

Axfood

Year-end Report
1 Jan.–31 Dec. 2016

Axfood's best year – again

Fourth quarter summary

- Consolidated net sales amounted to SEK 11,116 m (10,791), an increase of 3.0%.
 - Retail sales for Group-owned stores increased by 2.5%.
 - Like-for-like sales for Group-owned stores increased by 1.3%.
- Operating profit was SEK 401 m (448), corresponding to an operating margin of 3.6% (4.2%).
- Profit after financial items was SEK 399 m (441).
- Net profit was SEK 307 m (341), and earnings per share were SEK 1.46 (1.63).
- In December Axfood made a public cash offer to the shareholders of Matse Holding AB (publ), which is listed on Nasdaq First North.
- The Board of Directors proposes an ordinary dividend of SEK 6.00 per share (5.00, plus an extra dividend of 4.00).
- Axfood is focusing on growth and new investments, and the forecast is an operating profit in 2017 to be level with the outcome for 2016.

Summary full-year 2016

- Consolidated net sales amounted to SEK 43,355 m (41,247), an increase of 5.1%.
 - Retail sales for Group-owned stores increased by 4.0%.
 - Like-for-like sales for Group-owned stores increased by 2.0%.
- Operating profit was SEK 1,902 m (1,760), corresponding to an operating margin of 4.4% (4.3%).
- Profit after financial items was SEK 1,894 m (1,749).
- Net profit was SEK 1,473 m (1,361), and earnings per share were SEK 7.02 (6.48).

Significant events after the balance sheet date

- On 25 January 2017 Axfood executed its offer to the shareholders of Matse Holding AB (publ), as all conditions were fulfilled.

Key ratios

SEK m	Q4 2016	Q4 2015	Change	12 mos 2016	12 mos 2015	Change
Net sales	11,116	10,791	3.0%	43,355	41,247	5.1%
Operating profit	401	448	-10.5%	1,902	1,760	8.1%
Operating margin, %	3.6	4.2	-0.6	4.4	4.3	0.1
Profit after tax	307	341	-10.0%	1,473	1,361	8.2%
Earnings per share, SEK ¹⁾	1.46	1.63	-10.4%	7.02	6.48	8.3%
Cash flow from operating activities per share, SEK	3.2	3.3	-3.0%	10.7	11.9	-10.1%
Return on capital employed, % ²⁾	39.5	36.5	3.0	39.5	36.5	3.0
Return on shareholders' equity, % ²⁾	34.1	31.8	2.3	34.1	31.8	2.3
Shareholders' equity per share, SEK ³⁾	-	-	-	19.62	21.58	-9.1%
Equity ratio, %	-	-	-	39.1	43.0	-3.9

¹⁾ Before and after dilution. ²⁾ Moving 12-month figures. ³⁾ Net asset value per share corresponds to shareholders' equity per share.

For further information, please contact:

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

or:

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

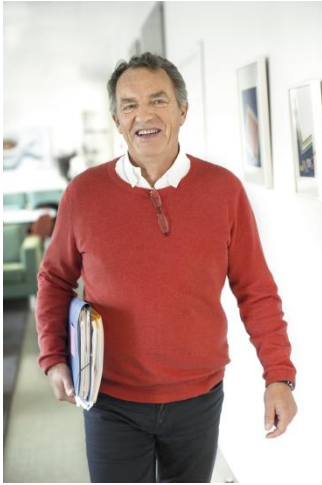
Cecilia Ketels, Head of Investor Relations, mobile +46-72-23 606 43

The information herein is such that Axfood AB (publ) is required to make public in accordance with the EU Market Abuse Regulation and the Swedish Securities Market Act. The information was submitted for publication, through the agency of the contact persons listed here, at 7:30 a.m. (CET) on 7 February 2017.

This year-end report is an English translation of the Swedish original. In the event of any discrepancies, the Swedish version shall govern.



CEO's comments



5.1%

*Sales growth
in 2016.*

2016 – best sales and operating profit thus far

2016 was yet another year of excellent sales growth. Axfood thereby strengthened its position as number two in the Swedish food retail market. The goal for the year was to prioritize growth with maintained profitability, and that is exactly what we have done. All companies in the Group lived up to my expectations. Operating profit for 2016 was our best so far – and in line with the forecast we had previously issued.

Strong profitability – especially for Hemköp

Willys' sales grew more than the market during the year at the same time that the company maintained its operating margin. Sales during the fourth quarter were affected by the value of the Swedish krona as well as by the fact that Christmas Eve fell on a Saturday. The latter entailed that many consumers ate ordinary meals through Friday, which affected the important Christmas sales.

For Hemköp, 2016 was a fantastic year. Combined sales growth for both Group-owned and proprietor-run stores was strong throughout the year. The positive performance for the proprietor-run stores shows that the store managers are willing to invest in order to grow sales and further strengthen the Hemköp brand. Owing to strict cost control and high efficiency, the operating margin exceeded the 4% goal.

For Axfood Närlivs, the positive trend in the restaurant sector drove strong growth, which contributed to high profitability during the year despite costs for recent expansion. Operating profit was also driven by favourable growth in wholesale business. In 2017 we will continue our investments in growth by establishing another two Axfood Snabbgross stores.

During the year the support company Dagab continued to record success and improved its efficiency. Delivery reliability, the metric that shows how well Dagab is delivering to the other companies, exceeded the target at year-end 2016. Dagab's sales grew in pace with the strong growth for the Group's stores and wholesale business. Towards the end of the year profitability was negatively affected by the weaker Swedish krona and the strategic decision to not raise prices ahead of the Christmas shopping season. During the year Dagab increased its operating margin through

favourable sales and more efficient handling.

In 2017 a warehouse for perishables will be built in Jönköping. Initially parts of the warehouse will be automated, with the plan to make it entirely automated over time.

E-commerce will ensure future growth

Owing to thorough preparations, our e-commerce got off to a good start. At year-end Willys and Hemköp offered groceries online to more than 2 million consumers in four cities. The roll-out is continuing in 2017. Willys plans to offer e-commerce in an additional 20 cities, and Hemköp in another ten.

The shopping pattern for consumers online differs from sales in physical stores inasmuch as the average spend and share of organic products are higher online. Hemköp had almost exclusively home deliveries, while Willys – in pace with a widening of delivery areas – changed over from an overwhelming share of store pickups to a share of just under 60% in 2016.

Food retailing requires attention to detail and an ability to continuously deliver. Our successes in recent years prove that we know food, but selling groceries online puts new demands on our organization. If our successful launch of e-commerce is to continue, we will need to build upon the expertise we already have today. We need more employees with knowledge and experience in e-commerce. This was the background to our decision in December to make a public offer for Matse Holding AB (publ), the company that operates the online grocery store mat.se. The acquisition was completed at the end of January 2017.

