



Year-End Report 2000

Axfood AB (publ.)

- Consolidated sales totaled SEK 30,230 m (29,077) an increase of 4 percent.
- Income after financial items amounted to SEK 0 m (261). Adjusted for items affecting comparability, income after financial items totaled SEK 162 m (337).
- Operating income amounted to SEK 112 m (344). Income adjusted for items affecting comparability totaled SEK 274 m (420).
- Fourth-quarter results were hurt by higher costs in connection with the conversion and refining of the store structure, and a weakening trend for Hemköp and Spar Finland.
- New business strategy devised and established during the year.
- Work is under way pertaining to a number of critical success factors, such as brand refinement, coordinated purchasing, store conversions, and development of private label products.
- New organizational structure implemented and new corporate management appointed at Hemköp and Spar Finland.
- The board proposes no dividend be paid for the 2000 fiscal year (SEK 2.60)

	4th quarter		Quarters 1-4	
	Pro forma 1)		Pro forma 1)	
	2000	1999	2000	1999
Sales, SEK m	8,064	7,769	30,230	29,077
Operating income after depreciation, SEK m	102	181	550	702
Operating income, SEK m	0	84	112	344
Operating margin, percent	-	1.1%	0.4%	1.2%
Operating income before items affecting comparability, SEK m	36	124	274	420
Operating result before items affecting comparability and goodwill, SEK m	53	152	398	517
Operating margin before items affecting comparability and goodwill, percent	0.7%	2.0	1.3%	1.8%
Income after financial items, SEK m	-20	67	0	261
Income after financial items, before items affecting comparability, SEK m	16	107	162	337
Income after tax, SEK m	-34	29	-34	141
Earnings per share, SEK	-	-	-0.64	2.77
Equity ratio, percent	-	-	13.2%	13.8%
Return on capital employed, percent	-	-	3.8%	10.3%
Return on capital employed after tax	-	-	Neg.	20.0%

1) Pro forma figures for Hemköp, D&D Dagligvaror, Spar i Sverige, Spar inn Snabbgross and Spar Finland.

CEO's comments

"The year 2000 was characterized by intensive work on establishing the Axfood Group's five-year strategy and on completing the merger integration between the five companies making up the Group. The conversion and refinement of our store structure and a negative development at Hemköp and Spar Finland impacted on fourth-quarter earnings. New management has been appointed both for Hemköp and Spar Finland Abp.

"Axfood's new management took office in September and initiated an extensive restructuring and narrowing of focus from some thirty to six store concepts. We have created a joint-Group purchasing function and started the development of our own private label products. We also implemented an extensive restructuring program aimed at generating 150 million kronor in annual savings. We are working intensively on further integrating our wholesale operation with the store network and thereby on improving delivery reliability and customer satisfaction.

"We have created conditions for Axfood's growth, among other things, by strengthening management functions in a number of areas. Accordingly, external expertise has been added to corporate management as well as to the store chains, with a focus on experience in retailing, chain-store operations and business development.

"The synergies for the Axfood Group exist in purchasing, IT, logistics, chain-store operation and administration. As a result, operating margins will improve in year 2001. "Our long-term operating margin target of 3 percent remains."

Mats Jansson

Market development

Due to the strong economy, the retail sector has benefited to a greater extent than in a long time. Although the conclusion of the year was not as positive as forecast by the Swedish Research Institute of Trade (HUI), the trend in volume for the retail food sector was better than in many years, rising 2.4 percent. Volume growth during the fourth quarter was 1.5 per cent, or 1.1 per cent in current prices.

Sales and earnings of the Axfood Group

Consolidated sales of the Axfood Group, including Spar Finland Abp, amounted to SEK 30,230 m (29,077) during the period. Sales during the fourth quarter totaled SEK 8,064 m (7,769).

The Axfood Group's sales in Sweden (in own and collaborating stores) amounted to SEK 32.3 bn, including VAT, an increase of 2.4 percent in volume, or 3.0 percent in current prices, compared with the preceding year. During the fourth quarter, store sales amounted to SEK 8.4 bn (including VAT), an increase of 1.1 percent in volume and 0.7 percent in current prices compared with the corresponding period a year ago.

Operating income for the year amounted to SEK 112 m (344). The operating margin was 0.4 percent (1.2). The operating margin before items affecting comparability and goodwill was 1.3 percent (1.8). Operating income was charged with SEK 162 m for items affecting comparability, consisting of SEK 164 m for a restructuring reserve, SEK 98 m for other items affecting comparability, and the repayment of SEK 100 m in client-company funds from SPP.

