



Year-End Report Axfood AB (publ)

FOURTH QUARTER SUMMARY

- Axfood's consolidated sales for the period October–December totalled SEK 8,885 m (8,431), an increase of 5.4%.
- Retail sales for Group-owned stores rose 3.9% during the period. Like-for-like sales rose 1.6%.
- Operating profit for the period was SEK 321 m (290).
- Profit after financial items for the period was SEK 310 m (278).
- Profit after tax for the period was SEK 227 m (200), and earnings per share were SEK 4.32 (3.83).
- The Board of Directors proposes a dividend of SEK 12 (10) per share.
- On 1 October, Axfood Närlivs took over ownership of the cold storage distribution centre in Stockholm that was acquired from Reitan Servicehandel.
- Anne Rhenman Eklund was appointed as new Head of Corporate Communications.
- Axfood's goal for 2011 is to achieve an operating profit at least at the same level as in 2010.

Key ratios

SEK m	Q4 2010	Q4 2009	Change, %	Full year 2010	Full year 2009	Change, %
Net sales	8,885	8,431	5.4	34,260	32,378	5.8
Operating profit	321	290	10.7	1,209	1,128	7.2
Operating margin, %	3.6	3.4	0.2	3.5	3.5	0.0
Profit after financial items	310	278	11.5	1,172	1,082	8.3
Profit after tax	227	200	13.5	862	793	8.7
Earnings per share, SEK ¹	4.32	3.83	12.8	16.42	15.13	8.5
Cash flow per share, SEK	1.8	-2.2	-	0.0	0.1	-
Cash flow from operating activities per share, SEK	6.2	10.3	-1.6	26.0	29.7	-12.5
Return on capital employed, % ²	33.2	31.8	1.4	33.2	31.8	1.4
Return on shareholders' equity, % ²	30.7	32.4	-1.7	30.7	32.4	-1.7
Shareholders' equity per share, SEK	-	-	-	56.6	50.2	12.7
Equity ratio, %	-	-	-	38.8	36.7	2.1
Net asset value per share, SEK	-	-	-	56.64	50.22	12.8

1) Before and after dilution.

2) Moving 12-month figures.

For further information, please contact:

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

Karin Hygrel-Jonsson, CFO, mobile +46-70-662 69 70.

Anne Rhenman-Eklund, Head of Corporate Communications, +46-8-553 998 13, mobile +46-70-280 64 59.

The information in this interim report is such that Axfood is required to disclose in accordance with the Securities Market Act. Submitted for publication at 7.30 a.m. (CET) on 8 February 2011.

CEO'S COMMENTS

Axfood's favourable performance continues, and in 2010 we delivered record earnings. Through great commitment in all areas, an aggressive pace of store establishment and good cost control, we succeeded in strengthening our profitability as well as our sales growth.

Favourable performance for Willys, Hemköp, Axfood Närlivs and Dagab

Willys continued its profitable and stable development during the year and gained market shares. This was a major accomplishment considering the high pace of store establishment and remodelling in the face of fierce competition and dampened volume growth in the food retail market.

Hemköp posted a solid operating profit and favourable like-for-like sales growth. In addition, the ambitious price-cutting campaign that was carried out during the first quarter and subsequent seasonal campaigns attracted steadily higher customer numbers every month.

Axfood Närlivs held its own against the competition and showed growth as well as higher market shares. This strong performance can be credited to new agreements and improved store operations at Axfood Snabbgross.

Dagab posted a continued high level of delivery reliability – 97.2% – and very good cost control, which is critical for Axfood's success. The new collaboration with the Vi stores also developed well and contributed to the favourable growth in volume.

For PrisXtra, sales remained unsatisfactory. Excluding restructuring costs of SEK 14 m, operating profit was SEK 9 m. These costs were incurred in connection with the closure of the chain's smallest store.

Weak volume development for the food retail sector in 2010

Despite the economic recovery during the year, food retailing did not grow in pace with other retail sectors or the restaurant sector. Industry statistics show that consumers gave more priority to consumer durables and restaurant visits while enduring high energy costs through an exceptionally cold winter.

Private labels

Over the years, having a high private label share has proved to be a profitable and successful strategy for Axfood. Axfood's goal is for private label products to account for at least 25% of sales. At year-end this share had reached 22%. The trend remained positive in 2010, though somewhat slower than planned, which is why we believe it will take another couple of years to attain this goal.

Sustainable development

Axfood's sustainability work has continued at an ever-higher pace, and a large number of activities were carried out during the year. Among these, Willys completed the ecolabelling of all its stores, Dagab installed wind power plants at its facilities, and Hemköp became the first in Sweden to introduce plastic grocery bags made of renewable material.