With an online platform supported by all of our store brands, including mat.se, we have good prospects to grow our sales going forward. In this way we can also be faster at reaching the critical volume needed to achieve profitability in e-commerce.

New retail sales in cross-border shopping

In early 2017 we communicated that we are acquiring Eurocash Food AB in partnership with Norgesgruppen. The acquisition will further strengthen our leading position in the discount segment and marks our entry into the cross-border shopping segment. Since we are already

the main supplier to Eurocash, this step was not so large. But we are now extending our reach all the way to customers in the cross-border shopping segment.

Sustainability rewarded

Axfood aspires to be a good company and positive force in society. One goal is to have as little environmental impact as possible; another is to meet consumers' interest in sustainable solutions. Consumers reward companies that take a great involvement in sustainability. In view of their purchasing power, Axfood's distinct sustainability image is a competitive advantage.

In 2016 we continued to launch new, sustainable private label products in many categories. Among the products in our stores today are vegetarian mince, burgers, and pulled veggie. Of Hemköp's total grocery sales in 2016, organic products accounted for nearly 10%.

During the year we cut CO₂ emissions from our delivery vehicles nearly in half by beginning to use HVO fuel.

Market outlook and price trend

We estimate food inflation in 2017 to be in the range of 1%-2% and that the market will continue growing. We expect competition in the market to grow through the establishment of more stores and increased prevalence of e-commerce.

Dividend and forecast

Despite Axfood's expansive investments and recent acquisitions, the Board proposes an increase in the ordinary dividend by 20% to SEK 6.00 per share.

Axfood stands on a solid foundation today with well-profiled brands and attractive offerings. Our strategy is based on continued profitable growth. To achieve this we will need to adapt to our customers' preferences, which will require more investment going forward. In 2017 we expect capital expenditures to be approximately SEK 800–900 m excluding acquisitions.

Axfood is focusing on growth and new investments, and the forecast is an operating profit in 2017 to be level with the outcome for 2016.

Long-term value

Finally, I want to extend my sincere thanks to all of our customers and owners for your confidence and loyalty. I feel the same gratitude to all of Axfood's employees who every day contribute to our success through their most important efforts – not only during the past year, but during all 12 of my years with Axfood. Thank you!

At Axfood the team is more important than the efforts of any single individual. And our team is strong. I am fully confident that going forward Axfood will continue to have the ability to deliver long-term value to all of its stakeholders.

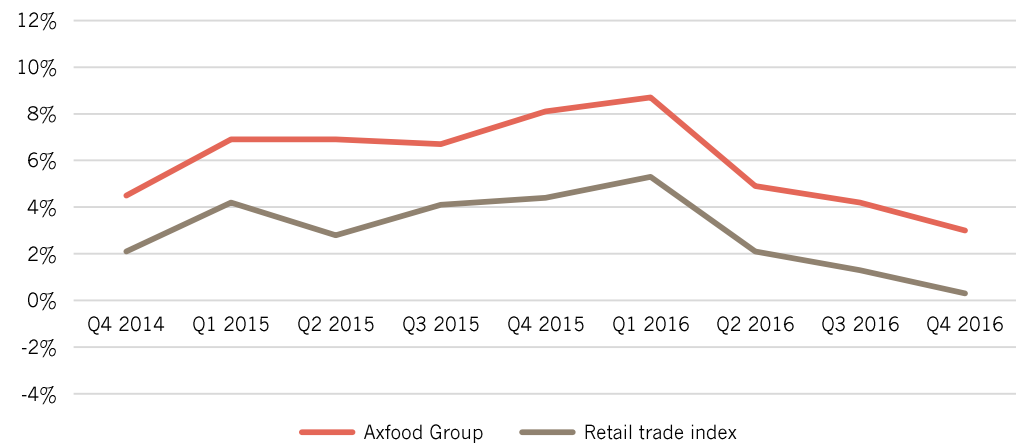


Anders Strålmán
President and CEO, Axfood AB

The Swedish food retail market

According to Statistics Sweden's (SCB) retail trade index for 2016, accumulated sales for the food retail segment (excl. alcoholic beverages) have grown by 2.2% (preliminary data) since the start of the year in current prices. In fixed prices, adjusted for price and calendar effects, volume increased by 0.6%.

Axfood's sales growth¹⁾ compared with the food retail market²⁾



¹⁾ Axfood's consolidated wholesale and retail sales.

²⁾ Sales for the Swedish food retail market excl. alcoholic beverages, based on the HUI/SCB retail trade index. Preliminary data may need to be revised in accordance with HUI/SCB's revision policy.

Sales – Axfood Group

27.9%

Private label products' share of total sales at the end of fourth quarter 2016.

Fourth quarter

Net sales for the Axfood Group amounted to SEK 11,116 m (10,791) during the fourth quarter, an increase of 3.0%. Store sales for the Axfood Group (wholly owned stores and Hemköp franchises) totalled SEK 9,308 m (8,973), an increase of 3.7%. Sales for Group-owned retail operations increased by 2.5% during the fourth quarter, with a 1.3% rise in like-for-like sales. A larger number of customers contributed to the positive sales development.

Sales of private label products accounted for 27.9% (26.8%) of total sales at the end of the quarter.

January–December

Net sales for the Axfood Group amounted to SEK 43,355 m (41,247) during the year, an increase of 5.1%. Store sales for the Axfood Group (wholly owned stores and Hemköp franchises) totalled SEK 35,865 m (34,325), an increase of 4.5%. Sales for Group-owned retail operations increased by 4.0% during the year, with a 2.0% rise in like-for-like sales.

Net sales per segment

SEK m	Q4 2016	Q4 2015	% ¹⁾	12 mos 2016	12 mos 2015	% ¹⁾
Willys	5,978	5,808	2.9	23,164	22,320	3.8
Hemköp	1,599	1,586	0.8	6,171	5,883	4.9
Axfood Närlivs	701	688	1.9	2,884	2,734	5.5
Dagab	10,914	10,389	5.1	42,319	39,756	6.4
Joint-Group ²⁾	185	173	6.9	722	672	7.4
<i>Internal sales between segments that are not eliminated</i>						
Dagab	-8,086	-7,689	5.2	-31,227	-29,487	5.9
Axfood Närlivs	-2	-2	0.0	-4	-4	0.0
Joint-Group	-173	-162	6.8	-674	-627	7.5
Net sales, total	11,116	10,791	3.0	43,355	41,247	5.1

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

²⁾ Includes head office support functions, such as the Executive Committee, Finance/Accounting, Communications, Business Development, HR and IT.

