

Axfood
Annual Report



2000

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Annual General Meeting

The Annual General Meeting of Axfood AB (publ.) will be held at 5 p.m. on Thursday, May 3, 2001. Location: Sheraton Hotel, Stockholm, Sweden.

Notification

Shareholders who wish to attend the Annual General Meeting must notify the Company of their intention not later than 4 p.m. on Wednesday, April 25, 2001, by writing to the following address:

Axfood AB Box 7314 SE-103 90 Stockholm

Notification may also be made by phone, at +46-553 998 08, by fax, at +46-553 998 05, or by e-mail at: liv.galdon@axfood.se.

Notification should include name, address, social security number/company registration number, phone number and number of shares held.

Participation

To be able to participate in the Meeting, shareholders must be recorded in the register of shareholders maintained by the Swedish Securities Register Center (VPC AB) not later than Monday, April 23, 2001, and they must notify the Company of their intention to

participate in the Meeting not later than 4 p.m. on Wednesday, April 25, 2001. Shareholders whose shares are registered in the name of a nominee must temporarily re-register their shares in their own names to be entitled to participate in the Meeting. Shareholders must notify their nominee in ample time prior to April 23, 2001.

Proposed dividend

The Board of Directors proposes that no dividend be paid for the 2000 financial year.

Summons and agenda

A formal summons to the Annual General Meeting will be issued in accordance with the Company's Articles of Association. The agenda and matters to be dealt with by the Annual General Meeting will be presented in a notice in daily newspapers.

Financial calendar

First-quarter interim report 2001 – May 3, 2001

Second-quarter interim report 2001 – August 9, 2001

Third-quarter interim report 2001 – October 26, 2001

The year at a glance

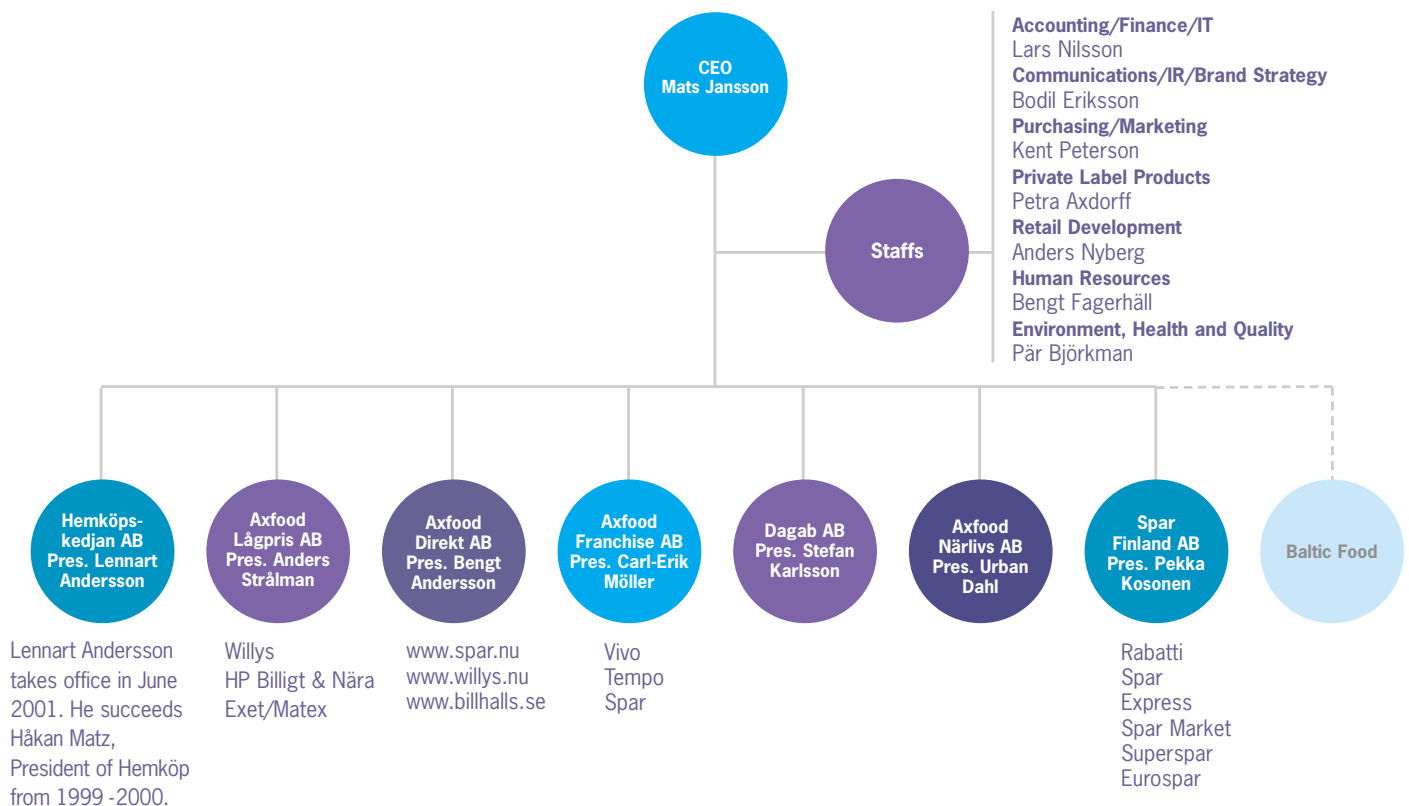
- The year 2000 was characterized by restructuring carried out in several steps. The first step was the merger between Hemköp and D&D Dagligvaror. In the next step, Spar Sverige, Spar Inn Snabbgross, and 40 percent of the share capital in Spar Finland were acquired. In May the Annual General Meeting approved the name change to Axfood AB, which is today one of the largest, listed food retail and wholesale groups in the Nordic region.
- A five-year development and growth strategy was adopted in June.
- A sweeping restructuring of the store network was commenced in which the goal is to reduce the number of store profiles from around 30 to six brands.
- Axfood expanded its presence in the discount segment through several acquisitions, boosting the Group's discount chain by roughly 48 units.
- A SEK 164 m restructuring and efficiency-improvement program was carried out in 2000 and will generate annual savings of SEK 150 m.

	2000	1999 (pro forma*)
Sales	30,230	29,077
Operating income	112	344
Operating margin	0.4 %	1.2 %
Income after financial items	0	261
Income after tax	- 34	141
Earnings per share	- 0.64	2.77
Number of employees	8,146	7,364

The year in figures

Amounts in SEK millions

*Pro forma figures for Hemköp, D&D Dagligvaror, Spar i Sverige, Spar Inn Snabbgross, and Spar Finland.





CEO's message

In late autumn 1999, the largest owners of the current Axfood AB decided to concentrate their various associated companies in the Swedish food market. This decision came against the background of the ever-faster pace of consolidation in the European food market. Sweden and the rest of the Nordic region are essentially subject to the same business conditions as the rest of Europe. The demands on efficiency, brand impact, utilization of synergies, and so on, are basically the same.

In May Hemköpskedjan AB and D&D Dagligvaror merged. In connection with this, all the shares in Spar Sverige, Spar Inn Snabbgross, and 40 percent of the share capital in Spar Finland were acquired. Axfood AB was formed and took Hemköp's place on the Stockholm Stock Exchange.

In April and May, a group of key employees drafted a new business strategy for Axfood through 2005. This strategy was adopted by Axfood AB's board in June, and in September a new corporate management team was installed.

Work during the second half of the year was very intensive. Although the merger appeared simple, the constituent parts represent widely different cultures. Some are distinctively entrepreneurial, while others are administrative units that need to take a more customer-oriented approach and focus their activities. Our concept – to profitably and professionally run a limited number of store concepts along with the necessary support activities – has entailed the adoption of a whole new set of

work approaches and priorities for many people within the Axfood organization. The year 2000 was therefore characterized primarily by restructuring and refocusing.

At the same time, I would like to add that our management and staff have achieved a great deal during these few months. Axfood's strategy has gradually taken shape, and the most important areas of activity are outlined as follows:

- **Distinct brand strategy**

Our offering of store profiles has been immense, however, little energy has been focused on developing these vital brands. The exception is Hemköp, which is clearly one of the strongest brands in Sweden's grocery store market. At the time Axfood was formed there were more than 30 different store profiles. Our strategy has been to reduce these to six brands – three of which are wholly owned chains and three which are targeted at private merchants through franchising agreements.

The work on developing a system for the store brands is being conducted with full strength in the wholly owned operations as well as with the collaborating merchants. Axfood Lågpris has worked with many different companies and according to many different profiles.

Management and administration have now been gathered in one company, and a uniform brand and concept strategy is currently being drafted.

• **Centralized purchasing**

We are achieving synergies through the coordination of the entire Group's purchasing volume and central procurement. These synergies are partly financial and partly qualitative, as they give us considerably stronger control over the product assortment and categories. The lower prices that we are able to negotiate through this coordination of volumes present a win-win situation for Axfood's chains and its customers. Our new purchasing work is one of the first measures that will improve operating margins in 2001.

• **Restructuring and efficiency-improvement program**

In September a program designed to generate annual savings of SEK 150 m, starting in 2001, was initiated. The program, which cost SEK 164 m, covers mainly three areas: overview of the store network, staff reductions (approximately 300 positions), and overview of the wholesaling business.

• **Private label products**

Developing and increasing the share of private label products within the Group is a critical success factor, partly because these products contribute to gross margins, and partly because they offer distinct consumer advantages. Our goal is to boost private label products from 4 percent to 15 percent of sales by 2005. In 2000 work was begun on designing our portfolio of private label products. This work will be concluded in spring 2001.

• **Expansion of wholly owned store activities**

Integrating further down the value chain is one of Axfood's most strategically important matters. Today Axfood owns approximately 45 percent of its retail operations. A very aggressive target for Axfood is to increase this share to 75 percent in the years immediately ahead. In 2000 Axfood acquired several discount chains, adding nearly 70 stores to the Group.

• **Simplified organizational structure**

In 2000 we implemented organizational changes in an effort to streamline operations and create shorter reporting channels. The goal has been to reduce the number of management levels and thereby enhance our implementation ability and flexibility.

The year's marginal loss is attributable to sweeping structural changes, a negative trend for the companies in the Group, and to a more costly restructuring of the store network than originally anticipated. With respect to our operations, it was mainly at Spar Finland and Hemköpskedjan that things did not go according to plan. Spar Finland is suffering from profitability problems that are fundamentally due to an outdated store structure. A new president, Pekka Kosonen, took over in November and immediately initiated a reduction of the number of store concepts from five to two, along with a coordination of purchasing and marketing.

During the first nine months of the year Hemköpskedjan experienced a slight weakening in profitability, which intensified during the fourth quarter. An action program that was started up has not shown results in terms of higher volume. At Hemköp, too, we recruited new management in the aim of strengthening the company's retail expertise ahead of the long-term growth strategy. Lennart Andersson, Hemköp's new CEO, served previously as president of the electronics chain SIBA. Roger Källman, Executive Vice President and head of operations, has many years of experience in the food industry, including as a merchant.

Our wholesale business, primarily Dagab, is showing satisfactory results. During the year Dagab reviewed its structure in order to reduce distribution costs and increase the level of service. This work has generated positive effects.

Axfood's long-term financial target is to achieve an operating margin of 3 percent. The year 2000 was a necessary year of restructuring for the new Group. The priority action areas described above will lead to a gradual improvement of our profit margin in 2001.



Mats Jansson
President and CEO



Business mission, vision and strategy

Business mission

Axfood is a retail food company with the motto “Quality at Any Price.” Its aim is to give its customers and shareholders value added by:

- Meeting consumers’ varying needs through clear and distinctive concepts;
- Greater integration of retail and wholesale activities;
- Negotiating power and implementation strength vis-à-vis suppliers;
- Utilization of economies of scale through a Nordic presence; and
- Adherence to core business values that are demonstrated through practical action.