Market outlook 2011

Indications are strong of growing optimism among households and that they will have a relatively good year in terms of personal finances despite rising interest rates. At the same time, we do not see any major changes in the market conditions – they continue to be characterized by fierce competition and price-conscious customers. Our judgement is that food inflation will average 2%–3% in 2011. Raw material prices are initially expected to be high, but the strength of the Swedish krona is having a damping effect on price increases.

Aggressive pace of investment for profitable growth

Our strategy proved to be fruitful in 2010. In 2011 Axfood will therefore continue to ensure strong profitability and growth through a high pace of establishment, increased efficiency and stringent cost control. We will also continue to focus on developing our concepts, stimulating sales and further developing and increasing our private label share.

To further strengthen our position and offer customers a better shopping experience, we plan to establish 14 new stores and modernize another 40 or so. Parallel with this, we are also continuing with the implementation of our new business system. Together these measures will result in capital expenditures in the range of SEK 900-1,000 m (862) in 2011.

Axfood's goal for 2011 is to achieve an operating profit at least at the same level as in 2010.

Anders Strålmán
President and CEO

SALES, AXFOOD GROUP

Fourth quarter

Consolidated wholesale and retail sales for the Axfood Group totalled SEK 8,885 m (8,431) for the period, an increase of 5.4%. Store sales for the Axfood Group (wholly owned stores and Hemköp franchises) totalled SEK 7,261 m (7,033), an increase of 3.2%. Sales for Axfood-owned retail operations rose 3.9% during the period, with a 1.6% rise in like-for-like sales.

Full year 2010

Consolidated wholesale and retail sales for the Axfood Group totalled SEK 34,260 m (32,378) for the period January–December, an increase of 5.8%. Store sales for the Axfood Group (wholly owned stores and Hemköp franchises) totalled SEK 28,050 m (27,468), an increase of 2.1%. Sales for Axfood-owned retail operations rose 2.7% during the period, with a 0.6% increase in like-for-like sales.

Net sales per operating segment

SEK m	Q4 2010	Q4 2009	Full year 2010	Full year 2009
Hemköp	1,311	1,358	4,978	5,335
Willys	4,822	4,527	18,613	17,589
PrisXtra ¹	162	173	637	685
Axfood Närlivs ¹	1,492	1,391	5,847	5,611
Dagab	6,721	6,278	25,701	24,052
Other ²	1,040	904	4,052	3,364
<i>Internal sales</i>				
Dagab	-5,668	-5,357	-21,694	-21,049
Axfood Närlivs	-8	-4	-26	-19
Other	-987	-839	-3,848	-3,190
Total	8,885	8,431	34,260	32,378

¹ On 1 January 2010, NetXtra was transferred from PrisXtra to Axfood Närlivs. The comparative figures have been adjusted by SEK 10 m for the fourth quarter and by SEK 40 m for the full year 2009.

² Includes joint-Group support functions, such as purchasing coordination, IT and corporate offices. The increase in sales is attributable to higher internal volumes for Fruits and Vegetables and for Centrally Packaged Meat.

Retail sales, own and franchise stores

SEK m	Q4 2010	% ¹⁾	Like-for-like sales, % ¹⁾	Full year 2010	% ¹⁾	Like-for-like sales, % ¹⁾
Hemköp	1,297	-3.5	3.2	4,925	-6.6	2.3
Hemköp franchises	980	-0.9	2.4	3,875	-1.1	1.5
Hemköp total	2,277	-2.4	2.8	8,800	-4.3	1.9
Willys total	4,822	6.5	1.5	18,613	5.8	0.4
PrisXtra total	162	-6.4	-6.4	637	-7.0	-7.0
Total	7,261	3.2	1.7	28,050	2.1	0.7

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

Change in store structure, full year 2010

	Dec. 2009	New establish- ment	Acquisitions	Sales/ closures	Conversions to/from	Dec. 2010
Hemköp	72	1	1	-4	-5	65
Willys ¹⁾	147	6	4	-2	5	160
PrisXtra	6			-1		5
Total, Group-owned	225	7	5	-7	-	230
Hemköp franchises	86	1		-5		82
¹⁾ Of which, Willys Hemma	34	1	4	-1	3	41

EARNINGS, AXFOOD GROUP

Fourth quarter

Operating profit for the period rose 10.7% to SEK 321 m (290). The operating margin was 3.6% (3.4%). Net financial items totalled SEK -11 m (-12), and profit after financial items was SEK 310 m (278). The margin after financial items was 3.5% (3.3%). Profit after tax was SEK 227 m (200).

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

Full year

Operating profit for the period January–December was SEK 1,209 m (1,128). The operating margin was 3.5% (3.5%). Net financial items totalled SEK -37 m (-46), and profit after financial items was SEK 1,172 m (1,082). Profit after tax was SEK 862 m (793).