Store sales – Group-owned and franchise stores²⁾

SEK m	Q4 2016	% ¹⁾	Like-for-like sales, % ¹⁾	12 mos 2016	% ¹⁾	Like-for-like sales, % ¹⁾
Willys	5,978	2.9	1.1	23,164	3.8	1.4
Hemköp, Group-owned	1,575	0.7	2.3	6,072	4.8	4.0
Hemköp franchises	1,755	9.6	2.7	6,629	6.7	3.5
Hemköp total	3,330	5.2	2.5	12,701	5.8	3.8
Group-owned retail operations	7,553	2.5	1.3	29,236	4.0	2.0
Store sales, Axfood Group	9,308	3.7	1.6	35,865	4.5	2.2

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

²⁾ See also the table “Store sales. Group-owned and franchise stores” on p. 19.

Change in store structure

Number of stores	Dec. 2015	New establishment	Acquisitions	Sales/ closures	Conversions to/from	Dec. 2016
Willys ¹⁾	194	5		-3		196
Hemköp	68		2	-3		67
Total, Group-owned	262	5	2	-6		263
Hemköp franchises	111	1	4	-2	4	118
Axfood Group total	373	6	6	-8	4	381
¹⁾ Of which, Willys Hemma	50	1		-3		48

Earnings, Axfood Group

Fourth quarter

Operating profit for the fourth quarter totalled SEK 401 m (448). The operating margin was 3.6% (4.2%). Operating profit was negatively affected primarily by currency effects, increased campaign pressure and close-out sales of Christmas items. Profit after financial items was SEK 399 m (441). Profit after tax was SEK 307 m (341).

January–December

Operating profit for the year was SEK 1,902 m (1,760). The operating margin was 4.4% (4.3%). All companies showed positive profitability development, which is explained above all by the strong sales growth. Hemköp performed best in this regard, increasing its operating profit by 17.6% in 2016. Net financial items amounted to SEK -8 m (-11) for the year, and profit after financial items was SEK 1,894 m (1,749). Profit after tax was SEK 1,473 m (1,361).

Operating profit per

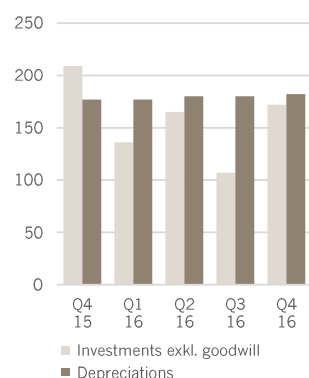
SEK m	Q4 2016	Q4 2015	% ¹⁾	12 mos 2016	12 mos 2015	% ¹⁾
Willys	205	222	-7.7	922	896	2.9
Hemköp	62	57	8.8	260	221	17.6
Axfood Närlivs	45	48	-6.3	202	200	1.0
Dagab	146	166	-12.0	670	600	11.7
Joint-Group ²⁾	-57	-45	26.7	-152	-157	-3.2
Operating profit for the period	401	448	-10.5	1,902	1,760	8.1
Net financial items ³⁾	-2	-7	-71.4	-8	-11	-27.3
Profit for the period after financial items	399	441	-9.5	1,894	1,749	8.3

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

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,
depreciation/amortization,
SEK m

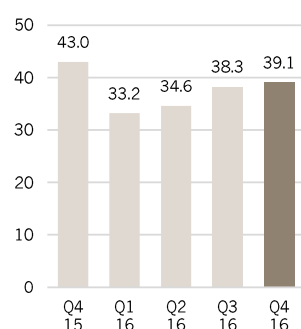


Capital expenditures

Total capital expenditures during in 2016 amounted to SEK 580 m (764), of which SEK 6 m (44) pertained to acquisitions of businesses, while SEK 349 m (425) pertained to investments in non-current assets in retail operations, SEK 85 m (65) to non-current assets in wholesale operations, and SEK 135 m (223) pertained to IT.

Approximately SEK 57 m (56) of total capital expenditures pertained to e-commerce. Other investments pertained mainly to new establishment, replacement investments and modernization of stores and warehouses.

Equity ratio, %



Financial position and cash flow

Cash flow from operating activities before paid tax was SEK 2,568 m during the year (2,765). Paid tax amounted to SEK -327 m (-270). Payment of the shareholder dividend affected cash flow by SEK -1,889 m (-899), and net capital expenditures affected cash flow by SEK -559 m (-751). The dividend for 2015 consisted in part of an ordinary dividend of SEK 5.00 per share and in part of an extra dividend of SEK 4.00 per share. The slightly lower level of capital expenditures during the year is mainly attributable to store establishments that were planned in earlier years, but which due to external factors were pushed back until future years.

Cash and cash equivalents held by the Group amounted to SEK 1,726 m, compared with SEK 1,933 m in December 2015. Interest-bearing liabilities and provisions totalled SEK 498 m, compared with SEK 504 m in December 2015. The interest-bearing net debt receivable was SEK 1,249 m at year-end, compared with SEK 1,449 m in December 2015.

The equity ratio was 39.1%, compared with 43.0% in December 2015.

Derivation of total investments and net capital expenditures in cash flow

SEK m	12 mos 2016	12 mos 2015
Total investments	-580	-764
Investments in finance leases	46	46
Divestment of tangible/intangible assets	20	25
Acquisition of financial assets	-49	-20
Acquired operations, cash payment	-3	-45
Divested operations	7	7
Cash flow from investing activities	-559	-751

Results per operating segment

Willys

Fourth quarter

Willys reported sales growth of 2.9% during the fourth quarter compared with the same period a year ago. Sales amounted to SEK 5,978 m (5,808) and were favourably affected by a larger number of customers and a slightly higher average spend. Like-for-like sales increased by 1.1%.

During the fourth quarter an additional five stores launched e-commerce, and the delivery area for the stores that previously offered online sales was widened.

Operating profit totalled SEK 205 m (222), a decrease of 7.7%. The operating margin was 3.4% (3.8%). Campaign pressure was higher during the quarter, and the important Christmas sales were negatively affected by Christmas Eve falling on a Saturday. The latter entailed that many consumers ate ordinary meals through Friday. Due to the lower sales of Christmas food, the subsequent close-out sales of Christmas items also affected the operating margin.

During the fourth quarter one new Willys Hemma was established and one was closed.

January–December

Willys' sales in 2016 totalled SEK 23,164 m (22,320), an increase of 3.8% compared with the preceding year. Like-for-like sales increased by 1.4%. At the beginning of the year like-for-like sales were affected by the establishment of an additional Willys store in a city where Willys was already represented.

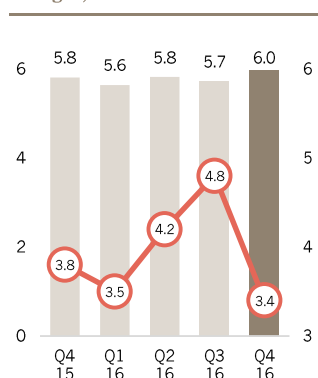
At year-end consumers in Stockholm, Kungälv outside Gothenburg, Uppsala and Norrköping had the possibility to shop online. The share of online sales for store pick-up compared with home delivery decreased during the year in pace with expansion of the delivery area. During 2016 just under 60% of online purchases were picked up at stores. The average spend was higher for sales online than in stores.

