



Year-End Report Axfood AB (publ)

FOURTH QUARTER SUMMARY

- Axfood's consolidated sales for the period October–December totalled SEK 10,791 m (9,978), an increase of 8.1%.
- Retail sales for Group-owned stores increased by 7.6% during the period. Like-for-like sales increased by 5.5% during the period.
- Operating profit for the period was SEK 448 m (372).
- Profit after financial items for the period was SEK 441 m (370).
- Profit after tax was SEK 341 m (277) for the period, and earnings per share were SEK 1.63 (1.31).
- The Board of Directors proposes an ordinary dividend of SEK 5.00 per share (4.25) and an extra dividend of SEK 4.00 per share.
- Axfood expects operating profit for 2016 to exceed the outcome for 2015.

NO SIGNIFICANT EVENTS HAVE TAKEN PLACE AFTER THE BALANCE SHEET DATE

Key ratios

SEK m	Q4 2015	Q4 2014	Change	Full year 2015	Full year 2014	Change
Net sales	10,791	9,978	8.1%	41,247	38,484	7.2%
Operating profit	448	372	20.4%	1,760	1,447	21.6%
Operating margin, %	4.2	3.7	0.5	4.3	3.8	0.5
Profit after financial items	441	370	19.2%	1,749	1,430	22.3%
Profit after tax	341	277	23.1%	1,361	1,104	23.3%
Earnings per share, SEK ^{1, 4}	1.63	1.31	24.4%	6.48	5.22	24.1%
Cash flow per share, SEK ⁴	2.4	2.8	-14.3%	3.9	3.1	25.8%
Cash flow from operating activities per share, SEK ⁴	3.3	3.5	-5.7%	11.9	9.7	22.7%
Return on capital employed, % ²	36.5	32.4	4.1	36.5	32.4	4.1
Return on shareholders' equity, % ²	31.8	28.1	3.7	31.8	28.1	3.7
Shareholders' equity per share, SEK ^{3, 4}	-	-	-	21.58	19.20	12.4%
Equity ratio, %	-	-	-	43.0	41.9	1.1

1) Before and after dilution.

2) Moving 12-month figures.

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

4) During the second quarter Axfood carried out a 4:1 stock split. The number of shares after the split is 209,870,712. The comparison figures have been adjusted.

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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 5 February 2016.

CEO'S COMMENTS

Superb sales growth gave higher market shares and good profitability

Axfood had excellent sales growth in 2015. All companies contributed to the positive development. During the fourth quarter – which included the important Christmas holiday trade – all companies posted greater sales.

During the year we reached new customers, in part by establishing eight new stores and in part by drawing more customers to our existing stores. Today we have approximately 2.6 million customers in our loyalty programmes and can now target relevant offers to them to a greater extent.

We steadily grew more than the market during the year and thereby gained market shares. Through this strengthening of sales we were able to post an operating profit of SEK 1,760 m. We thus reached our long-term profitability target of a 4% operating margin.

The Board of Directors proposes an ordinary dividend of SEK 5 per share. To make a one-time adjustment of the capital structure, the Board also proposes an extra dividend of SEK 4 per share.

All companies contributed the sales growth

Willys had favourable sales performance in 2015, both overall and especially on a like-for-like basis. The average spend and the number of customers continued to rise.

Hemköp continued to grow its sales both in wholly owned and franchise stores. Through modernization, well run stores and attractive customer offerings, more customers have migrated to Hemköp.

Axfood Snabbgross, in the Axfood Närlivs business area, reported outstanding sales during the year thanks to higher demand from café and restaurant customers.

Dagab's sales were affected mainly by demand from the Group's stores. In addition, its strong earnings can be credited to greater efficiency in the logistics operations and favourable development for private label products.

It is out in the stores where customers make their choices and drive sales, but all of Axfood's supporting units play an important role in the value chain and contributed to the year's success.

Axfood going forward – continued profitable growth

Based on the year's success we will now build further and continue to focus on profitable growth. We are maintaining our high pace of establishment and plan to open ten new stores in 2016 at the same time that we launch e-commerce to consumers in Stockholm and Gothenburg. When we now introduce e-commerce at Willys and Hemköp, of course we must make sure that the business is sustainably profitable. But as with all newly established stores, e-commerce will also need three to five years before we see profitability.

Our goal is to grow more than the market. With our growth ambitions we will consolidate our number two position in the market at the same time that we hold fast to our target of a 4% operating margin.

Market outlook

Indications point to a continuation of the Swedish economy's favourable development in 2016, driven by strong private consumption. With continued favourable growth and the right conditions in the labour market, we are happy to do our part to create more work opportunities that can be important entry jobs for many. We expect food inflation in 2016 to be in the range of 1%-2%.

Forecast

During 2016 we will continue to develop our companies and brands with great commitment at the same time that we take responsibility for the environment and sustainable development. We continue to focus on offering customers products that give them value for money and inspire passion for food. Capital expenditures are expected to total SEK 700-800 m in 2016.

Axfood expects operating profit for 2016 to exceed the outcome for 2015.