Operating profit for the period, broken down by operating segment

SEK m	Q4 2010	Q4 2009	Full year 2010	Full year 2009
Hemköp	18	6	45	28
Willys	196	188	772	731
PrisXtra	-6	2	-5	6
Axfood Närlivs	22	26	113	132
Dagab	67	49	189	147
Other ¹	24	19	95	84
Operating profit for the period, total²	321	290	1,209	1,128

¹ Includes joint-Group support functions, such as purchasing coordination, IT and corporate offices. "Other" also includes charges for, among other things, amortization of surplus value pertaining to the acquisition of PrisXtra and depreciation pertaining to a new business system.

² Net financial items are not distributed per operating segment.

CAPITAL EXPENDITURES

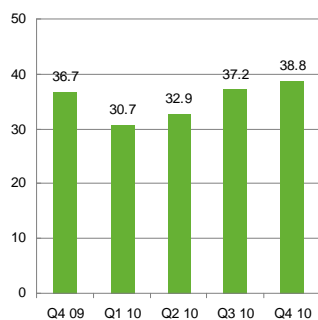
Total capital expenditures during the period January–December amounted to SEK 862 m (633), of which SEK 56 m (4) pertained to acquisitions of businesses. In addition, SEK 415 m (277) pertained to investments in non-current assets in retail operations, SEK 92 m (113) to investments in non-current assets in wholesale operations, and SEK 246 m (184) to IT development.

On 1 October, Axfood Närlivs acquired a cold storage distribution centre from Reitan Servicehandel, with estimated annual sales of approximately SEK 160 m. The distribution centre is located in Kungens Kurva outside Stockholm.

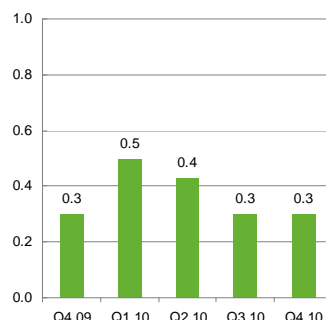
FINANCIAL POSITION

Cash flow from operating activities for the year before paid tax was SEK 1,687 m (1,800). Paid tax amounted to SEK -322 m (-242). Cash and cash equivalents held by the Group (fixed-income investments) amounted to SEK 315 m, compared with SEK 316 m in December 2009. Interest-bearing liabilities and provisions totalled SEK 840 m at year-end, compared with SEK 848 m in December 2009. Interest-bearing net debt was SEK 525 m at year-end, compared with SEK 532 m in December 2009. Payout of the shareholder dividend affected cash flow by SEK -525 m (-420), and net capital expenditures affected cash flow by SEK -830 m (-593). The equity ratio was 38.8%, compared with 36.7% as per December 2009.

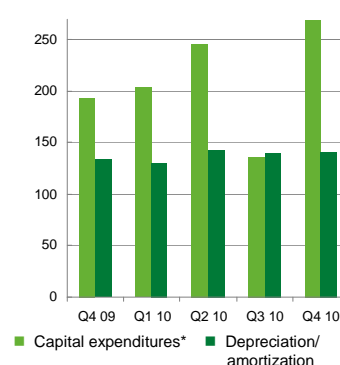
Equity ratio, %



Debt-equity ratio, multiple



Capital expenditures*, depreciation/amortization, SEK m



* Excluding goodwill

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 and 0.5 % in fixed prices. Accumulated growth in sales for the Axfood Group's stores was 2.1% during the same period

STORE OPERATIONS

Willys

Fourth quarter

Willys continued its profitable and stable performance, and gained additional market shares during the quarter. Sales for the fourth quarter totalled SEK 4,822 m (4,527), an increase of 6.5% compared with a year earlier. Like-for-like sales rose 1.5%. Operating profit was SEK 196 m (188), an increase of 4.3%. The operating margin was 4.1% (4.2%).

The private label share as of December was 24.0% (23.6%) for Willys and 28.7% (28.3%) for Willys Hemma.

To defend its position as "Sweden's cheapest bag of groceries", Willys continues to develop its customers' shopping experience as well as its price and product range strategy. As part of this work, store modernizations continue. During the fourth quarter, an additional nine stores were upgraded to the new generation of Willys, and the renewal project currently covers 52 stores.

Full year

Willys' sales for the period January–December totalled SEK 18,613 m (17,589), an increase of 5.8% over the preceding year. Like-for-like sales increased during the same period by 0.4%. Operating profit for the year was SEK 772 m (731), and the operating margin was 4.1% (4.2%).

The year was characterized by an aggressive pace of establishment. In all, five Willys and one Willys Hemma store were established, four Willys Hemma stores were acquired, and five stores were converted from Hemköp, of which two to Willys and three to Willys Hemma. The Willys chain thereby consists of 160 wholly owned stores, of which 41 are Willys Hemma.