Vision

To be the leading and most attractive food company in the Nordic region, with strong market positions in the respective countries.

Strategy

The following areas of action will drive growth and lead to improved profitability:

Quality and customer focus • Build enduring customer loyalty through a combination of attractive offerings – at stores as well as on the Internet.

Distinctive, cost-effective concepts • Streamlining of the current store format to a handful of distinct concepts, based on customers’ needs.
• Potential for Nordic expansion.

Cost-effectiveness • Short reporting channels and distinct areas of responsibility. • Follow-up.

Growth with financial balance • Expansion within the growing store concepts and collaboration/alliances in the Nordic countries.

Leadership in e-commerce • Based on a uniform logistics solution and IT platform, to build up an e-commerce operation with unique customer value and profitability that is on a par with well established store concepts.

To be the best cooperation partner for our suppliers and private merchants • Utilize joint strengths by coordinating purchases.

Support and develop innovative concepts.

Joint-Group functions

A central part of Axfood AB's strategy is to utilize synergies and economies of scale in central areas of the business. Such areas include purchasing and marketing, logistics, retail trade development, private label products, human resources, and the environment, health and quality.

Purchasing and marketing

Combined purchasing volume of the Axfood Group amounts to approximately SEK 20 billion. On account of this large volume, the Group's coordinated purchasing in 2001 is expected to contribute to substantial improvements in consolidated earnings. Synergies and rationalization measures have led to a concentration of the number of parties involved in the Group's purchasing transactions.

Axfood's central purchasing unit negotiates with suppliers on a range of products that is set by the store chains via a strategic purchasing group. This ensures that the respective chains' profiles are upheld. In addition to significant cost savings, centralization also leads to improvements in quality assurance.

Retail trade development

The Group's activities in the area of retail trade development are intended to promote growth while maintaining financial balance through new establishment, acquisitions, extensions, ongoing structural work in the store chains, and through strategic concept development.

During the year the Retail Trade Development unit participated in ten new establishments, five acquisitions and 22 store refurbishments. In addition, seven units were closed and 31 were reprofiled. The net addition of retail space amounted to slightly more than 40,000 square meters, adding SEK 1,805 m in gross sales to the Group. As a result, for the third year in a row Axfood had the largest share of newly established space of all the Swedish food companies.

The Retail Trade Development unit cooperates with AB Handelskredit and Axfood Fastigheter AB, which owns 120 store properties.

Private label products

Axfood Private Labels' role is to increase the share of private label products available in the chains' assortment and to categorize products that give the stores a more distinct market position and thereby create value added. Private label products account for roughly 4 percent of the total assortment at Axfood's store chains. The goal is to increase this share to 15 percent by 2005.

The private label concept gives consumers greater freedom of choice by offering alternative products with comparable quality at a lower price. By having control over the entire chain from product, purchasing, marketing, sales and store display, overheads can be kept down on all levels. The benefit for Axfood is an approximate 5 percent increase in the gross profit margin per product.

Axfood's activities surrounding private label products are based on extensive data about sales, products, consumer preferences, attitudes and values. Some of Axfood's private label products will be sold throughout the Group, while others will be unique to a particular chain.

Axfood Private Label collaborates in the development of private label products with Nordic and international purchasing organizations, including United Nordic, Spar International, and European Marketing & Distribution.

Human Resources

The Human Resources unit has overall responsibility for securing the Group's supply of industry expertise and leadership. This is accomplished through training of store and departmental managers under the direction of the subsidiaries, and through trainee and competence development programs for leadership recruitment on the Group level.

A key task involves instilling a common corporate culture. The offer to employees in 2000 to subscribe for convertibles, with payment in January 2001, is a part of this endeavor, designed to give the employees an opportunity to become Axfood shareholders.

Environment, health and quality

The food industry is dependent on consumer confidence in food safety and quality. Laws, regulatory requirements and supervision are basic demands and have all been put in place to give consumers adequate assurances that safety is maintained at all levels, from the farm to the kitchen table.

Axfood also conducts its own activities to ensure the origination and quality of meat products beyond compliance with laws and rules.

For many years Hemköp has contracted livestock breeders who meet its own high quality standards. At "Our Own Farms," Hemköp has full control over the entire chain from producer to store shelf. For example, none of the animals from these farms are transported over long distances.

Axfood's quality work also covers imported meat. Axfood is the only distributor in Sweden with its own inspector in Ireland, who inspects all meat imported by Axfood to Sweden. These inspections cover the entire production process, from how the animals are cared for to slaughter.

Quality assured meat is sold in the store chains under the Prime brand and includes – in addition to Irish beef – New Zealand lamb, Danish pork, and Dutch veal. The Hemköp chain markets and sells only Swedish meat. Axfood also sells quality assured poultry products.

Axfood Environmental Key Ratios 2000

Energy

Total MWh 454,341	Fossil fuels, MWh 112,849	Electricity, MWh 341,492
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Carbon dioxide emissions

Total, tons of CO₂ 42,980	Transports, tons of CO₂ 33,884	Heating & cooling, tons of CO₂ 9,096
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Ozone-depleting substances

Kilograms of CFC equivalents, filled volume 255.31
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Water consumption

Cubic meters of water 29,810
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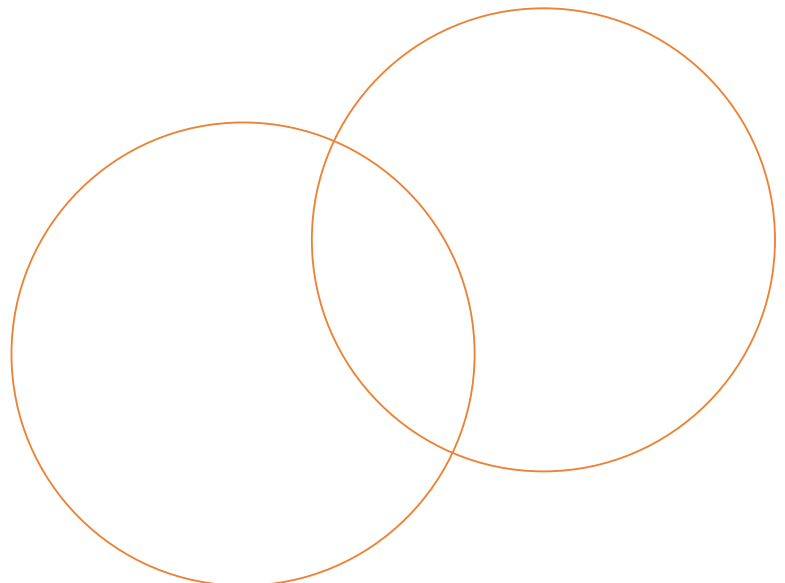
By-products

Total 28,416	Sorted 19,133	Deposited 9,283
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Forest products

Purchased volume of paper, tons 413	Eco-labeled, tons 394.1	Not eco-labeled, tons 18.9
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Axfood has chosen to track the Dow Jones Index for Sustainability with respect to measuring its environmental impact. The key ratios above are a summary, and a full report is available on Axfood's website. The data provided in the report was retrieved from purchasing information and directly from the suppliers that Axfood works with. The accounting of environmental key ratios for 2000 is part of an environmental communication project and will be evaluated in 2001.



Changes and trends in the food market

The year 2000 was a strong year for the Swedish food industry, which recorded a 3.2 percent rise in sales at current prices, according to the Swedish Research Institute of Trade (HUI). A key explanation for the rise is the favorable economic trend in the country, with low interest rates, low inflation, falling unemployment and higher real wages.

The upturn has been steady for several years. The figures for the most recent ten-year period show that consumption in the food sector has risen from SEK 140 billion in 1990 to approximately SEK 180 billion in 2000, according to HUI. Converted to constant prices, this entails an average annual increase of roughly 0.6 percent.

The Swedish retail food market has long been characterized by stable structures and a low degree of internationalization. Perhaps the most important explanation for this is that the market has been mature and has, by tradition, been dominated by ICA, KF, and the current Axfood Group, which together account for approximately 72 percent of sales.

Rising consolidation

This picture changed somewhat during the latter part of the 1990s, partly under the influence of major structural deals in Europe. The American company Wal-Mart acquired a store chain in Germany – its first venture into Europe – and in 1999 it took over the British company Asda. Also, the French major retailers Carrefour and Promodès

merged, forming one of the world's largest retail companies.

In Sweden, the Norwegian company Narvesen acquired the 7-Eleven and Pressbyrån chains. Shell and Statoil built up their own service station convenience stores, ICA and the Norwegian company Hakon Gruppen merged, and last year the Dutch company Royal Ahold acquired a 50 percent stake in ICA.

Along with this wave of consolidation, Axfood was formed through the merger of Hemköp and D&D Dagligvaror, and the subsequent acquisitions of Spar Sverige, Spar Inn Snabbgross, and 40 percent of the share capital in Spar Finland. Altogether these transactions made Axfood one of the largest food groups in the Nordic region.

The degree of consolidation and internationalization will continue to rise in the Nordic region and the rest of Europe. As for the Nordic market, the German chain Lidl has already announced its intention to establish operations in Sweden. Other major players, such as the British company Tesco, the Belgian company Delhaize, and the German company Metro, have expressed their ambitions to grow internationally.

Fewer, larger units

The Swedish store structure is moving toward fewer, larger units. The number of retail food stores has decreased from 7,800 to just over 6,000 during the last ten-year period. More and more, consumers are

Changes and trends in the food market

choosing to make their purchases in large stores with a wide range of products, attractive prices and easy accessibility. Supermarkets are taking market shares, while convenience stores and service stations are also showing strong growth.

Discount segment growing most

The fastest growth is taking place in the discount segment. From having had a market share of about 3 percent in 1990, the discount segment now accounts for 12 percent of the total market. Axfood, which is a market leader in this area, believes that the discount segment will continue to grow strongly in the years ahead.

The increase for the discount segment shows that consumers are increasingly striving to hold down their costs for basic consumption. Studies show that consumers prioritize consumption that provides some sort of experience and are therefore searching for cheaper alternatives in their daily grocery shopping. Price will therefore be a decisive competitive factor in the future as well.

Trends

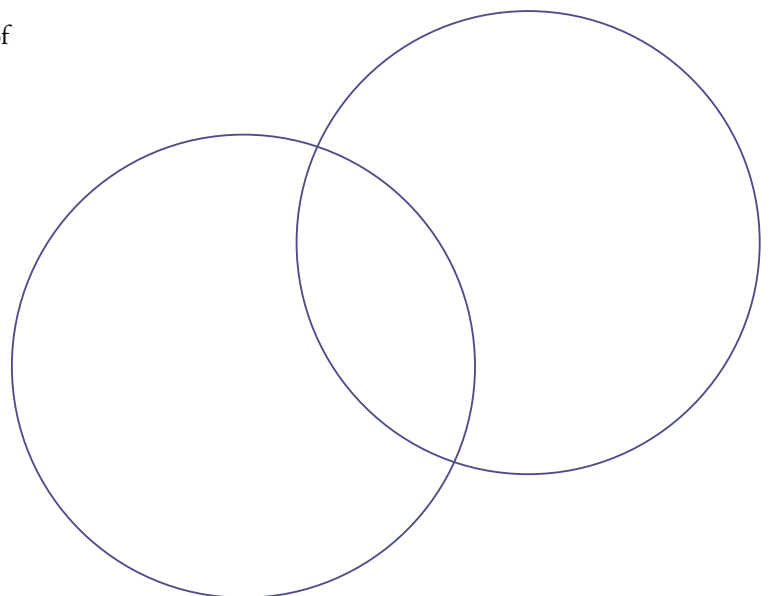
Consumers are choosing ready-made meals to a greater extent over the raw ingredients. This has been one of the most noticeable trends in recent years. Consumers want solutions to their daily food problems and prefer convenience over preparation, and although stores are offering a growing range of ready-made meals, demand has outpaced supply.