Anders Strålmán
President and CEO, Axfood AB

SALES, AXFOOD GROUP

Fourth quarter

Consolidated wholesale and retail sales for the Axfood Group totalled SEK 10,791 m (9,978) during the fourth quarter, an increase of 8.1%. Store sales for the Axfood Group (wholly owned stores and Hemköp franchises) totalled SEK 8,973 m (8,406), an increase of 6.7%. Sales for Group-owned retail operations increased by 7.6% during the fourth quarter, with a 5.5% rise in like-for-like sales. Attractive customer offerings - especially during the important Christmas holiday season - a greater number of customers and a higher average spend contributed to the favourable sales performance.

Axfood's private label share was 26.8% at year-end (25.9%).

Full year

Consolidated wholesale and retail sales for the Axfood Group totalled SEK 41,247 m (38,484) for the year, an increase of 7.2%. Store sales for the Axfood Group (wholly owned stores and Hemköp franchises) totalled SEK 34,325 m (32,417), an increase of 5.9%. Sales for Group-owned retail operations increased by 6.5% during the year, with a 4.5% rise in like-for-like sales.

SWEDISH RETAIL FOOD MARKET (EXCL. ALCOHOLIC BEVERAGES)

According to Statistics Sweden's retail trade index for December, accumulated sales for the food retail segment (excl. alcoholic beverages) grew 4.0% since the start of the year in current prices. In fixed prices, adjusted for price and calendar effects, volume increased by 1.6%.

Net sales per operating segment

SEK m	Q4 2015	Q4 2014	Full year 2015	Full year 2014
Willys	5,808	5,416	22,320	20,974
Hemköp	1,586	1,454	5,883	5,510
Axfood Närlivs	688	632	2,734	2,522
Dagab ²	10,389	9,097	39,756	34,951
Joint-Group ¹	173	174	672	679
<i>Internal sales</i>				
Dagab ²	-7,689	-6,632	-29,487	-25,509
Axfood Närlivs	-2	-1	-4	-3
Joint-Group	-162	-162	-627	-640
Total	10,791	9,978	41,247	38,484

¹ Includes head office support functions, such as the Executive Committee, Finance/Accounting, Communications, Business Development, HR and IT.

² During the third quarter Axfood Sverige changed its name to Dagab.

Store sales, Group-owned and franchise stores

SEK m	Q4 2015	% ¹	Like-for-like sales, % ¹	Full year 2015	% ¹	Like-for-like sales, % ¹
Willys	5,808	7.2	5.4	22,320	6.4	4.4
Hemköp, Group-owned	1,564	9.1	6.1	5,794	6.8	5.0
Hemköp franchises	1,601	2.8	5.0	6,211	3.2	4.0
Hemköp total	3,165	5.9	5.5	12,005	4.9	4.4
Group-owned retail operations	7,372	7.6	5.5	28,114	6.5	4.5
Axfood Group, total	8,973	6.7	5.4	34,325	5.9	4.4

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

Change in store structure, full year 2015

	Dec. 2014	New establishment	Acquisitions	Sales/closures	Conversions to/from	Dec. 2015
Willys ¹	191	5		-2		194
Hemköp	68	3	2	-5		68
Total, Group-owned	259	8	2	-7		262
Hemköp franchises	111		2	-2		111
¹ Of which, Willys Hemma	52			-2		50

EARNINGS, AXFOOD GROUP

Fourth quarter

Operating profit for the fourth quarter totalled SEK 448 m (372). The operating margin was 4.2% (3.7%). All companies showed strong earnings driven mainly by high sales growth. Dagab showed the largest change compared with the preceding year. Profit after financial items was SEK 441 m (370). Profit after tax was SEK 341 m (277).

Full year

Operating profit for the year totalled SEK 1,760 m (1,447). The operating margin was 4.3% (3.8%), entailing that the long-term profitability target of 4% was reached. Net financial items for the year totalled SEK -11 m (-17), and profit after financial items was SEK 1,749 m (1,430). Profit after tax was SEK 1,361 m (1,104).

Operating profit broken down by operating segment

SEK m	Q4 2015	Q4 2014	Full year 2015	Full year 2014
Willys	222	236	896	870
Hemköp	57	55	221	197
Axfood Närlivs	48	25	200	138
Dagab ¹	166	128	600	403
Joint-Group ²	-45	-72	-157	-161
Operating profit for the period, total³	448	372	1,760	1,447

¹⁾ During the third quarter Axfood Sverige changed its name to Dagab. ²⁾ Includes head office support functions, such as the Executive Committee, Finance/Accounting, Communications, Business Development, HR and IT. ³⁾ Net financial items are not distributed per operating segment. Axfood has no significant transactions with related parties other than transactions with subsidiaries.

CAPITAL EXPENDITURES

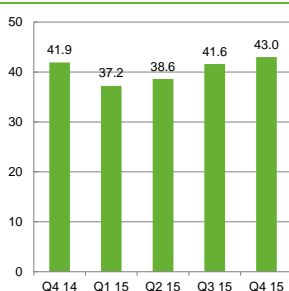
Total capital expenditures in 2015 amounted to SEK 764 m (643), of which SEK 44 m (22) pertained to acquisitions of businesses, while SEK 425 m (342) pertained to investments in non-current assets in retail operations, SEK 65 m (70) to investments in non-current assets in wholesale operations, and SEK 93 m (35) to IT development.