In the continuing operations, nonrecurring costs for development and consulting fees, among other things, have been taken outside of the restructuring program. Net financial items amounted to SEK –112 m (–83). Income after financial items thus totaled SEK 0 m (261). The margin after financial items was 0 percent (0.9).

Store operations

The store operations are today conducted through wholly owned chain concepts (Hemköp, Axfood Lågpris and Axfood Direkt) and via franchising, in which collaboration is extended with private merchants in established store concepts (Vivo, Spar and Tempo). The wholly owned store operations have priority within the Group with respect to growth and concept development.

Hemköp is the Group's most well-known brand and today includes 106 stores nationwide. The concept emphasizes environmental concerns, health and quality, with a highlight especially on fresh foods.

During the year the store structure was reviewed in the aim of developing the chain toward larger and more financially sound units. Smaller stores were closed or converted to other concepts within the Group, with a few larger units were converted to Hemköp stores. Eight Billhalls stores (high service concept) in western Sweden have been included in the Hemköp chain. These changes entailed a net addition of three stores to the Hemköp chain during the year.

During the first nine months of the year the Hemköp chain experienced a slight weakening in profitability, which grew more pronounced during the fourth quarter. Hemköp's market share, defined as sales via retail food stores, was 4.1 percent for the full year (3.5). Sales for the full year totaled SEK 6,562 m (6,509). Sales during the fourth quarter amounted to SEK 1,820 m (1,884). Operating income before goodwill (EBITG) amounted to SEK 172 bn (230), and the operating margin for the full year was 2.6 percent (3.5).

A number of corrective measures were initiated during the autumn, however, these have not yet generated the desired results in terms of greater volume or lower costs. New management has been appointed (January 31), which will further boost the expertise in the areas in retailing and chain store operations. The new CEO for Hemköp will be Lennart Andersson, who was most recently CO of Hemköp from the electronics chain Siba. Roger Källman, formerly a merchant and vice chairman of Axfood AB, has been named executive vice president and district manager.

Strong focus is being directed during the first half of 2001 on enhancing growth in the existing stores and on optimizing the chain operation of Hemköp's 106 stores.

Axfood Lågpris is the market leader in Sweden's discount segment. Consumer-focused business is conducted under three brands: Willys, MatexExet, and HP Billigt & Nära, with a total of approximately 85 stores. Operations also include an additional 29 stores operated by private merchants under franchise agreements with Axfood Lågpris. In 2000 Axfood Lågpris expanded dramatically through acquisitions and new store openings, and growth in volume was 98.6 percent. Willys had the best volume increase in the retail food segment during the year, amounting slightly more than 30 percent, mainly due to new establishment. In line with the Group's overall strategy, the three discount chains will be coordinated under one company and one brand. Work on this was begun during the fourth quarter in order to

improve business control and create synergies. A new organizational structure was implemented on January 1, and operations will be conducted under a single brand.

Sales in 2000 totaled SEK 5,333 m (2,691) for the wholly owned stores and approximately SEK 8,326 m together with collaborating merchants. The sharp rise in sales is attributable to the acquisition of some 30 units and the new establishment of about ten units. Sales during the fourth quarter for the wholly owned chains totaled SEK 1,369 m (685). Operating income (EBITG) for the year amounted to SEK 133 m (104), and the operating margin was 2.5 percent (3.8).

Earnings for the fourth quarter were charged with costs incurred in connection with the reprofiling of stores, which will have considerably better growth prospects in the discount segment. Efforts during the first half of 2001 are being focused on continued development of the uniform discount concept, which will be tested in a number of pilot stores.

Axfood Direkt comprises the Group's consumer-focused e-commerce business. In 2000 work was focused on building up the foundation for an efficient and profitable e-commerce operation through the coordination of inventories, logistics management and implementation of a new, joint IT platform, which is slated for launch during the second quarter of 2001. Axfood's online retailing activities, conducted via the spar.nu, billhalls.se and willys.se addresses, are market-leading in Sweden, with sales of SEK 84 m (12) in 2000. Business is concentrated in the Mälardalen region, the greater Stockholm area, and Gothenburg. In November a new picking store was inaugurated in Häggvik, outside Stockholm, to better meet demand in the greater Stockholm area.

Operating income (EBITG) was SEK –20 m (–15).

Axfood Franchise offers private merchants in Sweden collaboration through affiliation with any of the Group's franchise concepts. The approximately 500 stores have been customers of Axfood's wholesaling operation for many years. The new franchise agreements are more clearly regulated with respect to category and assortment management, concept development and marketing support. Through affiliation with a franchise concept, the private merchants participate in Axfood's new purchasing strategy through inclusion of their respective purchasing volumes.