Sales, SEK m, and Operating margin, %		Key ratios				
		SEK m	Q4 2010	Q4 2009	Full year 2010	Full year 2009
Q4 09	4,527	Net sales	4,822	4,527	18,613	17,589
Q1 10	4,466	Change in like-for-like sales, %	1.5	0.2	0.4	1.7
Q2 10	4,665	Operating profit	196	188	772	731
Q3 10	4,660	Operating margin, %	4.1	4.2	4.1	4.2
Q4 10	4,822	Number of Group-owned stores	-	-	160	147
		Average number of employees during the period	-	-	3,266	3,110
		Private label share (Willys/Willys Hemma)	-	-	24.0/28.7	23.6/28.3

Hemköp

Fourth quarter

Earnings as well as sales performance continued to be favourable. Like-for-like sales for Group-owned stores increased by 3.2% during the period. Following the price-cutting campaign that was carried out at the beginning of the year and a number of seasonal campaigns, customer numbers continued to increase every month.

Sales for Hemköp's stores – both Group-owned and franchises – decreased by 2.4% during the fourth quarter. Sales for Group-owned Hemköp stores totalled SEK 1,297 m (1,344), a decrease of 3.5%. Compared with the same period a year ago, total sales were negatively affected by changes in the number of stores. Sales for franchise stores totalled SEK 980 m (989), a decrease of 0.9%, with a 2.4% rise in like-for-like sales.

Operating profit for the fourth quarter was SEK 18 m (6). The operating margin for the period was 1.4% (0.4%). Earnings were affected by SEK 1 m (23) in costs for store closures.

Hemköp's loyalty card continues to grow, and by the end of the period 365,000 cards were in issue. The loyalty card is a key part of a long-term effort to boost customer loyalty and thereby sales and market shares.

Hemköp's private label share (incl. franchise stores) was 16.8% (16.1%) as of December.

During the fourth quarter, two Group-owned stores were closed, one proprietor-run store was established, and one store was converted from proprietor-run to Group-owned.

Full year

Like-for-like sales for Group-owned stores rose 2.3% for the year.

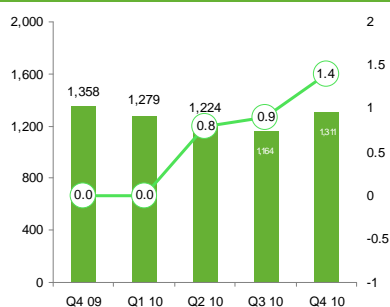
Sales for Hemköp stores – both Group-owned and franchises – decreased by 4.3% during the period January–December. Sales for Group-owned Hemköp stores totalled SEK 4,925 m (5,275) for the year, a decrease of 6.6%.

Sales for franchise stores totalled SEK 3,875 m (3,919), a decrease of 1.1%, with a 1.5% rise in like-for-like sales.

Operating profit for the period January–December was SEK 45 m (28). The operating margin for the year was 0.9% (0.5%). Earnings were affected by SEK 7 m in costs for store closures. Profit for the comparison period was affected by SEK 46 m in costs for store closures.

During the year, one Group-owned store and one proprietor-run were established, five stores were converted to Willys and Willy Hemma, and eight stores were closed – four Group-owned and four proprietor-run. One store was converted from proprietor-run to Group-owned. Hemköp had 147 stores at year-end, of which 65 were Group-owned.

Sales, SEK m, and operating margin, %



Key ratios

SEK m	Q4 2010	Q4 2009	Full year 2010	Full year 2009
Net sales	1,311	1,358	4,978	5,335
Change in like-for-like sales, %	3.2	-0.3	2.3	-2.7
Operating profit	18	6	45	28
Operating margin, %	1.4	0.4	0.9	0.5
Number of Group-owned stores	-	-	65	72
Average number of employees during the year	-	-	1,422	1,573
Private label share	-	-	16.8	16.1

PrisXtra

Fourth quarter

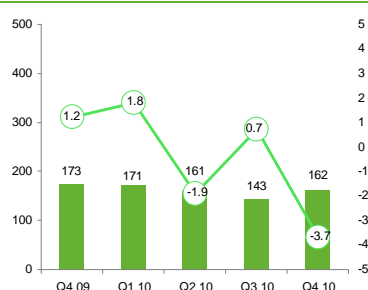
PrisXtra's sales totalled SEK 162 m (173) during the fourth quarter, a decrease of 6.4%. Like-for-like sales decreased by 6.4% during the period. Operating profit was SEK -6 m (2), and the operating margin was -3.7% (1.2%). Operating profit was charged with restructuring costs of SEK 14 m in connection with the closure of the smallest store.