In February Axfood completed the acquisition of Hall Miba AB, acquiring the remaining 50%. Following the acquisition Axfood owns 100% of the company. The acquisition was made under the terms of the agreement signed between Axfood and the seller during the fourth quarter of 2011. Consideration for the remaining 50% of the company totalled SEK 35 m and was paid in cash during the first quarter. The amount had no earnings effect.

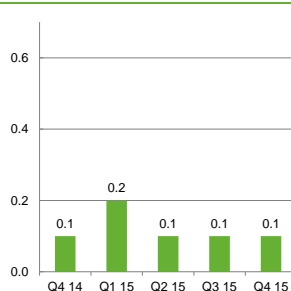
FINANCIAL POSITION

Cash flow from operating activities before paid tax was SEK 2,765 m (2,246) for the year. Paid tax amounted to SEK -270 m (-217). Cash and cash equivalents held by the Group amounted to SEK 1,933 m, compared with SEK 1,109 m in December 2014. Interest-bearing liabilities and provisions totalled SEK 504 m, compared with SEK 585 m in December 2014. The interest-bearing net debt receivable was SEK 1,449 m at year-end, compared with an interest-bearing net debt receivable of SEK 524 m in December 2014. Payout of the shareholder dividend affected cash flow by SEK -899 m (-794), and net capital expenditures affected cash flow by SEK -751 m (-582). The equity ratio was 43.0%, compared with 41.9% in December 2014.

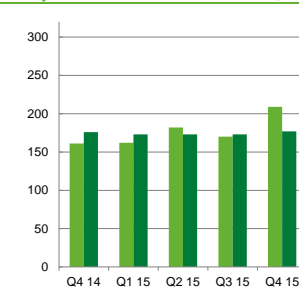
Equity ratio, %



Debt-equity ratio, multiple



Capital expenditures,* depreciation/amortization, SEK m



■ Capital expenditures* ■ Depreciation/amortization
* Excluding goodwill

EARNINGS PER OPERATING SEGMENT

Willys

Fourth quarter

Willys reported favourable sales growth and good profitability for the fourth quarter. Sales totalled SEK 5,808 m (5,416), an increase of 7.2% compared with the same period a year ago. Like-for-like sales rose 5.4%.

Operating profit totalled SEK 222 m (236). Profit for the comparison period was favourably affected by a repayment of Fora pension premiums. During the fourth quarter, new Willys stores were established in Landskrona and Helsingborg, while a fifth Willys store was established in Uppsala.

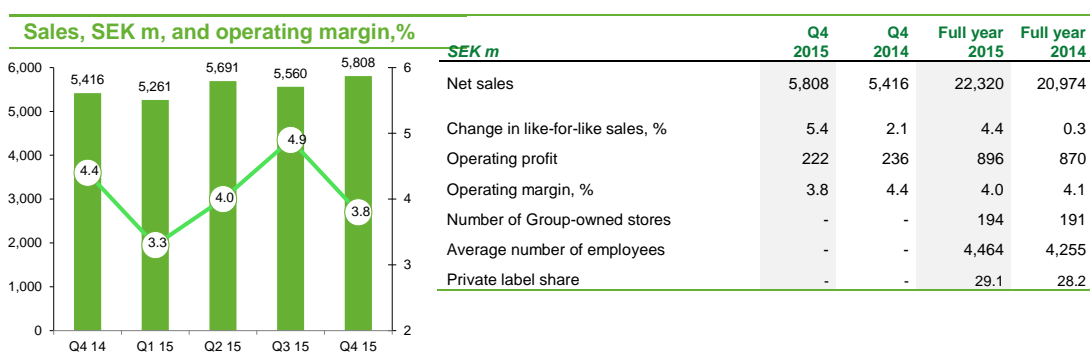
Willys' private label share was 29.1% (28.2%) at year-end.

Full year

Willys' sales in 2015 totalled SEK 22,320 m (20,974), an increase of 6.4% compared with the preceding year. Like-for-like sales rose 4.4%. During the year the number of customers enrolled in the Willys+ digital loyalty programme increased by more than 200,000 and totalled more than 1.8 million at year-end. Operating profit totalled SEK 896 m (870), and the operating margin was 4.0% (4.1%).

Five new Willys stores opened, and two Willys Hemma stores closed during the year. At year-end the Willys chain comprised 144 Willys stores and 50 Willys Hemma stores.

Focus for 2016 is to continue the ambitious pace of establishment and grow sales through strong customer offerings. In Stockholm and Gothenburg, Willys will also be offering e-commerce.



Hemköp

Fourth quarter

Hemköp's sales remained strong during the fourth quarter, both overall and on a like-for-like basis. Sales were driven both by a larger number of customers and a larger average spend. Sales for Group-owned stores totalled SEK 1,564 m (1,433), an increase of 9.1%. Like-for-like sales for Group-owned stores rose 6.1% during the quarter. Sales for franchise stores totalled SEK 1,601 m (1,557), an increase of 2.8%, while like-for-like sales for franchise stores rose 5.0%.

Operating profit for the fourth quarter totalled SEK 57 m (55), with an operating margin of 3.6% (3.8%). The slightly lower profit margin is mainly due to a positive impact of a repayment of Fora pension premiums during the comparison period. Two new Hemköp stores were established during the fourth quarter: in Skövde and in the Mall of Scandinavia outside Stockholm.