Axfood's franchising organization and concepts were further developed in 2000. Axfood Franchise is reported under joint-Group items. Operating income (EBITB) for the full year 2000 amounted to SEK 14 m (6).

Axfood Partihandel (wholesaling) – Sweden

An efficient and customer-oriented wholesaling operation is the hub of a strong food wholesale and retail group. Axfood's wholesaling operation includes *Dagab*, which supplies goods to the Group's wholly owned stores and collaborating merchants, and *Axfood Närlivs*, which supplies goods to convenience stores and service stations. Axfood Närlivs also has a cash-and-carry operation in which restaurant and store owners can make wholesale purchases in cash.

Dagab restructured its operations in 2000 in an effort to increase efficiency and customer benefit through improved delivery reliability. Certain revenue-enhancing measures were also implemented in January, which will improve the profit margin in 2001. Dagab supplies goods

to approximately 1,000 stores in Sweden, of which approximately 45 percent belong to Axfood Group chains.

Deliveries are conducted from three main distribution points in Sweden: Jordbro/Stockholm, Backa/Gothenburg, and Borlänge. A central warehouse in Örebro was closed during the autumn and entailed the reduction of approximately 100 persons from the workforce.

During the second half of 2000 Axfood Närlivs centralized the operation that previously comprised 18 regional companies. Central purchasing and invoicing functions have been introduced. During the autumn Axfood Närlivs acquired three wholesale companies in northern Sweden, which were subsequently integrated with Axfood Närlivs. Axfood Närlivs has approximately 4,000 customers and a third of the market for cash-and-carry and convenience store business.

Axfood's wholesale operation had sales of SEK 17,413 m for the full year (16,765). Operating income (EBITG) amounted to SEK 222 m (240), and the operating margin was 1.3 percent (1.4).

Spar Finland

Axfood's long-term strategy entails expanding in the Nordic region and establishing a strong market position in each country.

Today the subsidiary Spar Finland Abp, with approximately 9 percent of the market, represents the first step in the implementation of this strategy. Axfood owns 40 percent of the shares and 66 percent of the votes in the company.

Spar Finland struggled with substantial operational problems during the year, resulting in a drop in volume and profitability. Spar Finland has a jointly owned wholesaling operation, five store concepts, and a store network comprising 325 stores, of which 88 are wholly owned.

A new CEO, Pekka Kosonen, was appointed in November 2000, and a sweeping process of change has been initiated. Among other things, the five concepts will be reduced to two, and the store structure will be reviewed. Efforts will be concentrated on growth and profitability.

Spar Finland had sales of SEK 5,139 m (5,425) in 2000 and operating income (EBITG) of SEK -25 m (24). The operating margin was -0.6 percent (0.4). During the year Spar Finland received a tax refund of SEK 38.2 m, pertaining to tax payment made in 1998. This is reported as a reduction in tax.

Capital expenditures

Capital expenditures for the full year amounted to SEK 996 m. Of these, company acquisitions in Sweden accounted for SEK 417 m. Acquisitions were made primarily in the discount segment, including store chains such as Exet/Matex, XL Storköp, L-köp, totalling 30 units in all. The discount chain HP Billigt & Nära, with 38 stores, was acquired as per December 31, 2000. Other capital expenditures in whole saling and store network in Sweden amounted to SEK 438 m. Spar Finland's capital expenditures amounted to SEK 141 m.

Financial position

Cash flow from continuing operations amounted to SEK 446 m. The Group's liquidity totaled SEK 278 m. Interest-bearing assets amounted to SEK 761 m (801). Interest-bearing net debt amounted to SEK 2,206 m (1,894).

The equity ratio was 13.2 percent (13.8), while the debt-equity ratio, net, was 2.2 (2.0).

Repurchase of shares

At an extraordinary General Meeting in October 2000, the board of directors was authorized to make decisions on repurchases of the company's own stock. The authorization mandates the board to repurchase a maximum of 1.600.000 to be used as payment for the acquisition of HP Billigt och Nära.

Dividend

The board proposes no dividend be paid for the 2000 fiscal year.

Employees

The Axfood Group had an average of 8,146 full-year employees (7,364) during the full year 2000. During the autumn a restructuring program was implemented which reduced the number of full-year employees by 300. The increase in the number of employees compared with a year ago is attributable to units acquired during the year.

The Annual General Meeting of Axfood AB will be held on May 3, 2001, in Stockholm.

Stockholm, Sweden, February 15, 2001

Axfood AB (publ.)