The trend toward ready-made food has given the concept of food store wider meaning. Grocery stores are now competing not only with each other, but to a growing extent also with the restaurant business. Today a younger generation of consumers are choosing to buy their food from pizzerias, fast-food restaurants or the neighborhood tavern as much as from their local grocery store.

Restaurants account for approximately 20 percent of total food consumption. However, the restaurant industry accounted for roughly 43 percent of the rise in Swedish food consumption in 2000. A significant share of growth in the food market is thus taking place outside of the traditional grocery store segment.

Forging systems together

An important strategic factor in the food market is the opportunity to work with fully integrated store systems. By forging together the parts of the system – from suppliers to central functions to stores – cost-effective systems that generate substantial gains can be created.





Vår Affärsidé:
Att tillhandahålla
Sveriges billigaste
matkasse

WILLY:S
matmarknad för prisjägare



Axfood's store brands

Axfood works in the Swedish market through the wholly owned chains Hemköp and Axfood Lågpris, and through Axfood Direkt, which conducts e-commerce. The other store concepts – the Spar, Vivo and Tempo chains – are operated by independent merchants who are tied to Axfood through franchising agreements. Axfood is active in Finland through the Spar store chain.

- Hemköp's business is built on the cornerstones of quality, health and the environment. Well organized stores offer high service and a wide range of food and fresh products, with a high degree of personal service. Hemköp has 106 stores at 70 locations throughout Sweden.
- Axfood Lågpris, comprising the store brands Willys, Matex/Exet and HP, offers Sweden's lowest prices with a large range of value-for-money products. Axfood Lågpris has 85 wholly owned stores.
- E-commerce offers consumers a convenient and efficient way of shopping for food products via established store brands. E-commerce is offered via www.spar.nu, www.willys.nu, and www.billhalls.se.

Franchises (merchant-owned stores)

- Spar is a local grocery store concept that gives priority to fresh products and a broad assortment at competitive prices. Spar will comprise a maximum of about 230 stores around the country.
- Tempo is a mini-market store concept with a basic line of fresh products and offers proximity, convenience and generous business hours. There are currently some 80 stores.
- The Vivo chain consists of local grocery stores in the greater Stockholm area with ties to Axfood, offering an extensive assortment and large offering of fresh products. The Vivo chain includes 85 stores.



Growth at Hemköp following acquisitions

Hemköp's business concept is to be the best grocery store in the locations at which it operates and to consistently build upon the cornerstones of quality, the environment, health and good ethics.

Strategy

Hemköp strives to offer customers a locally adapted assortment with a high-quality profile in spacious, well organized stores and a high degree of personal service.

Hemköp will achieve competitive advantages and sustained, good profitability by combining employee commitment and involvement with a long-term approach to business and efforts to instill strong customer confidence.

Major events

Following the merger with D&D in the spring of 2000 and the formation of Axfood AB, Hemköp has been working on utilizing the synergies created in the new Group structure. Growth is a key matter for Hemköp, and much energy has therefore been channeled into creating larger and more economically sound stores.

In line with this strategy, a number of changes took place in the store structure during the period. The store chain Billhälls, from western Sweden, is now part of Hemköp. Billhälls adds 19,350 square meters of retail space to the chain and an increase in sales volume of SEK 1,138 m.

Five large Spar stores were converted during the year to Hemköp's concept, while six small units were closed due to poor profitability (Förslöv, Sölvesborg, Ljungby, Mjölby, Sala and Örnsköldsvik). The decision has also been made to close one store in Borlänge.

During the year the Hemköp stores in Orsa and Säter were converted to HP units, the store in Valbo was converted to a Willys, and a store in Linköping was transferred to Matex.

These changes in the store structure entail a net addition of five stores to Hemköp, and after year-end the chain comprised a total of 106 units.

A new management team was installed at Hemköp (effective in February 2001) in a move designed to further strengthen the chain's expertise in retailing and chain store operations.

Market

Hemköp's share of the Swedish food market, defined as sales of food products through retail food stores, is approximately 4.2 percent. Hemköp has stores at 70 locations in Sweden and strong local positions. In some local markets Hemköp's market share is over 40 percent. The goal is to have a leading position in every local market in which Hemköp is represented.

Hemköp has a well established profile and a strong position in the retail food market. Customer confidence in Hemköp and the values that form the basis of the business – quality, health, the environment and good ethics – are high. Although the focus on quality, fresh products and high service is appreciated, Hemköp is encountering rising competition from players offering similar concepts.

Compared with other players, Hemköp has a relative advantage in terms of store size. Average annual sales of Hemköp's units amount to SEK 71 m per unit, including VAT. Rising competition is driving the development toward larger units, and for Hemköp, store size will continue to be a decisive factor for continued growth.

Store location is another critical growth factor. Hemköp has traditionally had an overweight of stores in northern Sweden and is now increasing the pace of store establishment in southern Sweden, where growth is higher, especially in Stockholm, Gothenburg and Malmö.

Result trend

During the second half of the 1990s (1995-99) Hemköp posted average annual sales growth of 6.1 percent. The corresponding figure for the industry as a whole was 1.5 percent. The operating margin averaged 3.2 percent, which was higher than the industry as a whole.

Sales increased in 2000 to SEK 6,562 m (6,509). The operating margin was 2.6 percent (3.5).

Growth and earnings in “the old” Hemköp, excluding Billhalls and the Spar stores, were lower than expected. The reasons for the lower operating margin include a drop in sales and higher payroll costs.

In the current period Hemköp will be prioritizing profitability and growth in its existing stores. Improvements will be achieved by revitalizing the brand and through a program of aggressive marketing and store promotional activities. In addition, Hemköp will be making efficient use of joint-Group coordination benefits in purchasing and logistics, optimization of the store structure, IT, exchange of expertise and joint administration.

Human resources

One success factor for Hemköp is its strong company culture, which is based on competent, motivated and engaged employees working in a decentralized organization. The Hemköp organization has roughly 3,200 full-year employees.

A profit-sharing plan for the employees of each store has created a solid foundation of profitability-awareness throughout the organization. Internal recruitment and training are other key success factors. Eighty percent of Hemköp’s store managers come from within the ranks, thereby ensuring the continuity of Hemköp’s company culture.



Leader in the discount market

Axfood Lågpris's business concept is to offer consumers Sweden's lowest prices. The company does this through three well known store chains – Willys, Matex/Exet, and HP Billigt & Nära – which together are leaders in the Swedish discount market.

Strategy

Axfood Lågpris is aiming to be a nationwide discount chain working under a single brand name. Greater growth and profitability are being created through joint-Group purchasing and coordination of support functions designed to run the business cost-effectively.

Major events

In 2000 Axfood Lågpris underwent substantial expansion through new establishments and acquisitions. Acquisitions and establishments of new units are being pursued in line with the company's strategy of building a nationwide chain of discount stores.

During the period, 27 Matex/Exet stores and two XL Storköp stores – plus six L-Köp stores in central Sweden – were acquired and integrated as wholly owned stores. Additional acquisitions included HP Billigt & Nära, with 29 units, which will be consolidated in Axfood Lågpris starting on January 1, 2001. In addition, Willys established four new stores during the year and reprofiled another four.

Thirteen merchant-owned Matex/Exet stores and one HP unit were tied to Axfood Lågpris through franchise agreements.

At year-end Axfood Lågpris had 84 wholly owned stores, an increase of 72 percent compared with the preceding year. In addition, Axfood Lågpris owns minority stakes in some 30 stores with a discount profile around the country.

The additional stores generated a dramatic increase in volume.

The Willys chain established several new units during the year and extended its reach for the first time outside its traditional home market in western Sweden. Large stores were opened in Malmö, Helsingborg, Eskilstuna and Botkyrka. In 2001 an additional number of stores will be opened around the country.

In pace with the addition of new store chains, Axfood Lågpris is conducting a review of its concepts and positions in the local markets. Several stores were converted or changed their names during the year in order to enhance the discount profile, such as in Karlstad and Västerås, where units were converted to Willys stores.

Other stores targeted for conversion are those that previously belonged to the Spar chain and which have been apportioned among Axfood's various store concepts. Willys has taken over five stores from Spar and is reprofiling them according to a set plan.

A new brand and concept strategy was drafted during the autumn, calling for the creation of a new organizational structure with effect from January 2001.

Market

The structural deals carried out during the past year have made Axfood Lågpris the leading player in the Swedish discount market, with a share of approximately 60 percent. The rest of the market is split among the competitors ICA, KF/Obs, and collaborating merchants.

Sales for Axfood Lågpris in 2000 totaled SEK 5,333 m in wholly owned stores and approximately SEK 8,326 m including collaborating merchants. Growth in the discount segment is higher than in

the retail food market as a whole, amounting to 98.1 percent in 2000.

During the year Axfood Lågpris had the best volume increase in the food industry, at just over 30 percent. The increase is largely attributable to new establishment and the year's acquisitions, although all of Axfood Lågpris's store units reported sales increases for the year.

During the last ten years, discount stores have quadrupled their share of the total market, from 3 percent to approximately 12 percent, and they are expected to show continued strong development.

This strong growth has attracted new players with clearly stated expansion plans, and thus competition is rising in the segment. Price is a decisive factor in the discount market, and thus there is a constant, sharp focus on cost-cutting combined with activities designed to increase sales per square meter of retail space.

The future

The future for the discount segment looks promising, and Axfood has a clear-cut strategy for growth. Profitability will be enhanced through strong growth – partly within the existing store holdings and partly through additional acquisitions.

The synergies created within the Axfood system are a key factor in this growth strategy. Axfood Lågpris is carrying out a strategic endeavor to strengthen its market-leading position.

WILLY:S



High growth for e-commerce

Axfood Direkt offers convenience and saves time for consumers through an e-commerce concept of food retailing under established store brands. The company creates value added and profitability by offering high quality, effective logistics and user-friendly solutions.

Strategy

E-commerce is conducted under the Group's store brands and is a complement to the traditional ways of grocery shopping. A high level of customer service, quality, simple and secure payment routines, and reliable deliveries are prerequisites for growth, since e-commerce is based on customer confidence and loyalty. Geographically, Axfood's e-commerce business will be concentrated in the major metropolitan areas and larger cities.

Goal

E-commerce will achieve the same operating margin as Axfood's highly developed store concepts.

Major events

Axfood Direkt (established on September 1, 2000), which conducts e-commerce business via Spar, Willys and Billhalls, consolidated its position in 2000 as Scandinavia's largest player in the e-commerce food market.

In November a new picking store was inaugurated in Sollentuna to strengthen distribution in the Stockholm area. An extensive development project was started in cooperation with Microsoft on creating a joint IT platform for the company's e-commerce business. The new platform will replace the NetShop e-commerce system, which is included in the company and which was previously leased out to individual merchants, and the system previously used by Spar Direkt.

Market

The Swedish e-commerce market for food and other consumer goods has grown by over 500 percent since 1998, according to industry estimates. Sales in 1998 amounted to approximately SEK 40 m, including VAT, which amounted to 0.02 percent of the total retail food market. Estimated volume in 200 was SEK 250-300 m, an increase to 0.15 percent of the total market.