Hemköp's private label share was 21.4% (20.3%) as of December.

Full year

Sales for Group-owned stores totalled SEK 5,794 m (5,426), an increase of 6.8% that can be credited mainly to modernized, well run stores and attractive customer offerings. The number of customers in the digital customer programme at year-end amounted to 0.8 million. Like-for-like sales for Group-owned stores rose 5.0% during the year.

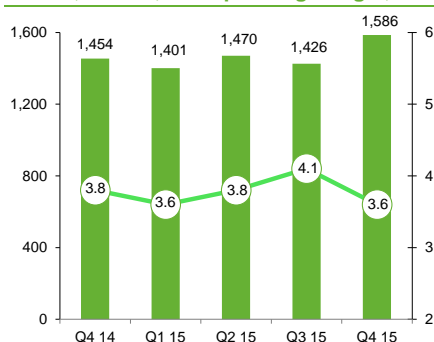
Sales for franchise stores totalled SEK 6,211 m (6,017) an increase of 3.2%, with a 4.0% rise in like-for-like sales.

Operating profit for 2015 totalled SEK 221 m (197), corresponding to an operating margin of 3.8% (3.6%).

Five Hemköp stores were established or acquired during the year, and five were closed or sold. The number of franchise stores did not change in 2015. At year-end Hemköp had 179 stores, of which 68 were Group-owned.

Focus in 2016 will be on modernizing more Hemköp stores, establishing new stores, continued development of the bonus customer programme, and the concept of proprietor-owned stores. Hemköp will also be offering e-commerce to customers in Stockholm and Gothenburg.

Sales, SEK m, and operating margin, %



SEK m	Q4 2015	Q4 2014	Full year 2015	Full year 2014
Net sales	1,586	1,454	5,883	5,510
Change in like-for-like sales, %	6.1	3.7	5.0	2.3
Operating profit	57	55	221	197
Operating margin, %	3.6	3.8	3.8	3.6
Number of Group-owned stores	-	-	68	68
Average number of employees	-	-	1,745	1,683
Private label share	-	-	21.4	20.3

Axfood Närlivs

Fourth quarter

Axfood Närlivs had continued good sales growth during the fourth quarter, with higher market shares. Sales for the quarter totalled SEK 688 m (632), an increase of 8.9%. The sales growth can be credited mainly to more café and restaurant customers and a larger average spend. Operating profit totalled SEK 48 m (25) for the quarter, and the operating margin was 7.0% (4.0%). The improved profitability is mainly attributable to the strong sales growth, stable costs, and a dissolution of SEK 11 m in provisions made in previous years for customer agreements. Profitability in wholesaling, the revenues of which are reported in Dagab, also made positive contribution through strong sales.

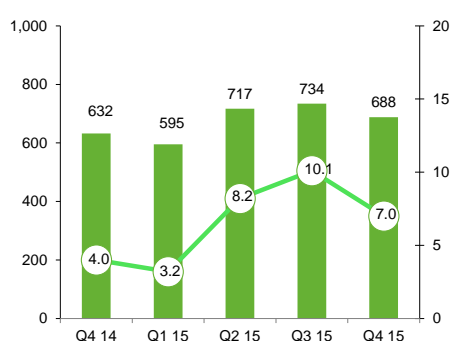
During the fourth quarter of 2015 a new Axfood Snabbgross unit was established in Stockholm.

Full year

Sales for Axfood Närlivs totalled SEK 2,734 m (2,522) in 2015, an increase of 8.4%. Operating profit for the year was SEK 200 m (138), corresponding to an operating margin of 7.3% (5.5%). The profit improvement can be credited primarily to strong growth, a changed customer mix and stable costs, but also by the dissolution of a provision of SEK 11 m during the fourth quarter.

Axfood Snabbgross grew by one store during the year, and additional stores are planned for establishment in 2016. The number of stores operating under the Tempo, Handlar'n and Direkten formats increased in 2015, with focus on further expansion in 2016.

Sales, SEK m, and operating margin, %



SEK m	Q4 2015	Q4 2014	Full year 2015	Full year 2014
Net sales	688	632	2,734	2,522
Operating profit	48	25	200	138
Operating margin, %	7.0	4.0	7.3	5.5
Axfood Snabbgross, no. stores	-	-	21	20
Average number of employees	-	-	451	434