The Board of Directors

Axfood's 2000 Annual Report is expected to be published on April 2, 2001, and will be available at www.axfood.se. Copies of the annual report can also be ordered from our shareholder service at the following address: axfood@strd.se.

Sales per business unit and market, SEK m				
	4th quarter		Quarters 1-4	
		Pro forma		Pro forma
	2000	1999	2000	1999
Hemköp	1,820	1,884	6,562	6,509
Axfood Lågpris	1,369	685	5,333	2,691
Axfood Direkt	22	11	84	12
Spar Finland	1,326	1,338	5,139	5,415
Axfood wholesaling	4,700	4,644	17,413	16,765
Other ¹	658	680	1,896	2,470
Internal sales	-1,831	-1,473	-6,197	-4,785
Total	8,064	7,769	30,230	29,077

1) Includes joint-Group functions and the support companies IT, Fastigheter, Handelskredit, Egna märkesvaror and Franchise.

Operating income for the period before goodwill amortization (EBITG), is broken down as follows:				
SEK m				
	4th quarter		Quarters 1-4	
		Pro forma		Pro forma
	2000	1999	2000	1999
Hemköp	31	77	172	230
Axfood Lågpris	13	28	133	104
Axfood Direkt	-2	-8	-20	-15
Spar Finland	-11	-3	-25	24
Axfood wholesaling	82	83	222	240
Other ¹	-60	-25	-97	-66
Total	53	152	385	517
Items affecting comparability	-36	-40	-162	-76
Operating income for the period before goodwill amortization	17	112	223	441
Goodwill amortization	-17	-28	-111	-97
Operating income for the period after goodwill amortization	0	84	112	344

1) Includes joint-Group functions and the support companies IT, Fastigheter, Handelskredit, Egna märkesvaror and Franchise.

Condensed income statement				
SEK m				
	4th quarter		Quarters 1-4	
		Pro forma		Pro forma
	2000	1999	2000	1999
Net sales	8,064	7,769	30,230	29,077
Cost of goods sold	-7,647	-7,186	-27,372	-26,181
Gross income	417	583	2,858	2,896
Selling/administrative expenses	-315	-402	-2,308	-2,194
Operating income before depreciation	102	181	550	702
Depreciation	-85	-69	-327	-261
Operating income before goodwill amortization	17	112	223	441
Goodwill amortization	-17	-28	-111	-97
Operating income	0	84	112	344
Net financial items	-20	-17	-112	-83
Income after financial items	-20	67	0	261
Taxes	-5	-36	-24	-105
Minority share	-9	-2	-10	-15
Income for the period	-34	29	-34	141

Condensed balance sheet		
SEK m		
	12/31/2000	Pro forma 12/31/1999
Assets		
Goodwill	1,195	951
Financial fixed assets	681	796
Other fixed assets	2,206	1,720
Inventories, etc.	1,518	1,425
Other current assets	1,707	1,629
Cash and bank balances	278	192
Total assets	7,585	6,713
Shareholders' equity and liabilities		
Shareholders' equity	820	741
Minority interests	181	185
Provisions	579	542
Interest-bearing liabilities	2,610	2,157
Noninterest-bearing liabilities	3,395	3,088
Total shareholders' equity and liabilities	7,585	6,713

Cash flow statement		
SEK m		
	2000	Pro forma 1999
Cash flow from operating activities	445	365
Investing activities:		
- Company acquisitions, net	-212	-63
- Acquisitions of fixed assets, net	-612	-500
- Reduction of financial fixed assets	134	237
Cash flow from investing activities	-690	-326
Financing activities		
- New issue	180	-
- Increase in interest-bearing liabilities	226	109
- Dividend	-75	-73
Cash flow from financing activities	331	36
Cash flow for the period	86	75

Key ratios and other information		
	2000	Pro forma 1999
Operating margin (%)	0.4%	1.2%
Margin after financial items (%)	-	0.9%
Equity ratio (%)	13.2%	13.8%
Debt-equity ratio, net (multiple)	2.2%	2.0
Debt-equity ratio (multiple)	2.96%	2.9
Interest coverage (multiple)	1.0%	3.5
Capital employed (SEK m)	3,968	3,620
Return on capital employed (%)	3.8%	10.3%
Return on shareholders' equity (%)	neg.	20.0%
Capital expenditures (SEK m)	579	563
Earnings per share (SEK)	-0.64	2.77
Number of shares outstanding	53,229,028	50,729,028
Number of full-year employees	8,146	7,364
Dividend 1)	0	2,60

1) Proposed by the board of directors

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