During the year four Willys stores and one Willys Hemma opened. Since three Willys Hemma stores closed during the year, the total number of stores increased by two, net. The store structure at year-end consisted of 148 Willys stores and 48 Willys Hemma stores. Plans in 2017 call for two new Willys stores, one Willys Hemma, and the continued roll-out of e-commerce in some 20 cities.

At year-end Willys' private label share was 30.1% (29.1%), and the Willys Plus customer programme had more than 2 million registered customers.

Operating profit was SEK 922 m (896), and the operating margin was 4.0% (4.0%).

Sales, SEK bn, and operating margin, %



SEK m	Q4 2016	Q4 2015	Change	12 mos 2016	12 mos 2015	Change
Net sales	5,978	5,808	2.9%	23,164	22,320	3.8%
Change in like-for-like sales, %	1.1	5.4	-4.3	1.4	4.4	-3.0
Operating profit	205	222	-7.7%	922	896	2.9%
Operating margin, %	3.4	3.8	-0.4	4.0	4.0	0.0
Number of Group-owned stores	-	-	-	196	194	2
Average number of employees during the period	-	-	-	4,685	4,464	5.0%
Private label share, %	-	-	-	30.1	29.1	1.0

Hemköp

Fourth quarter

Hemköp's sales increased by 0.8% during the fourth quarter. Like-for-like sales totalled SEK 1,575 m (1,564), an increase of 0.7%. Like-for-like sales for Group-owned stores grew by 2.3% during the period. Sales for franchise stores totalled SEK 1,755 m (1,601), an increase of 9.6%. The increase is partly attributable to a net increase in the number of franchise stores during the last 12 months. Like-for-like sales for franchise stores increased by 2.7% during the period.

During the fourth quarter e-commerce was launched in Gothenburg, and additional stores now offer e-commerce to consumers in the Stockholm area.

Operating profit for the fourth quarter totalled SEK 62 m (57), corresponding to an operating margin of 3.9% (3.6%). The increase is mainly attributable to favourable cost development.

January–December

Hemköp's sales in Group-owned stores totalled SEK 6,072 m (5,794) in 2016, an increase of 4.8%. Like-for-like sales for Group-owned stores increased by 4.0% during the year. The increase was driven primarily by a larger number of customers.

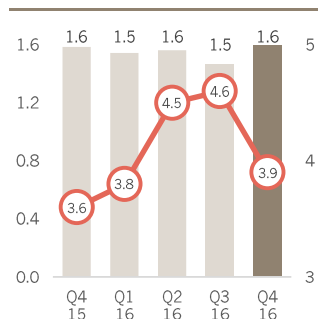
Sales for franchise stores totalled SEK 6,629 m (6,211), an increase of 6.7%. Like-for-like sales for franchise stores increased by 3.5%. During the year the number of franchise stores increased by seven, net. Three of these were 91/9 stores, whose store managers exercised their option and acquired more than 99% of the shares in their respective store companies. At year-end the number of franchise stores was 118, and with 67 stores Hemköp had one less Group-owned store than in the preceding year. During 2017 six new Group-owned stores are planned along with the continued roll-out of e-commerce in an additional some ten cities.

E-commerce sales have developed well. At year-end eight stores in Stockholm and Gothenburg offered online sales. Customers chose home delivery almost exclusively. The average spend and share of organic products was considerably higher for e-commerce than for sales in stores.

Hemköp's private label share was 22.7% (21.4%) at year-end, while Hemköp's customer programme had more than 1 million customers at year-end.

Operating profit for the year was SEK 260 m (221). The operating margin for the year was 4.2% (3.8%). The higher profitability can be credited to more customers and well managed stores combined with controlled cost development.

Sales, SEK bn, and operating margin, %



SEK m	Q4 2016	Q4 2015	Change	12 mos 2016	12 mos 2015	Change
Net sales	1,599	1,586	0.8%	6,171	5,883	4.9%
Change in like-for-like sales, %	2.3	6.1	-3.8	4.0	5.0	-1.0
Operating profit	62	57	8.8%	260	221	17.6%
Operating margin, %	3.9	3.6	0.3	4.2	3.8	0.4
Number of Group-owned stores	-	-	-	67	68	-1
Average number of employees during the period	-	-	-	1,817	1,745	4.1%
Private label share, %	-	-	-	22.7	21.4	1.3

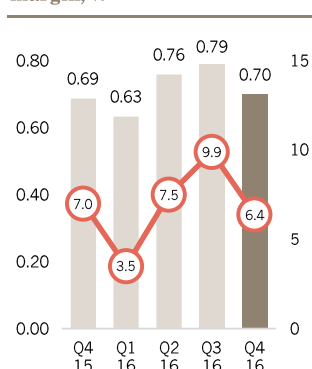
Axfood Närlivs

Fourth quarter

Axfood Närlivs' sales growth continued during the fourth quarter, albeit at a slightly lower level than previously. The rate of growth was slowed by weak sales at the start of the quarter following strong sales driven by warm summer weather in September. Sales totalled SEK 701 m (688), an increase of 1.9%.

Operating profit for the fourth quarter totalled SEK 45 m (48), and the operating margin was 6.4% (7.0%). The lower operating profit for the period is attributable to the dissolution of provisions of SEK 11 m during the comparison period.

Sales, SEK bn, and operating margin, %



January–December

Axfood Närlivs' sales in 2016 totalled SEK 2,884 m (2,734), an increase of 5.5%. Growth is strong for most customer categories. During the year Axfood Snabbgross increased both its number of customers and the average spend.

Operating profit totalled SEK 202 m for the year (200), entailing an operating margin of 7.0% (7.3%). Operating profit was favourable in view of recent costs for newly established stores.

Axfood Snabbgross had 22 stores (21) at year-end. Another two Axfood Snabbgross stores are planned for establishment in 2017, in Helsingborg and in Gothenburg.

SEK m	Q4 2016	Q4 2015	Change	12 mos 2016	12 mos 2015	Change
Net sales	701	688	1.9%	2,884	2,734	5.5%
Operating profit	45	48	-6.3%	202	200	1.0%
Operating margin, %	6.4	7.0	-0.6	7.0	7.3	-0.3
Axfood Snabbgross, no. stores	-	-	-	22	21	1
Average number of employees during the period	-	-	-	476	451	5.5%

Dagab

Fourth quarter

The support company Dagab had strong sales growth, driven by the sales performance of the store chains. Sales totalled SEK 10,914 m (10,389), an increase of 5.1%.