Dagab

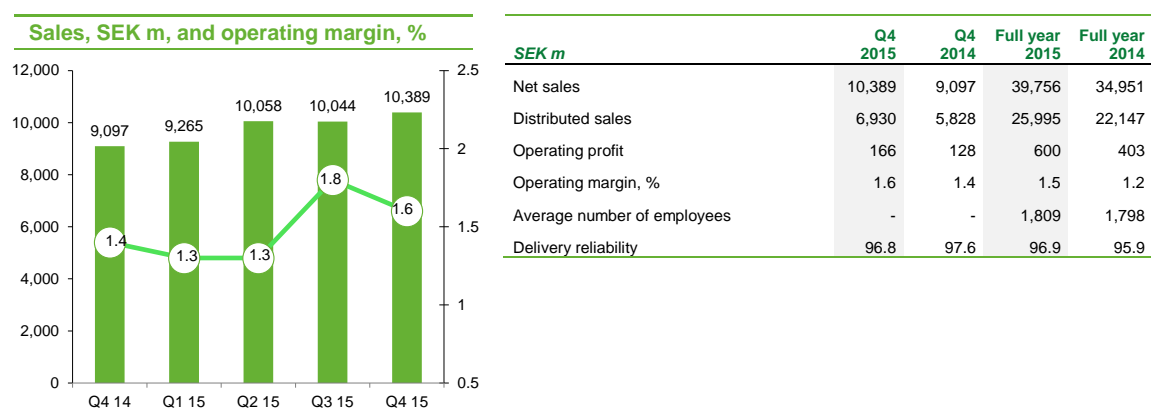
Fourth quarter

Dagab, which is reported as a new segment as from 2015, comprises Axfood's entire purchasing, inventory and transport operations. Sales remained very strong, driven by the favourable sales performance in the store chains. Sales totalled SEK 10,389 m (9,097), and increase of 14.2%. Operating profit totalled SEK 166 m (128), and the operating margin was 1.6% (1.4%). The increase is mainly attributable to volume growth and more efficient logistics.

Full year

Dagab's sales in 2015 totalled SEK 39,756 m (34,951), an increase of 13.7%. Operating profit for the year was SEK 600 m (403), corresponding to an operating margin of 1.5% (1.2%). Earnings improved mainly as a result of the favourable volume growth in the store chains as well as high volume of private label products and fruits & vegetables, and good cost control and greater efficiency in the logistics operations.

Delivery reliability for 2015 was one percentage point higher than in the preceding year.



SUSTAINABLE DEVELOPMENT

Sales of organic products

Sales of organic foods continued to rise in 2015. Sales of vegetarian products also grew significantly, albeit from low levels. During the year, sales of organic foods grew 43%, and organic products as a share of total sales amounted to 5.9% at year-end. Sales of vegetarian products increased by 24.8% in 2015. In response to consumer demand for organic and vegetarian products and limited availability in the market, in its private label assortment Axfood developed sixty organic products and launched a new vegetarian concept – “Hej Vego!” – during the year.

Country of origin labelling

One of Axfood’s sustainability goals is that all private label products will be labelled with information about the country of origin for the main ingredients by 2015 at the latest. We have not reached this target for all products. This is mainly due to the fact that labelling updates take place when new packaging is ordered, to the complexity of products with many ingredients of varying origins, and where the information would be misleading. For products containing meat, this goal was achieved already in 2014, and in 2015 the goal was essentially achieved for fish and charcuterie products. For frozen products and cheese, more than half of the assortment is now country of origin labelled.

100% certified soy

As part of the work on contributing to more sustainable production, Axfood purchases sustainability certificates. The goal is that all important risk crops will be certified. Since soy production is often associated with various environmental and social problems, including the threat to rain forests in South America, soy is such a risk crop. Starting in 2015 Axfood purchases soy certificates corresponding to 100% of the Group’s soy used. The money for the certificates goes to certified farms and thereby contributes to growth in sustainable soy production. On top of this, Axfood is working to ensure that suppliers increase the share of certified soy they use in their products.

Reduced climate impact

Axfood has a long-term goal to reduce the climate impact of its operations by 75% by 2020 (base year 2009). In 2015 the Group’s work with energy efficiency improvements led to a 10% decrease in electricity consumption per square metre.

To reduce fuel consumption and thus carbon emissions, Axfood is working to increase capacity utilization of delivery trucks as well as with eco-driving and route planning. Trucks are run on Evolution diesel, which is partly based on pine oil, and in 2015 Axfood test drove delivery trucks powered by HVO, a synthetic form of biodiesel fuel produced through hydrotreating of waste animal fats and vegetable oils. The plan is to switch over to HVO as much as possible. Compared with 2014, CO₂ emissions per tonne of goods for own transports from warehouses to stores decreased by 15.4%.

Food waste – unnecessary climate impact

For several years the Axfood Group has been working to reduce food waste. Within Axfood this work involves, among other things, improved ordering routines (Autoorder), flow control, price reductions and smart packaging for private label products. Through debate articles, seminars and information pamphlets Axfood is working to influence consumers to reduce their own food waste in the home.

For food at stores which despite all efforts is nearing its best-before date, many stores donate to non-profit organizations. In 2016 Axfood will more actively support its store chains in finding partners in the effort to deal with food waste.

Matmissionen – first social supermarket in the Nordic countries

In December the Nordic countries' first social supermarket opened in Stockholm, Matmissionen. Axfood established the store in partnership with Stockholms Stadsmission, a charity organization that owns and runs the store. Matmissionen is open to the general public, but financial disadvantaged people have the opportunity to pay a third of normal store prices. Matmissionen also offers the opportunity to people who have found themselves excluded from the labour market to obtain on the job training. All products sold in the store are donated by food retail companies and the food industry – products that for various reasons cannot be sold in ordinary stores. Through this measure, Matmissionen is helping to reduce food waste. The store's goal is to take care of more than 200 tonnes of left over food in 2016.

Developed work with social responsibility among suppliers

In 2015 Axfood introduced more stringent purchasing routines for private label products in risk countries in an effort to more strictly control selection of suppliers based on sustainability aspects. To assess how existing suppliers live up to Axfood's Code of Conduct and other standards, Axfood performs social audits of selected suppliers. In 2015 a total of 48 social audits were carried out (14), both under own management and through the Business Social Compliance Initiative (BSCI) organization.