As previously, the two largest stores continue to be hurt by traffic re-routing and roadwork associated with construction of the Norra länken motorway in Stockholm. However, these store locations have strategic importance over time.

Full year

PrisXtra's sales totalled SEK 637 m (685) during the period January–December, a decrease of 7.0%. Like-for-like sales decreased by 7.0% during the period. Operating profit for the period January–December was SEK -5 m (6), and the operating margin for the year was -0.8% (0.9%). Operating profit was charged with restructuring costs of SEK 14 m in connection with the closure of the smallest store.

Sales, SEK m, and operating margin, %



Key ratios

SEK m	Q4 2010	Q4 2009	Full year 2010	Full year 2009
Net sales	162	173	637	685
Change in like-for-like sales, %	-6.4	-9.4	-7.0	-9.4
Operating profit	-6	2	-5	6
Operating margin, %	-3.7	1.2	-0.8	0.9
Number of Group-owned stores	-	-	5	6
Average number of employees during the year	-	-	164	192

AXFOOD WHOLESALING

Dagab

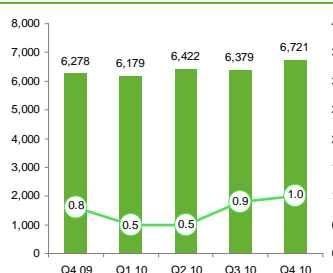
Fourth quarter

Dagab continued to show a very high level of delivery reliability, 97.4%, and very good cost control. Sales during the fourth quarter totalled SEK 6,721 m (6,278). Operating profit for the fourth quarter was SEK 67 m (49), and the operating margin was 1.0% (0.8%). Implementation of Autoorder is progressing according to plan, and the resumed collaboration with the Vi stores has proceeded very well.

Full year

Dagab's sales for the period January–December totalled SEK 25,701 m (24,052). Operating profit for the year was SEK 189 m (147), and the operating margin was 0.7% (0.6%).

Sales, SEK m, and operating margin, %



Key ratios

SEK m	Q4 2010	Q4 2009	Full year 2010	Full year 2009
Net sales	6,721	6,278	25,701	24,052
Distributed sales	4,637	4,309	17,408	16,229
Operating profit	67	49	189	147
Operating margin, %	1.0	0.8	0.7	0.6
Average number of employees during the period	-	-	932	902
Delivery reliability, %	97.4	97.6	97.2	96.8

Axfood Närlivs

Fourth quarter

Axfood Närlivs continued to grow its market shares through favourable sales and new agreements, despite continued fierce competition. The company's favourable performance can also be credited to improved store operations at Axfood Snabbgross. Sales during the fourth quarter amounted to SEK 1,492 m (1,391).

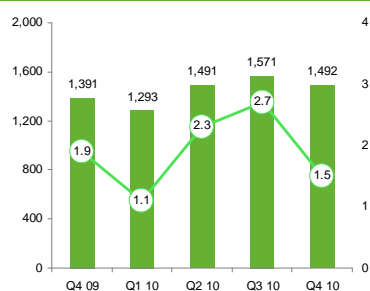
Operating profit for the fourth quarter was SEK 22 m (26), and the operating margin was 1.5% (1.9%). This level is according to plan and is a consequence of the highly competitive market.

On 1 October, Axfood Närlivs successfully took over ownership of the cold storage distribution centre outside Stockholm that was acquired from Reitan Servicehandel. The acquisition creates favourable conditions to further strengthen and develop the company's position as a fast-food wholesaler.

Full year

Axfood Närlivs' sales for the period January–December totalled SEK 5,847 m (5,611). Operating profit for the year was SEK 113 m (132), and the operating margin was 1.9% (2.4%). During the third quarter, Axfood Närlivs signed a new, two-year agreement with Preem, covering the supply of newsstand items, food retail products and fast food solutions. The agreement took effect on 1 January 2011.

Sales, SEK m, and operating margin, %



Key ratios

SEK m	Q4 2010	Q4 2009	Full year 2010	Full year 2009
Net sales	1,492	1,391	5,847	5,611
Distributed sales	1,309	1,203	5,070	4,777
Operating profit	22	26	113	132
Operating margin, %	1.5	1.9	1.9	2.4
Axfood Snabbgross, no. stores	-	-	19	19
Average number of employees during the year	-	-	667	625
Delivery reliability, %	97.3	97.8	97.4	97.4

SIGNIFICANT RISKS AND UNCERTAINTIES

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

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

For a thorough account of the risks that affect the Group, please refer to the 2009 Annual Report and, after 21 February 2011, to the 2010 Annual Report.

SEASONAL EFFECTS

Axfood has no significant seasonal variations.