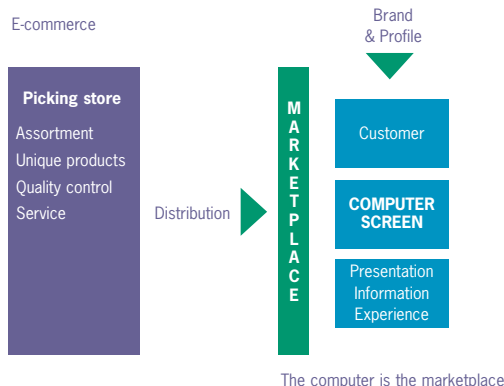
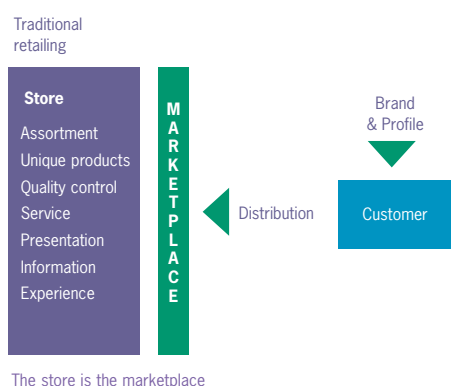
E-commerce is a complement and now an alternative to traditional store shopping.

Thus far e-commerce is a small and largely unpenetrated market. Customers' buying habits online differ from the purchases they make in stores. The average purchase made online is considerably larger, and families with children are strongly over-represented compared with in-store customers. Moreover, e-commerce has a major overweight of customers in the age bracket 30-45 years.

E-commerce profitable

In order to be profitable, e-commerce supported by special picking stores requires greater volumes than ordinary store sales. Granted, online business generates cost-savings in the form of simpler and cheaper premises than a store operation. But on the other hand, operations are more cost-intensive since picking and distribution must be done by own employees.

Therefore, the most important factors for increasing profitability, aside from higher volumes, are cost-effective systems for inventory and logistics management, IT support, distribution, and so on. Axfood Direkt invests in and develops such systems and currently has picking stores in Stockholm and Gothenburg.





www.spar.nu
www.willys.nu
www.billhalls.se

Distinct store profiles for Vivo, Spar and Tempo

Axfood Franchise's business concept is to support and profile the merchant-owned stores that are tied to the Group through agreements. The stores are well known chains that are operated according to three profiles: Spar, Vivo and Tempo.

Strategy

Axfood Franchise offers affiliated stores cost-effective systems for joint purchasing and marketing, support functions in the form of category work, store renewal, logistics and IT, and joint procurement of operative and other services.

Axfood Franchise creates shareholder value by focusing on three, clear and distinguishable store concepts that are based on customers' various buying behaviors. This means that Axfood supports and actively stimulates entrepreneurship and store renewal. Other important points include increasing the share of private label brands in the assortment and effectively utilizing available technology in the various flow systems. Through Axfood, the store chains should benefit from concerted dealings with suppliers, property owners and authorities.

Major events

Extensive work was conducted during the year on developing the Spar, Tempo and Vivo profiles. This work was aimed at more clearly positioning the store brands in order to meet changed buying behaviors.

An important task has also been to enhance coordination benefits in the areas of purchasing, operations, and marketing, so that these can be utilized with full impact in the store operations.

Spar – focus on fresh products

Spar is Axfood's new store brand for the Vivo stores outside the greater Stockholm area, which have been offered the opportunity to affiliate themselves with the new concept. The affiliated stores have annual sales of between SEK 20 m and SEK 80 m. As a rule, the store owner owns 99 percent of the store company, while Axfood Franchise owns one share with a right of first refusal.

Conversion of the store network from Vivo to Spar will begin in 2001 and will initially affect some 170 stores around the country. Five stores from the old Spar chain are also included.

The Spar stores are being set up with a distinct profile distinguished by fresh products, an attractive selection of fruits and vegetables, fresh bread, and an assortment that covers the entire need of food products. The stores are located near residential areas or the main shopping districts in small locations.

The Spar concept stands for high quality, a broad assortment, competitive prices – including a greater share of private label products – and an attractive store environment characterized by innovative food ideas, quality, and value-for-money.

Spar will benefit from its inclusion in the international Spar chain, one of the world's largest franchise companies. Through cooperation with Spar – in purchasing, in marketing and in the launch of private label products – individual merchants as well as Axfood gain substantial opportunities for cost savings.

Tempo – mini-market

Tempo represents the mini-market store concept, offering a basic range of groceries and fresh products, with a focus on store-baked bread and ready-made meals. The stores offer consumers proximity, convenience and generous business hours. The Tempo chain will include units that will be converted from the Vivo and Matnära concepts, among others. The stores with this concept have annual sales in the range of SEK 8-20 m.

In 2000 there were 85 Tempo stores. The goal is to build up a chain of some 200 stores within a three-year period. The Tempo stores take part in the Group's coordinated purchasing and also receive support in the form of sales programs and category work.



Vivo Storstockholm

The Vivo stores in the greater Stockholm area ("Storstockholm") form a separate cooperative of merchants. Most of the stores are tied to Axfood through leases or contracts. Vivo Storstockholm has its own purchasing and marketing organization.

Organization

Streamlining of the store concepts has entailed the closure of four regional offices for Vivo and Tempo and the concentration of operations in Stockholm (Tempo) and Gothenburg (Spar). The number of employees has decreased by 22. At year-end Axfood Franchise had approximately 60 employees, of whom 38 were in Gothenburg.



Greater volumes in stable market

Dagab conducts food wholesaling and develops product-supply systems for Axfood's stores. The business concept is to optimize and enhance flows of goods, information and capital between suppliers and retailers.

Strategy

Dagab gives priority to delivery capacity, productivity, innovation and development of new distribution concepts that strengthen the store operations as well as Dagab's own business.

Major events

During the year Dagab intensified its work on restructuring and streamlining distribution, improving delivery reliability and adapting its work methods to Axfood's strategy in the areas of purchasing, sales and private label products.

During the year, the central warehouse in Örebro was closed and operations were transferred to Jordbro. Investments totaling approximately SEK 50 m were made in the expansion of distribution space for fresh products in Jordbro, Gothenburg and Jönköping. Dagab has expansion plans for its fresh-product distribution facilities for fresh and processed meats as well as for cheese and dairy products.

The work force decreased during the year by approximately 80 full-time positions, to 1,200 employees, mainly in connection with the closure of the warehouse in Örebro. The company's management was strengthened with the addition of a new development manager, a new manager in charge of fresh and processed meats, and a new manager in charge of the distribution center in Jordbro. An earnings-improvement program was started at the subsidiary Hildebrands Kött&Chark, which showed a loss for 2000.

Market

Dagab works in a very stable wholesale market. The market is dominated by ICA, Dagab and KF, which together account for approximately 70 percent of

total wholesaling of food products.

Dagab's sales increased in 2000, mainly due to the substantial increase in volume brought about by the addition of the discount chains HP Billigt & Nära and Willys. Previously Dagab did not supply these stores, but during the year it became their chief supplier. Organic growth for Dagab was approximately 1 percent.

Dagab delivers goods to approximately 1,000 stores around Sweden. Of total sales, 45 percent are derived from store chains within the Axfood Group and 55 percent from independent stores tied to Axfood through franchise agreements.

Dagab includes the processing companies Hildebrands Kött&Chark AB, Livsmedels AB Ingemar Johansson, and Nordic Meat Partner. Ostmognadsbolaget was also part of Dagab in 2000, but was sold in March 2001.

Action program

During the autumn, a program called "Improved delivery service" was started in an effort to ensure that customers' orders are delivered to the stores at the right time.

During the first half of 2000, productivity and the degree of delivery service were unsatisfactory due to the relocation of the central warehouse, high staff turnover, and organizational changes in the company and Group.

The program entails external storage of goods – a back-up measure designed to enhance flexibility. Other measures were taken to ensure accessibility in IT systems, improve the information provided to customers, and rectify problems encountered with subcontractors through special, targeted actions. Since its adoption the program has led to better stability in the operations and reduced staff turnover.

Development areas

One important development project currently being carried out involves a change from customer-steered distribution to geographically steered distribution.

Dagab

In the new system, the distribution centers, which previously specialized in deliveries to a specific store chain, have been given responsibility for deliveries to all stores in a geographic area.

Geographic-based distribution results in more cost-effective transports. The change is also in line with the strategy of reducing the number of products in the assortment by approximately 25 percent – a goal that is being pursued in collaboration with Purchasing and the integrated store chains.

Dagab is working to increase its share of the stores' purchasing volumes. The stores currently purchase about half of their goods directly from Dagab. An additional 5 percent of store sales can be distributed via Dagab within the framework of existing product areas. Dagab has a plan of action for achieving this increase in 2001.

Industry projects

In cooperation with the rest of the food retail and wholesale market, Dagab is involved in the development of environment-friendly and cost-effective return systems for boxes and pallets. This work is being conducted in a jointly owned company, Svenska Retursystem AB, and has resulted in a deposit-based return system that will be phased in during 2001. It is estimated that the new plastic-based boxes and pallets will result in an approximate SEK 120 m reduction in distribution costs for the industry as a whole.



New structure for convenience store and cash-and-carry operations

Axfood Närlivs is a nationwide, open wholesaling company that serves the entire convenience store market. The company's goal is to offer the most profitable system for convenience store operators. The subsidiary Axfood Snabbgross complements Axfood Närlivs' distribution operation with a number of cash & carry outlets.

Strategy

Axfood Närlivs seeks to achieve growth and profitability through a cost-effective structure with a high degree of accessibility. The two aspects of operations – convenience stores and cash-and-carry – are intended to complement each other with joint customer offerings in the areas of product selection, concepts and development of market support.

Major events

During the year Dagab Närlivs and Spar Inn Snabbgross were combined to form a cost-effective wholesaling organization working under the name of Axfood Närlivs.

The former, decentralized structure comprising 18 regional companies has been broken up and the companies have been joined together in Axfood Närlivs AB. Operations are now organized with central functions for accounting, marketing and administration.

A new service unit – the largest in Sweden – was opened in Örebro during the autumn. The new unit has taken the place of units in Borlänge, Gävle, Stockholm, and an older unit in Örebro – all of which have been closed. In connection with this, the work force was reduced by 70 people.

Axfood Närliv's head offices were moved from Stockholm to Örebro.

Axfood Närlivs acquired three wholesale companies in Norrland during the period: Godistransportören, in Sundsvall, and two Mittgott companies, in Östersund and Sundsvall. The three companies have been integrated with Axfood Närliv's organization.

Market

Axfood Närlivs has approximately 8,000 customers. Sales rose during the period by SEK 400 m, reaching SEK 4.3 billion. Axfood Närlivs captured additional market share during the year with an approximate 10 percent rise in volume, bringing its market share up to 30 percent.

During the period Axfood Närlivs landed a major contract and became the main supplier for the OK/Q8 and Shell Select service station stores, worth SEK 800 m in additional volume on a full-year basis.

Axfood Närlivs sells and distributes food products in the traditional manner from ten distribution units to convenience stores, newspaper shops, service stations and seasonal stores. Axfood Snabbgross includes 25 cash-and-carry outlets, where customers pick up their own goods and pay in cash. Customers consist of restaurants and catering kitchens, small stores and other businesses.

Axfood Närlivs has 860 employees.

Aside from its wholesaling activities, Axfood Närlivs offers its customers marketing support, including profiling activities and store concepts such as Jourlivs and Handlar'n.

Change in store structure at Spar Finland

Axfood's vision is to be the leading and most attractive retail food company in the Nordic region, with a strong market position in each country.

For Axfood, the Nordic market is a platform for growth in the continued consolidation of the retail food market and in positioning with respect to suppliers. One strategic foothold is Spar Finland, in which Axfood owns 40 percent of the shares and controls 66 percent of the votes.

Spar Finland

Spar Finland conducts food retail and wholesale operations and has 325 stores in the country, of which 88 are wholly owned. The others are run by independent merchants through franchise agreements.

The company also has a minority stake in the logistics company Tuko Logistics Oy and is a part-owner of Internationale Spar Centrale B.V., the governing body of the Spar organization, which comprises 17,500 stores in 30 countries.

