,988</b>
<b>Pledged assets</b>	<b>-</b>	<b>-</b>
<b>Contingent liabilities</b>	<b>312</b>	<b>329</b>
1) Of which, interest-bearing receivables	824	877
2) Of which, interest-bearing liabilities	1,185	1,272

## FINANCIAL DEFINITIONS

**Average number of employees:** Total number of hours worked divided by the number of annual full-time equivalents (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:** Interest-bearing liabilities and provisions less cash and cash equivalents plus interest-bearing receivables.

**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.

**Evolution Diesel:** A type of biodiesel 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 comparable years.



Axfood AB, SE-107 69 Stockholm  
Visitors' address:  
Norra Stationsgatan 80 C  
Tel. +46-8-553 990 00  
info@axfood.se, axfood.se  
reg. no. 556542-0824

## ABOUT AXFOOD

Axfood conducts food retail and wholesale business in Sweden. Retail business is conducted through the wholly owned grocery chains Willys and Hemköp. The number of Group-owned stores is 259. 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