ENVIRONMENTAL IMPACT

One of Axfood's strategic objectives is to actively conduct work for sustainable development. In the day-to-day activities, sustainability aspects are integrated in purchasing as well as in logistics, transport, store operations and waste handling. In 2009 Axfood adopted a new sustainability programme covering environmental matters, social responsibility and animal welfare. Some of the areas covered include energy savings, waste handling and shrinkage. In 2010, priority was given to implementation of the new sustainability programme. An overall target has been set to reduce the climate impact of the Group's operations by 75% by 2020. Another goal is to reduce energy use by 30% in the years immediately ahead. During the year, Axfood changed over its electricity purchases to renewable sources. A more detailed account of Axfood's work with environmental matters will be available in Axfood's 2010 Annual Report, which will be published on 21 February 2011.

PARENT COMPANY

Other operating revenue for the Parent Company during the period January–December amounted to SEK 181 m (165). After selling expenses, administrative expenses and other operating expenses, totalling SEK 228 m (191), and SEK -6 m (-20) in net financial items, the result after financial items was SEK -53 m (-46). Capital expenditures during the period totalled SEK 3 m (1).

The Parent Company's interest-bearing net debt was SEK 931 m at year-end, compared with SEK 1,187 m in December 2009. The Parent Company has no significant transactions with related parties, other than transactions with subsidiaries.

ACCOUNTING POLICIES

Group

This year-end report has been prepared in accordance with IAS 34 Interim Financial Reporting. The same accounting policies and methods of calculation have been used as in the most recent annual report, except for with respect to the points described below.

In order to prepare the financial statements in accordance with IFRS, the Board and company management make estimations and assumptions that affect the Company's result and position as well as other disclosures in general. These estimations and assumptions are based on historical experience and are reviewed on a regular basis.

The revised IFRS 3 Business Combinations and amended IAS 27 Consolidated and Separate Financial Statements took effect on 1 January 2010. The revised and amended standards have only prospective

effects, entailing that no amounts have been adjusted in the financial statements. In addition to IFRS 3 and IAS 27 are changes in IFRS 2 Share-based Payment and IAS 39 Financial Instruments: Recognition and Measurement, with respect to items that qualify for hedge accounting. In addition to these changes are IFRIC 12 Service Concession Agreements, IFRIC 15 Agreements on the Construction of Real Estate, IFRIC 16 Hedges of a Net Investment in a Foreign Entity, IFRIC 17 Distribution of Non-cash Assets to Owners, and IFRIC 18 Transfers of Assets from Customers. The changes and IFRIC interpretations referred to here are not judged to have any effect on the Axfood Group's statements of comprehensive income, financial position, cash flows and changes in equity.

On 1 January 2011, IAS 24 Related Party Disclosures (Revised) took effect. The revision entails a change in the definition of related party. In addition to IAS 24 Related Party Transactions (Revised) are amendments to IAS 32 Financial Instruments: Presentation and IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments. These amendments and the new IFRIC interpretation are not judged to have any effect on the Axfood Group's statements of comprehensive income, financial position, cash flows and changes in equity.

Parent Company

The same accounting policies and calculation bases as in the most recent annual report have been used. The Parent Company reports in conformity with the Swedish Annual Accounts Act and recommendation RFR 2.3 – Reporting for Legal Entities, issued by the Swedish Financial Reporting Board (RFR). Application of RFR 2.3 entails that in interim reporting for legal entities, the Parent Company applies all IFRSs and interpretations endorsed by the EU as far as practicable within the framework of the Swedish Annual Accounts Act, the Pension Obligations Vesting Act, and taking into account the connection between accounting and taxation.

As is the case for the Axfood Group, the new and amended standards that took effect on 1 January 2010 have no effect on the Parent Company's income statement, balance sheet, cash flow statement or shareholders' equity.

FORECAST

Axfood's goal for 2011 is to achieve an operating profit at least at the same level as in 2010.

NEXT REPORT

The interim report for the period January–March 2011 will be released on 20 April 2011.

ANNUAL GENERAL MEETING

The 2011 Annual General Meeting will be held at 5 p.m. on 16 March 2011, in Stockholm. The 2010 Annual Report will be published on 21 February 2011 on Axfood's website, at which time it will be available at Axfood's head offices in Solna. In addition, printed versions will be distributed by post to shareholders approximately one week before the Annual General Meeting upon request.