Equal opportunity and diversity

Axfood's employees are to reflect the diversity of the Group's customers and society at large. More than 30 languages are spoken within Axfood, and 19% of employees come from an international background. Ensuring equal opportunity is an important part of diversity work. The goal is to achieve an even gender balance in management positions, i.e., that men and women will be represented within an interval of 40%–60%. Today this goal has been met at the mid-management level. The work attendance rate was 94.0% during the year.

In autumn 2015 Axfood signed a new, three-year framework agreement with Samhall for cleaning services. The agreement is one of Samhall's largest and entails that nearly 1,300 of the company's employees will work with Axfood's business operations. This will help reduce social exclusion and contribute to diversity in the labour market.

COMBINATION OF OPERATIONS IN 2015

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

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

During the third quarter, Axfood Sverige changed its name to Dagab.

Sales 2014, pro forma			
	Q1	Adjustment	Q1 pro forma
Axfood Närlivs	1,421	-876	545
Dagab	6,109	1,968	8,077
Joint-Group	1,263	-1,092	171
<i>Internal sales</i>			
Dagab	-4,926	-1,055	-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	2,267	8,948	12,790	4,235	17,025
Joint-Group	1,355	-1,186	169	2,618	-2,278	340
<i>Internal sales</i>						
Dagab	-5,399	-1,161	-6,560	-10,325	-2,216	-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	2,238	8,829	19,381	6,473	25,854
Joint-Group	1,301	-1,136	165	3,919	-3,414	505
<i>Internal sales</i>						
Dagab	-5,260	-1,076	-6,336	-15,585	-3,292	-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	2,148	9,097	26,330	8,621	34,951
Joint-Group	1,306	-1,132	174	5,225	-4,546	679
<i>Internal sales</i>						
Dagab	-5,538	-1,094	-6,632	-21,123	-4,386	-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	50	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	50	98	70	100	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	40	105	135	140	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	55	128	208	195	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 quoted 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, 31/12/2015	Financial assets and liabilities			
	Carrying amount	Fair value	Non-financial assets and liabilities	Total, statement of financial position
<i>SEK m</i>				
Financial assets	73	73	22	95
Accounts receivable – trade	852	852	-	852
Cash and bank balances	1,933	1,933	-	1,933
Total assets	2,858	2,858	22	2,880
Non-current interest-bearing liabilities	36	36	428	464
Current interest-bearing liabilities	40	40	-	40
Other current noninterest-bearing liabilities	5	5	2,116	2,121
Accounts payable – trade	2,782	2,782	-	2,782
Total liabilities	2,863	2,863	2,544	5,407

Parent Company, 31/12/2015	Financial assets and liabilities			
	Carrying amount	Fair value	Non-financial assets and liabilities	Total, statement of financial position
<i>SEK m</i>				
Financial assets	6	12	-	6
Receivable from Group companies	875	875	1,806	2,681
Cash and bank balances	1,489	1,489	-	1,489
Total assets	2,370	2,376	1,806	4,176
Accounts payable – trade	11	11	-	11
Liabilities to Group companies	1,628	1,628	20	1,648
Total liabilities	1,639	1,639	20	1,659

Disclosures about fair value of financial instruments

The carrying amount of interest-bearing assets and liabilities in the statement of financial position may 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 2015 was 0.25%.

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 2014 Annual Report, and after 22 February 2016, to the 2015 Annual Report.

SEASONAL EFFECTS

Axfood's sales are affected to some degree by seasonal variations. Sales increase in the quarter in which Easter falls, which is either the first or second quarter. Sales also increase ahead of Midsummer during the second quarter, as well as ahead of major holiday season during the fourth quarter.

PARENT COMPANY

Other operating revenue for the Parent Company during the period January–December amounted to SEK 205 m (177). After selling and administrative expenses, totalling SEK 292 m (320), and net financial items totalling SEK 3 m (15), profit after financial items was SEK -84 m (-128). Capital expenditures during the period totalled SEK 7 m (17).

The Parent Company had an interest-bearing net debt receivable of SEK 716 m at the end of the period, compared with SEK 377 m as per December 2014. 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 interim 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 interim 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 in 2015

Following is a description of changed accounting policies that the Group applies as from 1 January 2015. The Group applies since previously IFRIC 21 – Levies, which addresses the point in time at which an obligating event arises that requires recognition of a liability for a levy imposed by a government. IFRIC 21 has a very little effect on the Axfood Group's financial statements.

In addition to these changes are a number of other changes carried out in IFRS within the framework of the IASB's annual improvement project. None of these changes have had any effect on the consolidated financial statements.

New accounting policies in 2016 and later

A number of new or amended IFRSs and interpretations take effect in 2016 and later, and have not been prospectively applied in the preparation of these financial statements. New IFRSs and interpretations or amendments that are applicable starting in financial years after 2016 are not planned to be applied prospectively. To the extent that anticipated effects on the financial statements of the application of the following new or amended IFRSs and interpretations are not described below, Axfood has determined that they will not have any material effect on the consolidated accounting.