Market and results

The Finnish food market grew by approximately 3 percent in 2000. The discount segment and supermarkets benefited the most from this development, growing by approximately 6 percent. Sales for small stores and department stores have been on the decline for several years.

The Spar Group's market share, including collaborating merchants, is approximately 9 percent. Sales amounted to SEK 5,139 m during the period, and the company reported a loss (EBITG) of SEK 25 m.

The negative result is attributable to changed

buying behaviors, demographic changes and an unfavorable store structure. The company has a large share of small grocery stores and a relatively small portion of stores in the discount and supermarket segments. During the year the company therefore established seven new, large "Eurospar" stores with a distinct discount concept. Geographically, Spar Finland has good market coverage in eastern and northern Finland, but unsatisfactory coverage in the larger cities, where growth is higher.

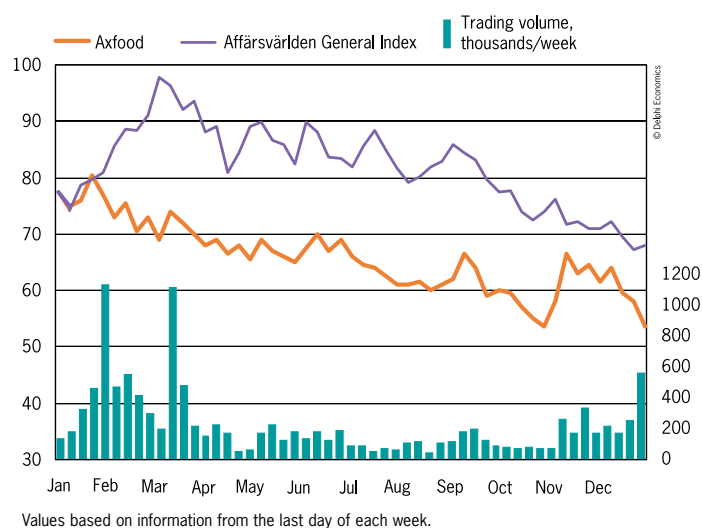
A new president, Pekka Kosonen, took office at Spar Finland in November. In early 2001 a plan was presented for a sweeping change of the store structure. Under the plan, business will now be concentrated in two store concepts: "Spar," which will be one of the country's largest food chains, and "Eurospar."

These changes will entail acquisitions as well as sales of store units. The strategy is focused on growth and profitability, and a new organization has been built up to achieve these objectives. In this growth-oriented strategy, Spar Finland will be taking advantage of coordination gains in the Axfood system in the areas of purchasing, logistics, IT and concept development.





Axfood share data



The largest shareholders

According to ownership services and the Swedish Securities Register Center (VPC) the following companies and persons were the largest registered shareholders as per December 30, 2000. Axfood had a total of 10,292 shareholders.

Name	Share of ownership	Total
Axel Johnson Group	45.3%	24,084,166
Alecta (formerly SPP)	3.1%	1,638,970
Skandia	2.3%	1,219,485
Hall, Lennart	1.9%	1,025,000
Källman Lågpris AB	1.7%	891,465
Fagerlund, Hans	1.6%	834,500
Fagerlund, Ulf	1.5%	800,000
Sax, Göran and family	1.4%	769,939
Köhler, Torsten	1.3%	675,780
Swolder	1.3%	670,100
KP Pension & Försäkring	1.2%	616,800
Söderberg, Tommy	1.0%	536,663
Sabis Invest AB	1.0%	525,592
Kammarkollegiets fondförvärv	1.0%	511,742
Höganäs Dagligvarumarknad AB	0.9%	474,960
Investor	0.9%	465,400
Baltic Sea Foundation	0.9%	460,500
Björkman, Johan and family, with companies	0.8%	448,000
Persson, Ann	0.8%	444,552
Strategic Research Institute	0.8%	420,000

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 shares, corresponding to 3 percent of the share capital. During the year, 830,889 shares were repurchased, corresponding to 1.6 percent of the share capital, which are being managed on behalf of others.

Share data

- Trading volume in 2000 – **SEK 791 m.**
- Market capitalization at Dec. 31, 2000 – **53,229,028 shares x SEK 53.5 = SEK 2,847,752,998**
- Share price at Dec. 31, 2000 – **SEK 53.5 (December 29, 2000)**
- Highest price paid in 2000 – **SEK 84 (January 19, 2000)**
- Lowest price paid in 2000 – **SEK 51 (October 24, December 28 and December 29, 2000)**

Administration report

Reg. no. 556542-0824

The Board of Directors and President of Axfood AB (publ.) herewith submit their annual report and consolidated accounts for the 2000 financial year.

All comparisons with 1999 are on a pro forma basis in order to provide a more accurate picture of the business.

Operations – new group structure

Axfood conducts food retail and wholesale trading operations. The year 2000 was characterized by company acquisitions and restructuring. The boards of Hemköpskedjan AB (publ.) (“Hemköp”) and D&D Dagligvaror AB (publ.) (“D&D”) agreed in November 1999 on a merger of equals between the two companies. The merger is reported according to the pooling-of-interests method. Hemköp’s and D&D’s retail operations, and D&D’s wholesale operations, were combined during the year in the listed parent company Hemköp, whose name was changed in May 2000 to Axfood AB. The Company thereafter acquired, from Axel Johnson AB, the wholly owned subsidiaries Spar i Sverige AB, Spar Inn Snabbgross AB, and a voting majority in Spar Finland Abp.

The Group’s store structure has been reviewed, concentrated, and streamlined. The number of store brands will be reduced from slightly more than 30 to six: Hemköp, Axfood Lågpris, Axfood Direkt, Spar, Tempo and Vivo. During the year the Group acquired additional companies – mainly in the discount segment, including Matex/Exet, XL-Storköp, and L-köp, totaling some 30 units in all. As per December 31, the discount chain HP Billigt & Nära, with 38 stores, was also acquired.

A new CEO for Axfood AB took office in

February 2000 and a new management team was installed in September 2000. In November, new management was also installed at Spar Finland.

Net sales and earnings

Consolidated net sales of the Axfood Group rose 4 percent, to SEK 30,230 m (29,077). Sales in Sweden in own and collaborating stores amounted to SEK 32.3 m, including VAT – an increase of 2.4 percent in volume, or 3.0 percent in current prices, compared with the preceding year.

Operating income amounted to SEK 112 m (344), and the operating margin was 0.4 percent (1.2). Operating income was charged with SEK 162 m in items affecting comparability, consisting of SEK 164 m in restructuring costs, SEK 98 m in other items affecting comparability, and the repayment of SEK 100 m in client-company funds from Alecta (formerly SPP). Operating income adjusted for items affecting comparability was SEK 274 m (420). After net financial items, totaling SEK -112 m (-83), income after financial items was SEK 0 m (261). A loss of SEK 34 m was reported for the year (+141) after taxes totaling SEK -24 m (-105) and minority shares of SEK -10 m (-15).

Capital expenditures

Capital expenditures totaled SEK 996 m. Of these, company acquisitions in Sweden accounted for SEK 417 m, investments in other fixed assets in the wholesaling operations and store network in Sweden for SEK 438 m, and capital expenditures in Finland for SEK 141 m.

Financial position

The Group's liquid assets amounted to SEK 278 m (192) as per December 31. Cash flow from continuing operations amounted to SEK 445 m (365).

Interest-bearing assets decreased by SEK 40 m to SEK 761 m (801), and interest-bearing net debt increased by SEK 312 m to SEK 2,206 m. Interest-bearing net debt includes SEK 357 m (359) in pension provisions.

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

Share repurchase

During the year the Company repurchased 1,822,104 of its own shares. In addition, 991,215 shares in Axfood AB were transferred in connection with company acquisitions. The Parent Company's total holding of own shares for other parties as per December 31, 2000, was 830,889, with a par value of SEK 4,145,000. This represents 1.6 percent of the total number of shares outstanding. For a more detailed description of the accounting of these holdings, see the accounting principles on page 35 and Note 21.

Composition and work of the Board of Directors

Axfood's board, after the extraordinary general meeting in February 2000, consists of nine members elected by the Annual General Meeting and three employee representatives with alternates. The members of the Board are presented on page 46. The Group CEO was a Board member during the year.

According to the Board's work plan, the Board

shall have at least five meetings a year. In 2000 the Board met 15 times. At each meeting the CEO presents, in connection with the quarterly report, an economic and financial report of operations. In addition, he furnishes the Board with a month-by-month report on significant events and summary financial information. Each year the Board discusses the auditors' report, which describes to what extent the Company's organization is structured so as to ensure satisfactory control of bookkeeping, cash management and the Company's financial position. The Company has a compensation committee, which deals with matters concerning the terms of employment and retirement of senior executives. This committee consists of Göran Ennerfelt, Antonia Ax:son Johnson, and Marcus Storch.

Environmental impact

No operations requiring a permit or notification in accordance with the environmental code are conducted by Axfood AB or within the Group. For other environmental information, see page 9.

Proposed disposition of earnings

Reg. no. 556542-0824

According to the consolidated balance sheet, unrestricted shareholders' equity amounts to SEK 22 m, of which SEK -34 m consists of the result for the year. No appropriation to restricted reserves is proposed.

The following earnings are available for distribution by the Annual General Meeting:

Retained earnings	51,657
Net loss for the year	-31,215
Total, KSEK	20,442

The Board of Directors and President propose that this amount be carried forward.

Stockholm, Sweden, March 15, 2001

Roger Källman
Vice Chairman

Göran Ennerfelt
Chairman

Marcus Storch
Vice Chairman

Claes Andersson

Antonia Ax:son Johnson

Sven-Erik Brandt

Peggy Bruzelius

Hans-Gunnar Johansson

Nils-Erik Johansson

Åke Pettersson

Gösta Törnroth

Annika Åhnberg

Mats Jansson
President and CEO

Our audit report was submitted on March 15, 2001

Caj Nackstad
Authorized Public Accountant

Per Bergman
Authorized Public Accountant

Income Statement

<i>Amounts in SEK m</i>		2000	Group		Parent Company	
			1999P	1999	2000	1999
Net sales	Note 1	30,230	29,077	5,338	-	-
Cost of goods sold		-27,659	-26,123	-4,148	-	-
Gross income		2,571	2,954	1,190	-	-
Selling expenses		-2,046	-1,936	-984	-	-
Administrative expenses		-565	-782	-141	-71	-25
Items affecting comparability	Note 2	-162	-76	-	-4	-
Other operating revenue	Note 3	305	193	97	16	26
Other operating expenses		-8	-35	-	-	-
Share in associated companies' earnings		17	26	-	-	-
Operating income	Notes 4,5,28	112	344	162	-59	1
<i>Financial items</i>						
Income from participations in Group companies	Note 6	-	3	-	25	-
Income from participations in associated companies		-	4	-	-	-
Interest income and similar items	Note 7	33	19	2	-	-
Interest expenses and similar items	Note 8	-145	-109	-1	-11	-
Income after financial items		0	261	163	-45	1
Appropriations	Note 9	-	-	-	-1	-
Income before tax		0	261	163	-46	1
Tax on income for the year	Note 10	-24	-105	-46	15	-
Minority share in income/loss for the year		-10	-15	-	-	-
Net income/loss for the year		-34	141	117	-31	1

^P Figures for 1999 are pro forma.