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

Stockholm, 8 February 2011

Anders Strålmán
President and CEO

PRESS RELEASES ISSUED DURING THE FOURTH QUARTER

- 20 October 2010 Axfood AB appoints Anne Rhenman Eklund as new Head of Corporate Communications
- 26 October 2010 Nominating Committee
- 17 November 2010 Axfood Närlivs moves parts of Tyringe warehouse to Örebro

FINANCIAL STATEMENTS, GROUP

Condensed statement of comprehensive income, Group

SEK m	Q4 2010	Q4 2009	Full year 2010	Full year 2009
Net sales	8,885	8,431	34,260	32,378
Cost of goods sold	-7,647	-7,261	-29,587	-27,912
Gross profit	1,238	1,170	4,673	4,466
Selling/administrative expenses, etc.	-917	-880	-3,464	-3,338
Operating profit	321	290	1,209	1,128
Net financial items	-11	-12	-37	-46
Profit after financial items	310	278	1,172	1,082
Tax	-83	-78	-310	-289
Profit for the period	227	200	862	793
<i>Other comprehensive income</i>				
Change in fair value of forward exchange contracts	2	0	0	0
Change in fair value of available-for-sale financial assets	-	4	-	4
Tax attributable to components in other comprehensive income	-1	-1	0	-1
<i>Other comprehensive income for the period</i>	1	3	0	3
Total comprehensive income for the period	228	203	862	796
Operating profit includes depreciation/amortization of	141	134	555	535
Earnings per share, SEK	4.32	3.83	16.42	15.13

Condensed statement of financial position, Group

<i>SEK m</i>	Full year 2010	Full year 2009
Assets		
Goodwill	1,567	1,539
Other financial assets	32	30
Other non-current assets	2,364	2,118
Total non-current assets	3,963	3,687
Inventories	1,822	1,790
Accounts receivable – trade	660	539
Other current assets	904	841
Cash and bank balances	315	316
Total current assets	3,701	3,486
Total assets	7,664	7,173
Shareholders' equity and liabilities		
Equity attributable to owners of the parent	2,972	2,635
Total shareholders' equity	2,972	2,635
Non-current interest-bearing liabilities	398	546
Noninterest-bearing non-current liabilities	219	204
Total non-current liabilities	617	750
Current interest-bearing liabilities	442	302
Accounts payable – trade	2,208	1,835
Other current noninterest-bearing liabilities	1,425	1,651
Total current liabilities	4,075	3,788
Total shareholders' equity and liabilities	7,664	7,173
Contingent liabilities	18	19
Pledged assets	16	14

Condensed statement of cash flows, Group

SEK m	Full year 2010	Full year 2009
Operating activities		
Cash flow from operating activities before changes in working capital, before paid tax	1,750	1,652
Paid tax	-322	-242
Changes in working capital	-63	148
<i>Cash flow from operating activities</i>	1,365	1,558
Investing activities		
Acquisitions of operations, net	-59	-6
Acquisitions of non-current assets, net	-771	-587
Change in financial non-current assets, net	-1	13
<i>Cash flow from investing activities</i>	-831	-580
Financing activities		
Change in interest-bearing liabilities	-10	-554
Dividend paid out	-525	-420
<i>Cash flow from financing activities</i>	-535	-974
Cash flow for the period	-1	4

Condensed statement of changes in equity, Group

SEK m	Full year 2010	Full year 2009
Amount at start of year	2,635	2,259
Total comprehensive income for the period	862	796
Dividend to shareholders	-525	-420
Amount at end of period	2,972	2,635

Key ratios and other data, Group

	Full year 2010	Full year 2009
Operating margin, %	3.5	3.5
Margin after financial items, %	3.4	3.3
Equity ratio, %	38.8	36.7
Debt-equity ratio, net, multiple	0.2	0.2
Debt-equity ratio, multiple	0.3	0.3
Interest coverage, multiple	31.1	22.2
Capital employed, SEK m	3,812	3,483
Return on capital employed, %	33.2	31.8
Return on shareholders' equity, %	30.7	32.4
Capital expenditures, SEK m	862	633
Earnings per share, SEK ¹	16.42	15.13
Dividend per share, SEK	12.00 ²	10.00
Net asset value per share, SEK ¹	56.64	50.22
Cash flow per share, SEK ¹	0.0	0.1
Number of shares outstanding ¹	52,467,678	52,467,678
Average number of employees during the year	6,895	6,816

¹⁾ The number of shares is the same before and after dilution. The average number of shares is the same as the number of shares outstanding. Axfood has no holdings of treasury shares.

²⁾ Proposed by the Board of Directors.