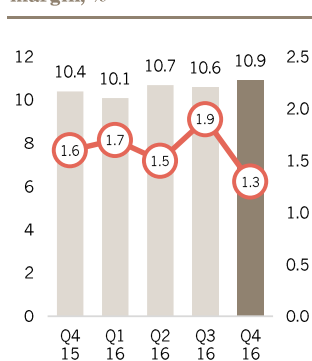
Operating profit totalled SEK 146 m (166), and the operating margin was 1.3% (1.6%). The lower operating margin is mainly attributable to currency effects on purchases of private label products and the strategic decision to not raise prices ahead of the Christmas shopping season.

January–December

Dagab's sales in 2016 totalled SEK 42,319 m (39,756), an increase of 6.4%. Sales performance was driven by sales in the store chains, but also by continued favourable wholesale demand, including from e-commerce operators.

Operating profit totalled SEK 670 m (600), corresponding to an operating margin of 1.6% (1.5%). The higher operating margin is mainly attributable to higher efficiency, favourable development for private label products and higher volumes to the store chains.

Sales, SEK bn, and operating margin, %



SEK m	Q4 2016	Q4 2015	Change	12 mos 2016	12 mos 2015	Change
Net sales	10,914	10,389	5.1%	42,319	39,756	6.4%
Distributed sales	7,280	6,930	5.1%	27,639	25,995	6.3%
Operating profit	146	166	-12.0%	670	600	11.7%
Operating margin, %	1.3	1.6	-0.3	1.6	1.5	0.1
Average number of employees during the period	-	-	-	1,888	1,809	4.4%
Delivery reliability, %	97.5	96.8	0.7	96.8	96.9	-0.1

Parent Company

Other operating revenue for the Parent Company amounted to SEK 228 m (205) in 2016. After selling and administrative expenses of SEK 317 m (292) and net financial items of SEK 3 m (3), profit after financial items was SEK -86 m (-84). Capital expenditures totalled SEK 5 m (7) during the year.

The Parent Company's interest-bearing net debt receivable was SEK 188 m at year-end, compared with SEK 716 m as per December 2015. The Parent Company has no significant transactions with related parties, other than transactions with subsidiaries

Sustainable development

Key ratios – Group

	Q4 2016	Q4 2015	12 mos 2016	12 mos 2015
Organic products as % of total food sales				
Axfood	6.6	6.3	6.8	5.9
Willys	5.8	5.5	6.0	5.2
Hemköp	9.2	8.7	9.3	8.1
KRAV-certified meat as % of total meat sales				
Axfood	3.4	3.4	3.6	3.5
Willys	2.7	2.9	2.9	3.1
Hemköp	6.3	5.9	6.8	5.8
Combustible waste ¹⁾ (tonnes) – share of net sales (SEK m), %				
Willys	40	n.a.	40	n.a.
Hemköp	n.a.	n.a.	n.a.	n.a.
Axfood Snabbgross	21	n.a.	21	n.a.
Private label product recalls from stores	1	6	24	26
Other product recalls from stores	20	34	76	96
Number of social audits ²⁾	8	17	54	48
Electricity consumption, kWh/m ² (stores and warehouses) ³⁾	334.0	331.6	334.0	331.6
Electricity consumption (kWh) as share of net sales (SEK), % ⁴⁾	0.62	0.63	0.62	0.63
CO ₂ emissions, kg/tonne goods ⁵⁾	8.7	16.9	8.7	16.9
Work attendance rate, %	93.6	93.8	93.9	94.0

¹⁾ Moving 12-month figures, with 1 quarter delay.

²⁾ Both under own management and via the organization Business Social Compliance Initiative (BSCI).

³⁾ Moving 12-month figures. Pertains to Group-owned stores and warehouses.

⁴⁾ Inflation-adjusted net sales.

⁵⁾ Moving 12-month figures. Pertains to total volume for transports from warehouses to stores using own delivery fleet.

Sales of organic products

Axfood's customers continue to seek out organic alternatives. Sales of organic products grew 19.7% in 2016 compared with 2015. This corresponds to 6.8% (5.9%) of total sales. Axfood has set a target for organic products to account for 10% of total sales by 2020.

Sales of vegetarian products, i.e., refrigerated and frozen plant-based protein substitutes, increased by 37% in 2016.

Reduced CO₂ emissions from transports

Axfood is reducing the climate impact of transports through route planning, maximizing capacity utilization, driver training in eco-driving and the use of renewable fuels. During 2016 the environmental impact of Axfood's own fleet decreased significantly, especially through the use of HVO fuel. HVO is made of 100% renewable ingredients and is produced through hydrogenation of vegetable oils and/or waste animal fats. In 2016, CO₂ emissions from Group-owned delivery vehicles decreased by 49% per tonne of transported goods.

Electricity consumption in stores

The Group has set a target to reduce electricity consumption by 15% per square metre by 2020. Despite energy savings measures, electricity consumption increased by 0.7% per square metre during the year due to a higher share of refrigerated products, more customers in stores and more extensive warehousing.

Practical preconditions for promoting diversity

Culture, attitudes and prejudices are key drivers of diversity work. But practical preconditions are also needed. In 2016 Axfood introduced the opportunity for salaried employees to switch days with shortened work hours (typically days before holidays). This allows employees to use these days for other holidays than the official Swedish holidays.

Among all of Axfood's employees the share with an international background is 21%. In 2016 11% of senior executives came from an international background. The target is for this share to be at least 20% by 2020.

The long-term goal is to achieve an even gender balance in management positions, i.e., that men and women will be represented within a range of 40%–60%. This goal was achieved at the mid-management level in 2016, but among senior executives the share of women was 32%.

Proud employees and managers with greater knowledge about ill-health

Axfood conducts an employee survey every other year. In the 2016 survey, 98% of employees participated. The Group's goal is to achieve an Employee Satisfaction Index (ESI) score of at least 90. Axfood's ESI score in the 2016 survey was 92, which continues to be far higher than the benchmark score of 86. More than eight in ten employees indicate that they are proud to work for Axfood.

Axfood is working to prevent ill-health and increase the work attendance rate. The target for work attendance is a minimum of 95%. In 2016 the work attendance rate was 93.9%, which reflects the general trend in society. To counter this societal trend and the trend within the Axfood Group, Axfood is investing in training for all managers. The aim is to create clearer work processes and better tools to enable managers to act on early signs of ill-health among employees.

Charity

About 600,000 tonnes of food are thrown out meaninglessly in Sweden every year. The largest share of this food waste takes place in people's homes. However, a lot is thrown out within the food retail industry – because it is nearing its best-by date or due to cosmetic defects on products, for example.

As one way of reducing food waste, Axfood's stores and warehouses have initiated partnerships with various local charity organizations. Individual stores around the country donate food that cannot no longer be sold, but which still has good quality. At year-end 2016, 54 Willys stores and 22 Hemköp stores had donated food to charity organizations.