Balance Sheet

Amounts in SEK m	Group			Parent Company		
	Dec. 31, 2000	Dec. 31, 1999P	Dec. 31, 1999	Dec. 31, 2000	Dec. 31, 1999	
ASSETS						
Fixed assets						
Intangible assets						
Goodwill	Note 11	1,195	951	8	-	-
Other intangible assets	Note 12	63	70	15	-	-
		1,258	1,021	23	-	-
Tangible assets						
Land and buildings	Note 13	775	672	3	-	-
Equipment, tools and fixtures	Note 14	1,341	978	361	3	-
Construction in progress	Note 15	27	-	-	-	-
		2,143	1,650	364	3	-
Financial assets						
Participations in Group companies	Note 16	-	-	-	2,333	133
Receivables from Group companies		-	-	-	-	-
Participations in associated companies	Note 17	186	210	-	18	-
Receivables from associated companies		3	-	-	-	-
Other long-term securities holdings		14	-	-	-	-
Other long-term receivable	Note 18	478	586	9	-	8
		681	796	9	2,351	141
Total fixed assets		4,082	3,467	396	2,354	141
Current assets						
Inventories, etc.						
Finished products and goods for resale		1,518	1,425	327	-	-
		1,518	1,425	327	-	-
Current receivables						
Accounts receivable – trade		1,057	984	76	-	-
Receivables from Group companies		-	0	10	1,042	98
Receivables from associated companies		11	34	-	-	-
Income taxes recoverable		6	-	13	1	1
Other receivables	Note 19	199	267	2	4	1
Prepaid expenses and accrued income		434	344	39	2	7
		1,707	1,629	140	1,049	107
Cash and bank balances		278	192	181	0	-
Total current assets		3,503	3,246	648	1,049	107
TOTAL ASSETS		7,585	6,713	1,044	3,403	248

[†] Figures for 1999 are pro forma.

Balance Sheet

Amounts in SEK m	Group			Parent Company	
	Dec. 31, 2000	Dec. 31, 1999P	Dec. 31, 1999	Dec. 31, 2000	Dec. 31, 1999
SHAREHOLDERS' EQUITY AND LIABILITIES					
Shareholders' equity	Notes 20,21				
Restricted shareholders' equity					
Share capital	266	254	125	266	125
Restricted reserves/statutory reserve	532	324	80	1,599	25
	798	578	205	1,865	150
Unrestricted shareholders' equity					
Unrestricted reserves/retained earnings	56	13	46	52	82
Income/loss for the year	-34	150	117	-31	1
	22	163	163	21	83
Total shareholders' equity	820	741	368	1,886	233
Minority interests	181	185	-	-	-
Untaxed reserves	Note 9	-	-	1	-
Provisions					
Provisions for pensions	Notes 22,24	357	359	8	2
Provisions for deferred tax		208	164	67	-
Other provisions		14	19	-	-
		579	542	75	2
Long-term liabilities	Notes 23,24				
Bank overdraft facilities		475	326	-	262
Other liabilities to credit institutions		1,275	1,134	-	212
Other liabilities		71	58	7	47
		1,821	1,518	7	521
Current liabilities					
Liabilities to credit institutions		860	764	-	500
Advance payment from customers		49	-	-	-
Accounts payable – trade		1,812	1,630	366	6
Liabilities to Group companies		-	-	8	469
Liabilities to associated companies		463	396	-	-
Income tax liability		-	22	-	-
Other liabilities		185	257	34	-
Accrued expenses and deferred income		815	658	186	18
		4,184	3,727	594	993
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	7,585	6,713	1,044	3,403	248
Pledged assets	Note 24	2,536		44	502
Contingent liabilities	Note 24	69		-	388

[†] Figures for 1999 are pro forma.

Cash Flow Statement

<i>Amounts in SEK m</i>	<i>Note 25</i>	<i>2000</i>	Group <i>1999P</i>	<i>1999</i>	Parent Company <i>2000</i>	<i>1999</i>
Operating activities						
Income after financial items		0	261	163	-67	1
Depreciation charged against income		438	358	67	0	-
Adjustments for other items not included in cash flow		-2	14	-	-8	-
Paid tax		-31	-113	-71	0	0
Cash flow from operating activities before changes in working capital		405	520	159	-75	1
Cash flow from changes in working capital						
Change in inventories		48	11	-47	-	-
Change in current receivables		118	-148	-39	-867	65
Change in current liabilities		-126	-18	92	456	-1
Cash flow from operating activities		445	365	165	-486	65
Investing activities						
Acquisitions of intangible fixed assets		-9	-57	-	-	-
Acquisitions of tangible fixed assets		-715	-501	-135	-3	-
Acquisitions of subsidiaries	Note 26	-210	-42	-	-593	-
Acquisitions of associated companies		-10	-22	-	-18	-
Sales of subsidiaries	Note 27	7	0	-	-	-
Sales of fixed assets		113	58	-	-	-
Decrease (+)/increase (-) in other financial assets		134	237	-	8	-
Increase/decrease in current financial investments		-	1	-	-	-
Cash flow from investing activities		-690	-326	-135	-606	-
Financing activities						
New issue		180	-	-	180	-
Net change in interest-bearing liabilities		226	109	1	977	-
Loans raised		-	-	-	-	-
Amortization of debt		-	-	-	-	-
Dividend to shareholders		-75	-73	-65	-65	-65
Group contributions received/rendered, shareholder contribution		-	-	-	-	-
Cash flow from financing activities		331	-36	-64	1,092	-65
Cash flow for the year		86	75	-34	0	0
Liquid assets at start of year		192	119	215	-	-
Translation difference, liquid assets		0	-2	-	-	-
Liquid assets at year-end		278	192	181	-	-

Accounting principles and notes

(Amounts in SEK m unless otherwise stated)

The annual report and the consolidated financial statements have been prepared in accordance with the Swedish Annual Accounts Act. The recommendations of the Swedish Financial Accounting Standards Council have been followed. The accounting principles are unchanged from the preceding year.

Principles of consolidation

The consolidated financial statements cover, in addition to the Parent Company, all companies in which the Parent Company directly or indirectly controls more than 50 percent of the number of votes.

In the preparation of the consolidated financial statements, the acquisition method has been used, with the exception of D&D Dagligvaror AB (D&D), which is accounted for using the pooling-of-interests method. According to the acquisition method, shareholders' equity in acquired subsidiaries is determined based on a market valuation of assets and liabilities at the time of acquisition. In the event the acquisition value of shares in subsidiaries exceeds the acquired shareholders' equity as above, the difference is reported as a goodwill item in the balance sheet. Goodwill amortization is based on estimated economic life.

For the D&D merger, accounting has been done in accordance with the pooling-of-interests method, which entails that D&D is included in the Group from the start of 2000 and that the D&D Group – as per January 1, 2000 – was combined with Hemköp, whereby no surplus values are reported.

The consolidated financial statements contain no appropriations or untaxed reserves. Deferred taxes on these items are included in the year's tax charge and deferred taxes, respectively. Equity share is reported in restricted shareholders' equity.

Associated companies, defined as companies in which Group companies have more than 20 percent but not more than 50 percent of the votes, are accounted for in accordance with the equity method. The increase or decrease of associated companies' book values that arises in accordance with the equity method has increased/decreased the Group's restricted reserves.

Pro forma accounting

A pro forma income statement, balance sheet, and cash flow statement has been prepared to illustrate the financial effects of the combination of the D&D Group and Hemköp, and the acquisitions of Spar Sverige, Spar Inn Snabbgross and Spar Finland. Pro forma accounting shows how the new Group's accounting would have appeared if these companies had been combined and if the conditional acquisitions had been included in the Axfood Group for the full-year 1999.

The pro forma income statement and balance sheet have been prepared in accordance with the acquisition method, with the exception of the merger with D&D, which is accounted for in accordance with the pooling-of-interests method. They are based on historical accounts and certain assumptions and do not make any claim to exactly reflect the new Group in all aspects. In the pro forma accounting, no adjustment has been made for the coordination of accounting principles, and no material differences are considered to exist. Formal comparison figures in the income statement and balance sheet for 1999 pertain to Hemköp.

Receivables and liabilities in foreign currency

Receivables and liabilities in foreign currency have been valued at the year-end rate of exchange. For hedges through forward

exchange contracts, the forward rate has been used to value the underlying receivable or liability. Foreign exchange gains and losses pertaining to operating receivables and operating liabilities are included in operating income. Foreign exchange gains and losses pertaining to financial loans are reported as financial items. For hedges of future currency flows, the exchange rate differences on hedge transactions are reported in the same period as the underlying flow. Currency exposure in shareholders' equity in foreign subsidiaries is not hedged.

Inventories

Inventories have been valued at the lower of cost or market.

Depreciation

Amortization of intangible fixed assets and depreciation of fixed assets are based on the estimated economic life of the assets. The following rates have been applied:

Machinery and equipment	5–33
Buildings	2.5–4.0
Fixtures and fittings	5.0
Land improvements	2.5–5.0
Refurbishment of rented premises	12.5
Goodwill ¹	7–20

¹ Acquisitions of material, structural importance are amortized for periods of more than 5 years.

Leases

Starting in 1999, the equipment, tools and fixtures that make up leasing receivables with AB Handelskredit are classified as financial fixed assets. Leasing equipment exists for the most part outside of the Group.

Finance leases of limited value are reported as operating leases.

Restructuring costs

An extensive restructuring within the Group was carried out during the year. The number of store concepts will be concentrated from some 30 to six. In connection with a review of the store structure, 30 stores have been closed or converted to other concepts within the Group. Total restructuring costs amounted to SEK 164 m.

Repurchase of shares

During the year the Company repurchased 1,822,104 of its own shares, and 991,215 shares were transferred in connection with company acquisitions. The total holding of own shares for other parties as per December 31, 2000, was 830,889, with a par value of SEK 4,145,000. This represents 1.6 percent of the total number of shares outstanding. In accordance with the Board's decision, after being authorized by the extraordinary general meeting in October 2000, repurchased shares will be used to adjust the purchase price for the discount chain HP Billigt & Nära. The shares of HP Billigt & Nära were taken over as per December 31, 2000, which is why the above-mentioned holding of own shares, which thereafter are managed on behalf of the seller, have been settled against the debt that arose in connection with the acquisition. In addition, acquired subsidiaries have 83,617 Axfood shares with a par value of SEK 418,085, corresponding to 0.2 percent of the total number of shares outstanding. These shares have been written down against shareholders' equity in the amount of SEK 5 m.

Notes

NOTE 1. BREAKDOWN OF NET SALES AND OPERATING INCOME BEFORE GOODWILL AMORTIZATION (EBITG), PER BUSINESS UNIT

	Net sales		EBITG	
	2000	1999	2000	1999
Hemköp	6,562	5,338	172	163
Axfood Lågpris	5,333	-	133	-
Axfood Direkt	84	-	-20	-
Spar Finland	5,139	-	-25	-
Axfood Wholesaling	17,413	-	222	-
Other	1,896	-	-97	-
Internal sales	-6,197	-	-	-
Items affecting comparability	-	-	-162	-
Total	30,230	5,338	223	163

PER GEOGRAPHIC MARKET

	Net sales		EBITG	
	2000	1999	2000	1999
Sweden	25,091	5,338	248	163
Finland	5,139	-	-25	-
Total	30,230	5,338	223	163

NOTE 2. ITEMS AFFECTING COMPARABILITY

	Group		Parent Company	
	2000	1999	2000	1999
Client-company funds from Alecta (formerly SPP)	100	-	-	-
Restructuring costs	-164	-	-4	-
Other	-98	-	-	-
Total	-162	-	-4	-

The structural activities being conducted by the Group and Parent Company include, as a natural element, extensive purchases and sales of shares and real estate. The result of these activities is reported under operating income.

During the year the Axfood Group received SEK 26 m in repayment of surplus pension funds from Alecta Mutual Pension Insurance Company (formerly SPP Mutual Insurance Company). An additional SEK 74 m, pertaining to remaining surplus funds is reported under items affecting comparability. In discounting this amount to present value, a discount rate of 6 percent has been used. It is expected that these funds will be able to be used toward future ITP premiums within five years.

NOTE 3. INFORMATION ON INTRA-GROUP PURCHASES AND SALES

The Parent Company's revenues from subsidiaries amounted to SEK 16 m (25).