IFRS 15 Revenue from Contracts with Customers, the new revenue standard that takes effect in 2018, will affect Axfood's financial reporting through more detailed disclosure requirements. IFRS 9, which replaces IAS 39 Financial Instruments, will affect Axfood with respect to classification, but is not expected to have any effect in terms of value. The standard takes effect in 2018. IFRS 16 Leases, the new leasing standard that takes effect in 2019, will affect Axfood.

FORECAST

Axfood expects operating profit for 2016 to exceed the outcome for 2015.

NEXT REPORT

The interim report for the period January–March 2016 will be presented on 20 April 2016.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at Clarion Hotel Sign in Stockholm at 5 p.m. on 16 March 2016. The 2015 Annual Report will be published on 22 February 2016 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, 5 February 2016

Anders Strålmán
President and CEO

PRESS RELEASES DURING THE FOURTH QUARTER

- 1 October 2015 Premiere for new line of Garant vegetarian products
- 12 October 2015 Axfood reports better than expected sales and operating profit
- 12 October 2015 Solar panels making stores more environment-friendly
- 13 October 2015 Axfood contributing to employee development with new cloud service
- 15 October 2015 Green light for Swedish West Coast shrimp at Hemköp
- 20 October 2015 Axfood supports sustainable soy production to 100%
- 28 October 2015 New service agreement creates 1,300 jobs for Samhall
- 2 November 2015 Axfood Snabbgross opens new store in Stockholm
- 4 December 2015 Axfood Närlivs supplies groceries to Hemmakväll
- 21 December 2015 The Reitan Group exploring options for its financial holdings in Axfood

FINANCIAL STATEMENTS, GROUP

SEK m	Q4 2015	Q4 2014	Full year 2015	Full year 2014
Net sales	10,791	9,978	41,247	38,484
Cost of goods sold	-9,246	-8,581	-35,352	-33,164
Gross profit	1,545	1,397	5,895	5,320
Selling/administrative expenses, etc.	-1,097	-1,025	-4,135	-3,873
Operating profit	448	372	1,760	1,447
Net financial items	-7	-2	-11	-17
Profit before tax	441	370	1,749	1,430
Tax	-100	-93	-388	-326
Profit for the period	341	277	1,361	1,104
Other comprehensive income				
<i>Items that cannot be reclassified to profit or loss for the period</i>				
Revaluation of defined benefit pension plans	22	-35	8	-64
Tax attributable to items that cannot be reclassified to profit or loss for the period	-5	8	-2	14
<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	0	1	0	1
Change in fair value of forward exchange contracts	-4	1	-5	3
Change in fair value of available-for-sale financial assets	3	-	3	-
Tax attributable to items that have been reclassified or can be reclassified to profit or loss for the period	0	-1	0	-1
Other comprehensive income for the period	16	-26	4	-47
Total comprehensive income for the period	357	251	1,365	1,057
Operating profit includes depreciation/amortization of	177	176	696	693
Earnings per share, SEK ¹	1.63	1.31	6.48	5.22
Profit for the period attributable to				
Owners of the parent	341	274	1,361	1,095
Non-controlling interests	0	3	0	9
Total comprehensive income for the period attributable to				
Owners of the parent	357	248	1,365	1,048
Non-controlling interests	0	3	0	9

1) During the second quarter Axfood carried out a 4:1 stock split. The number of shares after the split is 209,870,712. The comparison figures have been adjusted.

Condensed statement of financial position, Group

<i>SEK m</i>	31/12/2015	31/12/2014
Assets		
Goodwill	1,860	1,819
Other intangible non-current assets	668	717
Property, plant and equipment	1,930	1,894
Financial assets	95	80
Deferred tax assets	60	54
Total non-current assets	4,613	4,564
Inventories	2,035	2,100
Accounts receivable – trade	852	859
Other current assets	1,104	1,060
Cash and bank balances	1,933	1,109
Total current assets	5,924	5,128
Total assets	10,537	9,692
Shareholders' equity and liabilities		
Equity attributable to owners of the parent	4,530	4,029
Equity attributable to non-controlling interests	1	36
Total shareholders' equity	4,531	4,065
Non-current interest-bearing liabilities	464	488
Deferred tax liabilities	569	470
Other noninterest-bearing non-current liabilities	30	33
Total non-current liabilities	1,063	991
Current interest-bearing liabilities	40	97
Accounts payable – trade	2,782	2,558
Other current noninterest-bearing liabilities	2,121	1,981
Total current liabilities	4,943	4,636
Total shareholders' equity and liabilities	10,537	9,692
Pledged assets	0	32
Contingent liabilities	14	22

Condensed statement of cash flows, Group

<i>SEK m</i>	Full year 2015	Full year 2014
Operating activities		
Cash flow from operating activities before changes in working capital, before paid tax	2,408	2,150
Paid tax	-270	-217
Changes in working capital	357	96
<i>Cash flow from operating activities</i>	<i>2,495</i>	<i>2,029</i>
Investing activities		
Acquisitions of operations, net	-82	-17
Acquisitions of non-current assets, net	-649	-543
Change in financial non-current assets, net	-20	-22
<i>Cash flow from investing activities</i>	<i>-751</i>	<i>-582</i>
Financing activities		
Change in interest-bearing liabilities	-21	-1
Dividend payout	-899	-794
<i>Cash flow from financing activities</i>	<i>-920</i>	<i>-795</i>
Cash flow for the period	824	652