Forecast, financial guidance and market outlook 2017

- Axfood is focusing on growth and new investments, and the forecast is an operating profit in 2017 to be level with the outcome for 2016.
- Axfood's capital expenditures are expected to total SEK 800–900 m excluding acquisitions in 2017.
- Axfood's expectation is that food inflation in Sweden in 2017 will be in the range of 1%–2%.

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

Stockholm, 6 February 2017

Anders Strålmán
President and CEO

Annual General Meeting

The Annual General Meeting will be held at 5 p.m. CET on 15 March 2017 at Stockholm City Conference Centre, Folkets Hus (Barnhusgatan 12-14), in Stockholm. Registration will begin at 4 p.m. CET.

Future reports

The 2016 Annual Report will be published on 22 February 2017. The interim report for the period January–March 2017 will be presented on 20 April 2017, at approx. 7:30 a.m. CET. The interim report for the period January–June 2017 will be presented on 14 July 2017, at approx. 1 p.m. CET. The interim report for the period January–September 2017 will be presented on 19 October 2017, at approx. 7:30 a.m. CET.

Press releases during the fourth quarter

20 December 2016	Axfood publishes offer document for the public cash offer to the shareholders of Matse Holding
15 December 2016	Hemköp's pre-packed grocery bags with predefined dinner solutions now available also in Gothenburg and Malmö
15 December 2016	Axfood makes public cash offer to the shareholders of Matse Holding AB
6 December 2016	Six new Hemköp stores in 2017
29 November 2016	Axfood Närlivs and OKQ8 extend cooperation
16 November 2016	Hemköp launches online sales in Gothenburg
19 October 2016	Willys tests new approaches to reducing food waste
18 October 2016	Axfood makes new investment in solar panels
3 October 2016	Born: Minstingen – new brand in Axfood's private label family

Financial statements, Group

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

SEK m	Q4 2016	Q4 2015	12 mos 2016	12 mos 2015
Net sales	11,116	10,791	43,355	41,247
Cost of goods sold	-9,597	-9,246	-37,151	-35,352
Gross profit	1,519	1,545	6,204	5,895
Selling/administrative expenses, etc.	-1,118	-1,097	-4,302	-4,135
Operating profit	401	448	1,902	1,760
Interest income and similar profit/loss items	1	2	5	6
Interest expense and similar profit/loss items	-3	-9	-13	-17
Profit after financial items	399	441	1,894	1,749
Tax	-92	-100	-421	-388
Profit for the period	307	341	1,473	1,361
Other comprehensive income				
<i>Items that cannot be reclassified to profit or loss for the period</i>				
Revaluation of defined benefit pension plans	27	-22	0	8
Tax attributable to items that cannot be reclassified to profit or loss for the period	-6	-5	0	-2
<i>Items that will be reclassified to profit or loss for the period</i>				
Translation differences in calculation of foreign operations	0	0	0	0
Change in fair value of forward exchange contracts	-1	-4	4	-5
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	0	-1	0
Other comprehensive income for the period	20	16	3	4
Total comprehensive income for the period	327	357	1,476	1,365
Operating profit includes depreciation/amortization of	182	177	719	696
Earnings per share, SEK ¹⁾	1.46	1.63	7.02	6.48
Profit for the period attributable to				
Owners of the parent	307	341	1,473	1,361
Non-controlling interests	0	0	0	0
Total comprehensive income for the period attributable to				
Owners of the parent	327	357	1,476	1,365
Non-controlling interests	0	0	0	0

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

Condensed statement of financial position, Group

SEK m	31/12/2016	31/12/2015
Assets		
Goodwill	1,864	1,860
Other intangible non-current assets	614	668
Property, plant and equipment	1,799	1,930
Financial assets ¹⁾	138	95
Deferred tax assets	61	60
Total non-current assets	4,476	4,613
Inventories	2,191	2,035
Accounts receivable – trade	926	852
Other current assets	1,220	1,104
Cash and bank balances	1,726	1,933
Total current assets	6,063	5,924
Total assets	10,539	10,537
Shareholders' equity and liabilities		
Equity attributable to owners of the parent	4,117	4,530
Equity attributable to non-controlling interests	1	1
Total shareholders' equity	4,118	4,531
Non-current interest-bearing liabilities	459	464
Deferred tax liabilities	674	569
Other noninterest-bearing non-current liabilities	27	30
Total non-current liabilities	1,160	1,063
Current interest-bearing liabilities	39	40
Accounts payable – trade	3,224	2,782
Other current noninterest-bearing liabilities	1,998	2,121
Total current liabilities	5,261	4,943
Total shareholders' equity and liabilities	10,539	10,537
¹⁾ Of which, interest-bearing assets	21	20

Condensed statement of cash flows, Group

SEK m	12 mos 2016	12 mos 2015
Operating activities		
Cash flow from operating activities before changes in working capital, before paid tax	2,572	2,408
Paid tax	-327	-270
Changes in working capital	-4	357
<i>Cash flow from operating activities</i>	<i>2,241</i>	<i>2,495</i>
Investing activities		
Sales and acquisitions of operations, net	-2	-82
Change in non-current assets, net	-508	-649
Change in financial non-current assets, net	-49	-20
<i>Cash flow from investing activities</i>	<i>-559</i>	<i>-751</i>
Financing activities		
Change in interest-bearing liabilities	-	-21
Dividend payout	-1,889	-899
<i>Cash flow from financing activities</i>	<i>-1,889</i>	<i>-920</i>
Cash flow for the period	-207	824

Condensed statement of changes in equity, Group

SEK m	31/12/2016	31/12/2015
Amount at start of year	4,531	4,065
Total comprehensive income for the period	1,476	1,365
Dividend to shareholders	-1,889	-899
Amount at end of period ¹⁾	4,118	4,531

¹⁾ Of shareholders' equity, SEK 4,117 m (4,530) is attributable to owners of the parent and SEK 1 m (1) to non-controlling interests.