NOTE 4. DEPRECIATION AND AMORTIZATION

Straight-line depreciation/ amortization by type of asset	Group	
	2000	1999
Goodwill	111	1
Other intangible assets	25	-
Land and buildings	24	0
Equipment, tools and fixtures	278	66
Total	438	67

Straight-line depreciation/ amortization by function

	2000	1999
Cost of goods sold	320	8
Selling costs	89	52
Administrative expenses	29	7
Total	438	67

NOTE 5. OPERATING LEASES

	Group	
	2000	1999
Leasing costs during the financial year	1,028	191

Of which, rent for premises 1,003

Contracted future leasing fees:

	2001	2002	2003	2004	2005	2006-
Group	1,083	1,018	887	734	591	965

NOTE 6. INCOME FROM PARTICIPATIONS IN GROUP COMPANIES

This item includes an anticipated dividend of SEK 22 m from the wholly owned subsidiary Hemköpskedjan AB.

NOTE 7. INTEREST INCOME AND SIMILAR ITEMS

	Group		Parent Company	
	2000	1999	2000	1999
Interest income	15	2	0	0
Other	18	0	-	-
Total	33	2	0	0

NOTE 8. INTEREST EXPENSES AND SIMILAR ITEMS

	Group		Parent Company	
	2000	1999	2000	1999
Interest expenses	130	1	11	0
Other	15	0	0	-
Total	145	1	11	0

NOTE 9. APPROPRIATIONS AND UNTAXED RESERVES

Appropriations	Parent Company	
	2000	1999
Depreciation in excess of plan	-1	-
Total	-1	-
<i>Untaxed reserves</i>	<i>Accumulated</i>	<i>Total</i>
	<i>excess depreciation</i>	
Untaxed reserves at start of year	-	-
Appropriations, Dec. 31, 2000	1	1
Untaxed reserves at year-end	1	1

NOTE 10. TAX ON INCOME FOR THE YEAR

	Group		Parent Company	
	2000	1999	2000	1999
Income tax for the year	-8	-31	15	-
Deferred tax	-16	-15	-	-
Total	-24	-46	15	-

NOTE 11. GOODWILL

	Group	
	Dec. 31, 2000	Dec. 31, 1999
Opening acquisition values	13	13
Investments	456	-
Effect of merger/acquisitions	1,044	-
Sales and disposals	-6	-
Closing acquisition value	1,507	13
Opening amortization	-5	-4
Effect of merger/acquisitions	-172	-
Sales and disposals	2	-
Amortization for the year	-111	-1
Closing amortization	-286	-5
Opening write-downs	-	-
Write-downs for the year	-26	-
Closing write-downs	-26	-
Closing planned residual value	1,195	8

NOTE 12. OTHER INTANGIBLE ASSETS

	Group	
	Dec. 31, 2000	Dec. 31, 1999
Opening acquisition value	15	15
Investments	19	-
Effect of merger/acquisitions	123	-
Sales and disposals	-8	-
Closing acquisition values	149	15
Opening amortization	-	-
Effect of merger/acquisitions	-63	-
Sales and disposals	2	-
Amortization for the year	-25	-
Closing amortization	-86	-
Closing planned residual value	63	15

NOTE 13. LAND AND BUILDINGS

	Group	
	Dec. 31, 2000	Dec. 31, 1999
Opening acquisition value	5	5
Investments	36	-
Effect of merger/acquisitions	882	-
Reclassifications	29	-
Sales and disposals	-9	-
Closing acquisition values	943	5
Opening depreciation	-2	-2
Effect of merger/acquisitions	-145	-
Sales and disposals	3	-
Depreciation for the year	-24	-
Closing depreciation	-168	-2
Closing planned residual value	775	3
Tax assessment values, buildings		454 (11)
Tax assessment values, land		80 (0)

NOTE 14. EQUIPMENT, TOOLS AND FIXTURES

	Group		Parent Company	
	Dec. 31, 2000	Dec. 31, 1999	Dec. 31, 2000	Dec. 31, 1999
Opening acquisition value	569	489	-	-
Investments	497	134	3	-
Effect of merger/acquisitions	1,886	-	-	-
Sales and disposals	-148	-54	-	-
Closing acquisition values	2,804	569	3	-
Opening depreciation	-208	-196	-	-
Effect of merger/acquisitions	-1,098	-	-	-
Sales and disposals	132	54	-	-
Depreciation for the year	-278	-66	0	-
Closing depreciation	-1,452	-208	0	-
Opening write-downs	-	-	-	-
Write-downs for the year	-11	-	-	-
Closing write-downs	-11	-	-	-
Closing planned residual value	1,341	361	3	-

NOTE 15. CONSTRUCTION IN PROGRESS

	Group	
	Dec. 31, 2000	Dec. 31, 1999
Opening acquisition value	-	-
Investments	27	-
Closing acquisition values	27	-

Notes

NOT 16. PARTICIPATIONS IN GROUP COMPANIES

The Parent Company's holdings of shares and participations in Group companies

SEK 000	Reg. no.	Reg'd office	Equity share, %	No. shares	Book value
Hemköpskedjan AB	556113-8826	Falun	100	100,000	133,221
Axfood Sverige AB (Formerly D&D Dagligvaror AB)	556004-7903	Solna	100	3,430,977	1,533,671
SDU, Svensk Detaljhandelsutveckling AB	556554-1692	Jönköping	100	2,000	142,663
MP Mellansverige AB	556400-8620	Västerås	75 ²⁾	5,000	25,180
Axfood Direkt AB	556367-4166	Solna	100	1,000	12,464
Eurotaste i Tyringe AB	556263-0896	Hässleholm	41 ³⁾	9,000	41,961
Axfood Fastigheter AB	556099-1183	Solna	100	5,000	27,922
Axfood Franchise AB	556025-1992	Gothenburg	100	14,100	18,850
AB Handelskredit	556039-0188	Solna	100	142,027	86,070
HP Billigt och Nära Holding AB	556554-5786	Gothenburg	80 ⁴⁾	1,000	96,861
Book value of Swedish Group companies					
Spar Finland Abp's ¹⁾	73897	Finland	40.1	388,532 A / 66 797 K	213,853
					Total 2,332,716

¹⁾ The market value as per December 31, 2000 was EUR 9,910,000 (SEK 87,773,000).

²⁾ The Group's total holding amounts to 100 percent.

³⁾ The Group's total holding amounts to 91 percent.

⁴⁾ The Group's total holding amounts to 100 percent

NOTE 17. PARTICIPATIONS IN ASSOCIATED COMPANIES

The Parent Company's and Group's holdings of shares and participations in associated companies

SEK 000	Reg. no.	Reg'd office	Equity share, %	No. shares	Book value
The Parent Company's holdings of shares and participations in associated companies					
Baltic Food Holding AS	964480389	Norway	26	10,556	17,871
The Group's holding of shares and participations in associated companies					
Tuko Logistics Oy	0858675-5	Finland	35	2,100	100,309
Bohus Detaljhandel AB	556303-6141	Strömstad	49	2,205	23,084
Others					44,342
					Total 185,606

NOTE 18. OTHER LONG-TERM RECEIVABLES

	Group		Parent Company	
	Dec. 31, 2000	Dec. 31, 1999	Dec. 31, 2000	Dec. 31, 1999
Accumulated acquisition values				
At start of year	9	9	8	8
Acquired companies	528	-	-	-
Alecta (formerly SPP)	48	-	-	-
Settled receivables	-107	0	-8	0
Book value at year-end	478	9	0	8

Of other long-term receivables, SEK 435 m (528) pertain to interest-bearing receivables in AB Handelskredit.

NOTE 19. OTHER RECEIVABLES

Of other receivables, SEK 49 m (81) consist of interest-bearing receivables in AB Handelskredit.

NOTE 20. SHAREHOLDERS' EQUITY

Change in shareholders' equity, Group	Share capital	Restricted reserves	Unrestricted	Total
			shareholders' equity	
Amount at beginning of year	125	80	163	368
New issue	141	412	-	553
Shareholder dividend	-	-	-65	-65
Translation difference	-	1	2	3
Warrants	-	2	-	2
Redemption of convertibles	-	-	-2	-2
Write-down of own shares	-	-	-5	-5
Shifts between restricted and unrestricted shareholders' equity	-	37	-37	-
Income/loss for the year	-	-	-34	-34
Amount at year-end	266	532	22	820

NOTE 20. SHAREHOLDERS' EQUITY, CONT.

Change in shareholders' equity, Parent Company	Restricted Share capital	Statutory reserves	Unrestricted share-holders' equity	Total	
				Statutory reserve	Unrestricted share-holders' equity
Amount at beginning of year	125	–	25	83	233
New issue	141	1,572	–	–	1,713
Warrants	–	2	–	–	2
Shareholders dividend	–	–	–	-65	-65
Write-down of own shares	–	–	–	-5	-5
Group contribution, incl. standard tax	–	–	–	39	39
Income/loss for the year	–	–	–	-31	-31
Amount at year-end	266	1,574	25	21	1,886

The share capital as per December 31, 2000, consisted of 53,229,028 shares with a par value of SEK 5.00 each.

NOTE 21. SHARE REPURCHASES

Number of shares	Par value of repurchased shares	% of share capital	Payment made for repurchased shares	
			Group	Parent Company
The Parent Company's holding of own shares managed on behalf of others				
Repurchased	1,822,104	9,110,520	3.4 %	125,533,946
Transferred	-991,215	-4,956,075	-1.9 %	-71,466,601
Dec. 31, 2000	830,889	4,154,445	1.6 %	54,067,345
Acquired subsidiaries' holdings of Axfood shares				
Dec. 31, 2000	83,617	418,085	0.2 %	4,818,000

During the year, 1,905,721 of the Company's own shares were acquired or received in connection with company acquisitions, of which 1,822,104 were transferred in connection with company acquisitions. The total holding of own shares as per December 31, 2000, thereafter amounted to 83,617, with a par value of SEK 418,085, corresponding to 0.2 percent of the total number of shares outstanding. These have been written down against unrestricted shareholders' equity in the amount of SEK 5 m. The shares in HP Billigt & Nära AB were taken over as per December 31, 2000. Of the purchase price, consisting of a total of 1,600,000 own shares, 830,889 shares are managed on behalf of the seller as per the closing date. These have also been offset against the liability that arose in connection with the acquisition.

NOTE 22. PROVISION FOR PENSIONS

	Group		Parent Company	
	Dec. 31, 2000	Dec. 31, 1999	Dec. 31, 2000	Dec. 31, 1999
Pensions	357	8	2	8
Pledged assets for pension commitments				
Unit linked insurance plans	7	8	–	8

The Company's and Group's pension commitments, which are not secured through payment of pension premiums, amounted to SEK 357 m (8). Of the amount entered as a liability in the balance sheet, SEK 7 m (8) has been reserved with taxed funds.

NOTE 23. LONG-TERM LIABILITIES

Of the Group's long-term liabilities, SEK 87 m (-) is payable after five years from the closing date.

Bank overdraft facilities amount to SEK 765 m (80). Axfood also has long-term committed credit lines of SEK 125 m and SEK 295 m in committed, unutilized revolving credit facilities with a term of up to one year. Of other long-term liabilities to credit institutions, SEK 85 m (-) is payable after five years from the closing date.

Warrant financing of SEK 2,138 m has been taken up with 427,500 warrants. Each warrant carries entitlement to subscribe for one new share during the period November 22, 2003 - August 21, 2004.