Condensed statement of changes in equity, Group

SEK m	31/12/2015	31/12/2014
Amount at start of year	4,065	3,802
Total comprehensive income for the period	1,365	1,057
Dividend to shareholders	-899	-794
Amount at end of period	4,531	4,065

Key ratios and other data, Group

	Full year 2015	Full year 2014
Operating margin, %	4.3	3.8
Margin after financial items, %	4.2	3.7
Equity ratio, %	43.0	41.9
Net debt-equity ratio (+)/Net debt receivable ratio (-), multiple	-0.3	-0.1
Debt-equity ratio, multiple	0.1	0.1
Interest coverage, multiple	103.9	60.6
Capital employed, SEK m	5,035	4,650
Return on capital employed, %	36.5	32.4
Return on shareholders' equity, %	31.8	28.1
Capital expenditures, SEK m	764	643
Earnings per share, SEK ^{1,5}	6.48	5.22
Ordinary dividend per share, SEK ⁵	5.00 ⁶	4.25
Extra dividend per share, SEK	4.00 ⁶	-
Shareholders' equity per share, SEK ^{1,2,5}	21.58	19.20
Cash flow per share, SEK ^{1,5}	3.9	3.1
Number of shares outstanding ^{1,5}	209,870,712	52,467,678
Average number of employees	8,803	8,481
Work attendance rate, %	94.0	94.6
CO ₂ , kg/tonne goods ³	16.9	20.0
Electricity consumption, kWh/m ² (stores and warehouses) ⁴	331.6	368.7

Quarterly overview

	Q1 14	Q2 14	Q3 14	Q4 14	Q1 15	Q2 15	Q3 15	Q4 15
Sales	8,946	9,804	9,756	9,978	9,566	10,478	10,412	10,791
Operating profit	246	376	453	372	329	431	552	448
Operating margin, %	2.7	3.8	4.6	3.7	3.4	4.1	5.3	4.2
Earnings per share, SEK ^{1,5}	0.89	1.36	1.66	1.31	1.22	1.59	2.05	1.63
Shareholders' equity per share, SEK ^{1,5}	15.08	16.40	18.02	19.20	16.24	17.85	19.88	21.58
Return on shareholders' equity, %	32.0	30.6	29.6	28.1	35.4	33.7	32.5	31.8
Cash flow from operating activities per share, SEK ⁵	2.0	1.5	2.7	3.5	2.5	3.0	3.1	3.3
Capital expenditures	163	140	171	169	164	221	170	209

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 total volume for transports from warehouses to stores with own delivery vehicles.

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

5) During the second quarter Axfood carried out a 4:1 stock split. The number of shares after the split is 209,870,712. The comparison figures have been adjusted.

6) Proposed by the Board of Directors.

FINANCIAL STATEMENTS, PARENT COMPANY

SEK m	Q4 2015	Q4 2014	Full year 2015	Full year 2014
Net sales	-	-	-	-
Selling/administrative expenses, etc.	-23	-43	-87	-143
<i>Operating profit</i>	-23	-43	-87	-143
Other net financial items	1	2	3	15
<i>Profit after financial items</i>	-22	-41	-84	-128
Appropriations, net	1,358	1,189	1,358	1,189
<i>Profit before tax</i>	1,336	1,148	1,274	1,061
Tax	-296	-255	-282	-235
Net profit for the period	1,040	893	992	826
Operating profit includes depreciation/amortization totalling	3	3	10	10

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

SEK m	31/12/2015	31/12/2014
Assets		
Property, plant and equipment	30	38
Participations in Group companies	3,136	3,136
Other financial non-current assets	6	6
Deferred tax assets	5	5
Total non-current assets	3,177	3,185
Receivables from Group companies ¹	2,681	2,409
Other current assets	15	12
Cash and bank balances	1,489	760
Total current assets	4,185	3,181
Total assets	7,362	6,366
Shareholders' equity and liabilities		
Restricted shareholders' equity	287	287
Unrestricted shareholders' equity	3,607	3,507
Total shareholders' equity	3,894	3,794
Untaxed reserves	1,653	1,226
Non-current interest-bearing liabilities	20	22
Noninterest-bearing non-current liabilities	1	1
Total non-current liabilities	21	23
Accounts payable – trade	11	12
Liabilities to Group companies ²	1,648	1,218
Other current noninterest-bearing liabilities	135	93
Total current liabilities	1,794	1,323
Total shareholders' equity and liabilities	7,362	6,366
Contingent liabilities	313	312
1) Of which, interest-bearing receivables	875	824
2) Of which, interest-bearing liabilities	1,628	1,185

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/receivable 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.



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ABOUT AXFOOD

Axfood conducts food retail and wholesale business in Sweden. Retail business is conducted through the wholly owned store chains Willys and Hemköp, comprising 262 stores in all. In addition, Axfood collaborates with a large number of proprietor-run stores that are tied to Axfood through agreements. These include stores within the Hemköp chain as well as stores run under the Handlar'n and Tempo formats. In all, Axfood collaborates with approximately 820 proprietor-run stores. Wholesaling is conducted through Dagab. B2B sales are conducted through Axfood Närlivs and the wholly owned Axfood Snabbgross chain. 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