Quarterly overview

	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10	Q3 10	Q4 10
Sales	7,682	8,216	8,049	8,431	8,210	8,583	8,582	8,885
Operating profit	234	269	335	290	245	279	364	321
Operating margin, %	3.0	3.3	4.2	3.4	3.0	3.3	4.2	3.6
Earnings per share, SEK ¹	3.10	3.63	4.57	3.83	3.31	3.79	5.00	4.32
Shareholders' equity per share, SEK ¹	38.1	41.8	46.4	50.2	43.6	47.3	52.3	56.6
Return on shareholders' equity, %	42.4	36.7	35.2	32.4	37.5	34.8	32.3	30.7
Cash flow from operating activities per share, SEK	7.3	5.9	6.1	10.3	8.0	5.5	6.3	6.2
Capital expenditures	135	184	120	194	204	250	138	270

FINANCIAL STATEMENTS, PARENT COMPANY

Condensed income statement, Parent Company

SEK m	Q4 2010	Q4 2009	Full year 2010	Full year 2009
Net sales	-	-	-	-
Selling/administrative expenses, etc.	-11	-10	-47	-26
Operating profit	-11	-10	-47	-26
Net financial items	0	-3	-6	-20
Profit after financial items	-11	-13	-53	-46
Appropriations	4	1	4	1
Profit before tax	-7	-12	-49	-45
Tax	2	2	13	11
Net profit for the period	-5	-10	-36	-34
Operating profit includes depreciation/amortization of	0	2	6	8

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

Condensed balance sheet, Parent Company

SEK m	Full year 2010	Full year 2009
Assets		
Property, plant and equipment	4	9
Participations in Group companies	3,468	3,468
Other financial non-current assets	3	3
Deferred tax assets	11	10
Total non-current assets	3,486	3,490
Receivables from Group companies ¹	2,102	1,804
Other current assets	8	13
Cash and bank balances	0	0
Total current assets	2,110	1,817
Total assets	5,596	5,307
Shareholders' equity and liabilities		
Restricted shareholders' equity	262	262
Unrestricted shareholders' equity	3,402	3,084
Total shareholders' equity	3,664	3,346
Untaxed reserves	1	5
Non-current interest-bearing liabilities	32	180
Noninterest-bearing non-current liabilities	7	7
Total non-current liabilities	39	187
Current interest-bearing liabilities	406	264
Liabilities to Group companies ²	1,404	1,417
Accounts payable – trade	15	8
Other current noninterest-bearing liabilities	67	80
Total current liabilities	1,892	1,769
Total shareholders' equity and liabilities	5,596	5,307
Contingent liabilities	357	360
Pledged assets	-	-
1) of which, interest-bearing receivables	872	659
2) of which, interest-bearing liabilities	1,364	1,402

FINANCIAL DEFINITIONS

Average number of employees during the year: Total number of hours worked divided by the number of hours worked per year (1,920 hours).

Capital employed: Total assets less noninterest-bearing liabilities and noninterest-bearing provisions. Average capital employed is calculated as capital employed at the start of the year plus capital employed at the end of the year, divided by two.

Cash flow per share: Cash flow for the year divided by a weighted average number of shares outstanding. For cash flow per share after the dilutive effect see "Earnings per share after dilution" below.

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.

Earnings per share after dilution: Net profit for the year after tax attributable to owners of the parent, adjusted for interest expenses after taxes pertaining to outstanding convertibles, divided by a weighted average number of common shares adjusted for the dilutive effect of convertibles. The dilutive effect of convertibles consists of the number of shares that would be issued upon full conversion.

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. For net asset value per share after the dilutive effect, see "Earnings per share after dilution" above".

Net debt: Cash and cash equivalents plus interest-bearing receivables less interest-bearing liabilities and provisions.

Net debt-equity ratio: Interest-bearing liabilities and provisions less cash and cash equivalents and interest-bearing receivables, divided by shareholders' equity including non-controlling interests.

Operating margin: Operating profit as a percentage of net sales for the period.

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

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

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

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

GLOSSARY

Autoorder: An automated store restocking system.

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

E-learning: An interactive training program.

EMAB: EMAB is a collaborative organization for independent service station stores, with approximately 400

members within the Shell, Statoil 123, Hydro, Bilisten and Preem service station chains.

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 year



Axfood AB, SE-171 78 Solna
Visitors' address: Hemvärmsgatan 9
Tel. +46-8-553 990 00, Fax +46-8-730 03 59
info@axfood.se, www.axfood.se

About Axfood

Axfood AB conducts food retail and wholesale business in Sweden. Retail business is conducted through the wholly owned store chains Willys, Hemköp and PrisXtra.

- The Group has 230 stores. In addition, Axfood collaborates with 840 proprietor-run stores.
- Wholesale business is conducted through Dagab and Axfood Närlivs.
- Axfood is listed on Nasdaq OMX Stockholm AB's Large Cap list.
- Axfood has an approximate 20% share of the food retail market in Sweden.

Axfood aspires to be the most profitable company in the Swedish food retail market and aims to grow its market shares by strengthening and developing its position. Axfood's long-term goal is to attain an operating margin of 4%. Achieving this requires activities at every level aimed at boosting sales, efficiency and profitability.