Key ratios and other data, Group

	12 mos 2016	12 mos 2015
Operating margin, %	4.4	4.3
Margin after financial items, %	4.4	4.2
Equity ratio, %	39.1	43.0
Net debt-equity ratio (+)/Net debt receivable ratio (-), multiple	-0.3	-0.3
Debt-equity ratio, multiple	0.1	0.1
Interest cover ratio, multiple	146.7	103.9
Capital employed, SEK m	4,616	5,035
Return on capital employed, %	39.5	36.5
Return on shareholders' equity, %	34.1	31.8
Average number of employees	9,211	8,803
Capital expenditures, SEK m	580	764
Number of shares outstanding ¹⁾	209,870,712	209,870,712
Key data per share		
Earnings per share, SEK ¹⁾	7.02	6.48
Ordinary dividend per share, SEK	6.00 ⁴⁾	5.00
Extra dividend per share, SEK	— ⁴⁾	4.00
Shareholders' equity per share, SEK ^{1), 2)}	19.62	21.58
Cash flow per share, SEK ¹⁾	-1.0	3.9
Share price, SEK	143.20	146.80

Quarterly overview

	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016
Sales	9,566	10,478	10,412	10,791	10,395	10,991	10,853	11,116
Operating profit	329	431	552	448	408	494	599	401
Operating margin, %	3.4	4.1	5.3	4.2	3.9	4.5	5.5	3.6
Earnings per share, SEK ^{1), 3)}	1.22	1.59	2.05	1.63	1.51	1.83	2.22	1.46
Shareholders' equity per share, SEK ^{1), 2), 3)}	16.24	17.85	19.88	21.58	14.07	15.87	18.06	19.62
Return on shareholders' equity, %	35.4	33.7	32.5	31.8	44.7	41.6	37.9	34.1
Cash flow from operating activities per share, SEK ³⁾	2.5	3.0	3.1	3.3	1.9	3.0	2.5	3.2
Capital expenditures	164	221	170	209	136	165	107	172

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⁾ During the second quarter of 2015 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.

⁴⁾ Proposed by the Board of Directors.

Financial statements, Parent Company

Condensed income statement, Parent Company

SEK m	Q4 2016	Q4 2015	12 mos 2016	12 mos 2015
Net sales	0	-	0	-
Selling/administrative expenses, etc.	-32	-23	-89	-87
<i>Operating profit</i>	-32	-23	-89	-87
Other net financial items	1	1	3	3
<i>Profit after financial items</i>	-31	-22	-86	-84
Appropriations, net	1,501	1,358	1,501	1,358
<i>Profit before tax</i>	1,470	1,336	1,415	1,274
Tax	-326	-296	-314	-282
Net profit for the period	1,144	-1,040	1,101	992
Operating profit includes depreciation/amortization totalling	2	3	10	10

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

Condensed balance sheet, Parent Company

SEK m	31/12/2016	31/12/2015
Assets		
Property, plant and equipment	22	30
Participations in Group companies	3,136	3,136
Other financial non-current assets	55	6
Deferred tax assets	5	5
Total non-current assets	3,218	3,177
Receivables from Group companies ¹⁾	2,705	2,681
Other current assets	11	15
Cash and bank balances	1,303	1,489
Total current assets	4,019	4,185
Total assets	7,237	7,362
Shareholders' equity and liabilities		
Restricted shareholders' equity	287	287
Unrestricted shareholders' equity	2,819	3,607
Total shareholders' equity	3,106	3,894
Untaxed reserves	2,127	1,653
Non-current interest-bearing liabilities	22	20
Noninterest-bearing non-current liabilities	1	1
Total non-current liabilities	23	21
Accounts payable – trade	19	11
Liabilities to Group companies ²⁾	1,823	1,648
Other current noninterest-bearing liabilities	139	135
Total current liabilities	1,981	1,794
Total shareholders' equity and liabilities	7,237	7,362
¹⁾ Of which, interest-bearing receivables	725	875
²⁾ Of which, interest-bearing liabilities	1,818	1,628

Notes

Note 1 Accounting policies

Axfood applies International Financial Reporting Standards (IFRS) as endorsed by the European Union. This year-end report has been prepared for the Group in accordance with IAS 34 Interim Financial Reporting and applicable provisions of the Swedish Annual Accounts Act. For the Parent Company, the year-end report has been prepared in accordance with recommendation RFR 2 – Reporting for Legal Entities, issued by the Swedish Financial Reporting Board (RFR), and Ch. 9 – Interim Financial Reporting, of the Swedish Annual Accounts Act.

Preparation of the financial statements in accordance with IFRS requires the Board and company management to 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 same accounting policies and calculations methods have been used in this year-end report as in the last annual report.

New accounting policies effective in 2016 and forward

New or amended policies that take effect as from the 2017 financial year and forward are not planned to be applied prospectively. To the extent that anticipated effects on the financial statements of application of new or amended standards and interpretations are not described below, Axfood has concluded that they will not have any material effect on the consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers, the new revenue standard that takes effect in 2018 with 2017 as the comparison year, which replaces IFRS with respect to revenue recognition, will affect Axfood's financial reporting only with respect to increased disclosure requirements, based on our current assessment. Most of all sales in Axfood, approximately 75%, are sales in stores, and recognition according to current policies is in compliance with the rules of IFRS 15. The impact regarding variable consideration such as discounts and price concessions has not yet been analysed. The effects of the increased disclosure requirement will be determined in 2017. IFRS 9, which replaces IAS 39 Financial Instruments, will according to the current analysis affect Axfood with respect to categorization but is not considered to have any major effect. The extent to which IFRS 9 affects Axfood's financial reporting will be determined in 2017. The standard takes effect in 2018. IFRS 16 Leases, the new leasing standard that takes effect in 2019 with 2018 as the comparison year, will affect Axfood. The new standard differs significantly from the current IAS 17. The new standard applies for all lease contracts as well as all subleases. A linear operating lease cost has been replaced with a "top-heavy" cost profile for each individual lease contract. Portfolios with a spread of lease terms are affected less. The disclosures provided in Note 11 in the Annual Report about operating leases provide an indication of the type and scope of the leases that currently exist. An analysis of how financial reports will be affected in terms of amount will continue in 2017 and forward. A choice of transitional method has not yet been made.

Note 2 Operating segments

Axfood's operating segments have been determined based on the information considered by the Group's Executive Committee and which is used to evaluate the result of operations and allocate resources to the segments. The Executive Committee monitors sales and operating profit for each of the business areas, which make up the Group's operating segments. The operating segments that have been identified are: Willys, Hemköp, Dagab and Närlivs. For information about Axfood's operating segments, see pages 3–8 of this year-end report. For a more detailed description of the segments, please refer to the 2015 Annual Report

Note 3 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 2015 Annual Report.

Note 4 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 the major holiday season during the fourth quarter.

Note 5 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's holding in Matse Holding AB is included in 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, 31/12/2016

Financial assets and liabilities

SEK m	Carrying amount	Fair value	Non-financial assets and liabilities	Total, statement of financial position
Financial assets	120	120	18	138
Accounts receivable – trade	926	926	-	926
Cash and bank balances	1,726	1,726	-	1,726
Total assets	2,772	2,772	18	2,790
Non-current interest-bearing liabilities	41	41	418	459
Current interest-bearing liabilities	39	39	-	39
Other current noninterest-bearing liabilities	7	7	1,991	1,998
Accounts payable – trade	3,224	3,224	-	3,224
Total liabilities	3,311	3,311	2,409	5,720

Group, 31/12/2015

Financial assets and liabilities

SEK m	Carrying amount	Fair value	Non-financial assets and liabilities	Total, statement of financial position
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	2,683	2,683	2,544	5,407

Parent Company, 31/12/2016

Financial assets and liabilities

SEK m	Carrying amount	Fair value	Non-financial assets and liabilities	Total, condensed balance sheet
Financial assets	55	61	-	55
Receivable from Group companies	730	730	1,975	2,705
Cash and bank balances	1,303	1,303	-	1,303
Total assets	2,088	2,094	1,975	4,063
Accounts payable – trade	19	19	-	19
Liabilities to Group companies	1,823	1,823	-	1,823
Total liabilities	1,842	1,842	-	1,842

Parent Company, 31/12/15

Financial assets and liabilities

SEK m	Carrying amount	Fair value	Non-financial assets and liabilities	Total, condensed balance sheet
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 2016 was 0.25% (0.25%).

Note 6 Pledged assets and contingent liabilities

Group, SEK m	31/12/2016	31/12/2015
Pledged assets	0	0
Contingent liabilities	14	14
Parent Company, SEK m	31/12/2016	31/12/2015
Pledged assets	0	0
Contingent liabilities	301	313

Note 7 Events after the balance sheet date

In December 2016 Axfood AB made an offer to acquire all of the shares in Matse Holding AB. On 23 January 2017, the Swedish Competition Authority decided to not take any further action with respect to the offer, and Axfood declared the offer unconditional. At the end of January 2017, Axfood had acquired 98.8% of the shares in Matse Holding AB for a purchase price of SEK 547 m. The company will be included in Dagab in the segment reporting. A purchase price allocation calculation will be reported in the interim report for the first quarter of 2017, as no acquisition values are yet available.

Financial key ratios

The Axfood Group uses various financial measures in the interim report that are not defined in IFRS. Axfood believes that these key ratios are relevant for readers of Axfood's financial reports as a complement in assessing Axfood's performance. Since not all companies calculate financial measures in the same way, these are not always comparable with measures used by other companies. These financial measures are therefore not to be regarded as a substitute for measures defined in IFRS. The table below includes measures not defined in IFRS, unless indicated otherwise, as well as a reconciliation of these measures.

Definitions of the key ratios are provided below.

Derivation and reconciliation

Store sales for Group-owned and franchise stores, quarterly data

SEK m	Q4 2016	Q4 2015	% ¹⁾	Like-for-like sales Q4 2016	Like-for-like sales Q4 2015	% ¹⁾
Net sales, Willys	5,978	5,808	2.9	-	-	-
Of which, sales for Group-owned stores ²⁾	5,978	5,808	2.9	5,821	5,760	1.1
Net sales, Hemköp	1,599	1,586	0.8	-	-	-
Of which, sales for Group-owned stores ²⁾	1,575	1,564	0.7	1,512	1,478	2.3
Store sales, Hemköp franchise stores	1,755	1,601	9.6	1,618	1,576	2.7
Store sales, Hemköp Group-owned and franchise stores	3,330	3,165	5.2	3,130	3,054	2.5
Retail sales, Group-owned stores²⁾	7,553	7,372	2.5	7,333	7,238	1.3
Store sales, Axfood Group	9,308	8,973	3.7	8,951	8,814	1.6

Store sales for Group-owned and franchise stores, 12-month data

SEK m	12 mos 2016	12 mos 2015	% ¹⁾	Like-for-like sales, 12 mos 2016	Like-for-like sales, 12 mos 2015	% ¹⁾
Net sales, Willys	23,164	22,320	3.8	-	-	-
Of which, sales for Group-owned stores ²⁾	23,164	22,320	3.8	22,480	22,159	1.4
Net sales, Hemköp	6,171	5,883	4.9	-	-	-
Of which, sales for Group-owned stores ²⁾	6,072	5,794	4.8	5,771	5,549	4.0
Store sales, Hemköp franchise stores	6,629	6,211	6.7	6,307	6,092	3.5
Store sales, Hemköp Group-owned and franchise stores	12,701	12,005	5.8	12,078	11,641	3.8
Retail sales, Group-owned stores²⁾	29,236	28,114	4.0	28,251	27,708	2.0
Store sales, Axfood Group	35,865	34,325	4.5	34,558	33,800	2.2

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

²⁾ Summation of sales for Group-owned stores.

Operating key ratio definitions and glossary

Axfood Group: Group-owned stores and Hemköp franchise stores.

Average number of employees during the year: Total number of hours worked divided by the number of annual full-time equivalents (1,920 hours).

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

Financial key ratio definitions

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

Cash flow from operating activities per share: Cash flow from operating activities for the period divided by the weighted average number of shares.

Cash flow per share: Cash flow for the period divided by the weighted average number of shares outstanding.

Debt-equity ratio: Interest-bearing liabilities divided by shareholders' equity including non-controlling interests.

Earnings per share: Net profit for the period 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-bearing net debt receivable/liability: Interest-bearing non-current and current receivables and liabilities, including cash and bank balances, and the interest-bearing portion of financial assets.

Interest cover ratio: Profit after financial items plus financial expenses, divided by financial expenses.

Like-for-like sales: Sales for stores that existed and generated sales in the comparison period, broken down into Group-owned and franchise stores.

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 capital expenditures in cash flow: Total capital expenditures excluding investments pertaining to leasing, less divestments.

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.

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 period 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 end of the period plus shareholders' equity at the same point in time in the preceding year, divided by two.

Sales, Group-owned retail operations: Sales for Hemköp and Willys stores owned by Axfood.

Sales growth: Percentage increase in sales between two periods.

Sales of private label products: Sales of private label products, excluding meats and fruits & vegetables, as a percentage of store sales including Hemköp franchise stores. The private label share is based on statistical data from external suppliers. Data from a selection of Axfood's stores are calculated statistically to a total sum based on the stores' annual sales. In this selection, sales for Group-owned and franchise stores are weighted according to the actual historical sales.

Store sales, Axfood Group – Sales for Hemköp and Willys stores, including Hemköp franchise stores.

Total capital expenditures: Investments in intangible and tangible non-current assets, including finance leases.

About Axfood

At Axfood we work with passion for food and people. Our strength is in developing and driving successful grocery formats in the Swedish market with responsibility for the environment and sustainable development. Axfood includes the Willys and Hemköp chains as well as Tempo, Handlar'n and Direkten, which are proprietor-owned stores and organized within Axfood Närlivs. Axfood has 263 Group-owned stores. In all, Axfood collaborates with approximately 820 proprietor-run stores. B2B sales are handled through the Axfood Snabbgross chain, and wholesaling is conducted through Dagab. Axfood has an approximate 21% share of the food retail market in Sweden. Axfood is listed on Nasdaq Stockholm (Large Cap), and the principal owner is Axel Johnson AB.

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

axfood

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