NOTE 24. PLEDGED ASSETS AND CONTINGENT LIABILITIES

Pledged assets	Group		Parent Company	
	Dec. 31, 2000	Dec. 31, 1999	Dec. 31, 2000	Dec. 31, 1999
Property mortgages	573	3	–	–
Chattel mortgages	648	32	–	–
Borrowers' promissory notes	315	–	–	–
Shares in subsidiaries	993	1	502	–
Other pledged assets	7	8	–	8
Total	2,536	44	502	8

Contingent liabilities	Group		Parent Company	
	Dec. 31, 2000	Dec. 31, 1999	Dec. 31, 2000	Dec. 31, 1999
Guarantees for subsidiaries	–	–	388	–
Guarantees for others	59	–	–	–
Total contingent liabilities	10	–	–	–
Total	69	–	388	–

PLEDGED ASSETS BROKEN DOWN INTO OWN PROVISIONS AND LIABILITIES

Provision for pensions, PRI	Group		Parent Company	
	Dec. 31, 2000	Dec. 31, 1999	Dec. 31, 2000	Dec. 31, 1999
Chattel mortgages	278	–	–	–
Property mortgages	13	–	–	–
Total	291	–	–	–
Liabilities to credit institutions				
Property mortgages	560	3	–	–
Chattel mortgages	370	32	–	–
Borrowers' promissory notes	315	–	–	–
Shares in subsidiaries	993	1	502	–
Other pledged assets	7	8	–	8
Total	2,246	44	502	8
Total pledged assets for own provisions and liabilities	2,536	44	502	8

Notes

NOTE 25. CASH FLOW STATEMENT

The cash flow statement for the Group in 2000 has been prepared based on the pro forma financial statements for 1999 in order to provide better and more pertinent information to the reader.

NOTE 26. ACQUISITIONS OF SUBSIDIARIES

	Group 2000
Intangible fixed assets	378
Tangible fixed assets	198
Financial fixed assets	106
Inventories	165
Current assets	249
Liquid assets	31
Minority interests	75
Provisions	34
Long-term liabilities	251
Current liabilities	350
Total purchase price paid	417
Liquid assets in the acquired companies	-31
Portion of purchase price that is not liquid	-129
Impact on the Group's liquid assets of acquisitions for the year	257
Purchase price paid pertaining to previous years' acquisitions	-
Unpaid portion of purchase price pertaining to the year's acquisitions	-47
Total cash flow pertaining to investments in subsidiaries	210

NOTE 27. SALES OF SUBSIDIARIES

During the year, companies in subsidiaries' subsidiary groups were sold. The value of divested assets and liabilities was as follows:

	Group 2000
Inventories	24
Current assets	30
Current liabilities	11
Long-term liabilities	36
Total purchase price	7
Liquid assets in the divested companies	-
Impact on the Group's liquid assets of the year's divestments	7
Purchase price received pertaining to previous years' divestments	-
Total cash flow pertaining to sales of subsidiaries	7

NOTE 28. INFORMATION ON EMPLOYEES; COMPENSATION TO DIRECTORS AND CEO

Average number of employees (a full-year employee is calculated on the basis of 1,600 hours)

	2000	Of whom, men	1999	Of whom, men
Parent Company, Sweden	2	1	46	21
Subsidiaries, Sweden	7,176	3,338	2,665	799
Subsidiaries, Finland	968	278	-	-
Total, Group	8,146	3,617	2,711	820

Wages, salaries and other remuneration and social security charges

	2000		1999	
	Wages, salaries and other remuneration	Social security charges	Wages, salaries and other remuneration	Social security charges
Parent Company, Sweden	16	9	15	6
Of which, pension costs	-	3	-	1
Subsidiaries, Sweden	1,611	741	521	203
Of which, pension costs	-	110	-	20
Subsidiaries, Finland	181	49	-	-
Of which, pension costs	-	31	-	-
Total, Group	1,808	799	536	209
Of which, pension costs ^{1), 2)}		144		21

¹⁾ Of the Parent Company's pension costs, SEK 3 m (0) pertains to the Board of Directors, CEO and vice presidents. Of pensions costs for subsidiaries, SEK 6 m (1) pertains to presidents.

²⁾ The Group has no outstanding pension commitments with respect to boards, presidents and vice presidents, other than pension provisions already entered as a liability.

Wages, salaries and other remuneration, broken down by directors, etc., and other employees

	2000		1999	
	Boards, presidents and vice presidents	Other employees	Boards, presidents and vice presidents	Other employees
Parent Company	15 ¹⁾	1	4 ¹⁾	11
Subsidiaries, Sweden	78 ²⁾	1,533	34 ²⁾	487
Subsidiaries, Finland	4	177	-	-
Total, Group	97	1,711	38	498

¹⁾ Of which, bonuses 2 (1).

²⁾ Of which, bonuses 28 (16).

The annual fee payable to directors was set by the 2000 Annual General Meeting at SEK 1,550,000, of which SEK 250,000 is payable to the Chairman. This payment is made in full after year-end.

Axfood's CEO, Mats Jansson, employed since March 15, 2000, received salary and other benefits totaling SEK 6.9 m. The CEO's bonus system is based on the performance and development of the business in accordance with rules set up by the compensation committee. The bonus can amount to a maximum of one-half year's salary. The CEO also has the benefit of a company car, and defined-benefit disability and pension benefits. The CEO is entitled to retirement pension from 60 years of age. Retirement pension between 60 and 75 years of age amounts to 75 percent of the final salary, and thereafter 60 percent. Provision for this has been made in the year's accounts. The CEO also has a defined-benefit family pension plan. In the event Axfood serves notice, the CEO is entitled to a term of notice of 12 months plus 12 months' severance pay. After turning the age of fifty, the CEO is entitled to 24 months' severance pay, on account.

Other senior executives of Axfood have customary terms of employment and are entitled to salary during the period of notice and severance pay for a combined total of not more than 18 months. They can receive bonuses based on the performance and development of the business amounting to a maximum of 40 percent of annual salary. The retirement age has been set at 60 years. The ITP plan serves as the primary cost framework.

2000 Stock option program

In December 2000, Axfood AB issued a promissory note with 427,500 detachable warrants (options). The option program covers 15 persons in senior positions within the Axfood Group, who have subscribed for 337,500 options. The remaining options can be purchased at a later date by other senior executives of the Axfood Group. Such sales take place on all occasions at market price. The exercise price is SEK 72, and the holders of the options are entitled to subscribe for one new share per option during the period November 22, 2003 - August 21, 2004.

NOTE 29. AUDITORS' FEES

	Group		Parent Company	
	2000	1999	2000	1999
KPMG				
Auditing fees	6	1	0	0
Fees for other consulting	2	0	0	0
Total	8	1	0	0

Several-year overview

Amounts in SEK m	2000	1999P	1999	1998P	1998
Income Statement					
Net sales	30,230	29,077	5,338	28,782	4,958
Operating income	112	344	162	443	161
Income after financial items	0	261	163	335	162
Minority share	-10	-15	-	-26	-
Taxes	-24	-105	-46	-119	-45
Net income/loss for the year	-34	141	117	190	117
Balance Sheet					
Intangible fixed assets	1,258	1,021	23	1,088	24
Tangible fixed assets	2,143	1,650	364	1,483	295
Financial assets	681	796	9	1,005	9
Inventories	1,518	1,425	327	1,406	280
Other current assets	1,707	1,629	140	1,485	88
Liquid assets	278	192	181	119	216
Assets	7,585	6,713	1,044	6,586	912
Shareholders' equity	820	741	368	659	316
Minority interest	181	185	-	207	-
Provisions	579	542	75	520	61
Interest-bearing liabilities	2,610	2,157	9	2,055	9
Noninterest-bearing liabilities	3,395	3,088	592	3,145	526
Shareholders' equity and liabilities	7,585	6,713	1,044	6,586	912
Cash flow					
Cash flow from continuing operations	445¹⁾	365	165	-	170
Cash flow from investing activities	-690¹⁾	-326	-135	-	-123
Cash flow from financing activities	331¹⁾	36	-64	-	-75
Cash flow for the period	86¹⁾	75	-34	-	-28
Key ratios					
Operating margin (%)	0.4	1.2	3.0	1.5	3.2
Operating margin before items affecting comparability and goodwill	1.3	1.8	3.1	-	3.3
Margin after financial items (%)	0	0.9	3.1	1.2	3.3
Equity ratio (%)	13.2	13.8	35.2	13.1	34.6
Debt-equity ratio, net (multiple)	2.2	2.0	-0.4	-	-0.6
Debt-equity ratio (multiple)	2.96	2.9	0,0	2.8	0.1
Capital employed (SEK m)	3,968	3,620	385	-	333
Return on capital employed (%)	3.8	10.3	46	-	51
Return on shareholders' equity (%)	neg	20.0	34	-	40
Capital expenditures (SEK m)	579	563	135	453	123
Earnings per share (SEK)	-0.64	2.77	4.68	3.75	4.66
Number of shares outstanding	53,229,028	50,729,028	25,000,000 ³⁾	50,759,950	25,000,000
Number of full-year employees	8,146	7,364	2,711	6,934	2,526
Dividend	0²⁾	2.60	2.60	-	-

^{P)} Pro forma for 1999 and 1998.

¹⁾ Pro forma.

²⁾ Proposed by the Board of Directors.

³⁾ Of which, 4,000,000 Class A shares and 21,000,000 Class B shares.

Definitions

- **Capital employed:** Total assets less noninterest-bearing liabilities including deferred tax liabilities. 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.
- **Debt-equity ratio, net:** Interest-bearing liabilities less liquid assets, divided by shareholders' equity.
- **Debt-equity ratio:** Interest-bearing liabilities divided by shareholders' equity.
- **Earnings per share:** Net income/loss for the year divided by the number of shares outstanding.
- **EBITG:** Operating income before items affecting comparability and goodwill amortization
- **Equity ratio:** Shareholders' equity including minority interests, as a percentage of total assets.
- **Interest cover ratio:** Income after financial items plus financial expenses, divided by interest expenses
- **Margin after financial items** Income after financial items as a percentage of net sales for the year.
- **Net interest-bearing assets:** Liquid assets less interest-bearing liabilities.
- **Number of full-year employees:** Total number of hours worked divided by the year's work time of 1,600 hours.
- **Operating margin:** Operating income after depreciation, as a percentage of net sales for the year.
- **Return on capital employed:** Income after financial items, plus financial expenses, as a percentage of average capital employed.
- **Return on shareholders' equity:** Net income/loss as per the income statement as a percentage of average shareholders' equity. Average shareholders' equity is calculated as shareholders' equity at the beginning of the year plus shareholders' equity at the end of the year, divided by two.
- **Shareholders' equity per share:** Shareholders' equity divided by the number of shares outstanding.

Auditors' Report

to the Annual General Meeting of Axfood AB (publ.)

Reg. no. 556542-0824

We have audited the parent company and consolidated financial statements, the accounts and the administration of the Board of Directors and the President of Axfood AB (publ.) for the 2000 financial year. These accounts and the administration of the Company are the responsibility of the Board of Directors and the President. Our responsibility is to express an opinion on the financial statements and the administration based on our audit.

We conducted our audit in accordance with Generally Accepted Auditing Standards in Sweden. Those Standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the President, as well as evaluating the overall presentation of information in the financial statements. As a basis for our opinion with respect to discharge from liability, we have examined significant decisions, actions taken and circumstances of the Company in order to be able to determine the possible liability to the Company of any board member or the President or whether they have in any other way acted in contravention of the Swedish Companies Act, the Swedish Annual Accounts Act, or the Company's Articles of Association. We believe that our audit provides a reasonable basis for the opinion set out below.

The parent company and consolidated financial statements have been prepared in accordance with the Swedish Annual Accounts Act and give a true and fair view of the result and the financial position of the Group in accordance with Generally Accepted Auditing Standards in Sweden.

We recommend that the Annual General Meeting adopt the income statements and balance sheets of the parent company and the Group, dispose of the profit of the parent company in accordance with the proposal in the Administration Report, and discharge the members of the Board of Directors and the President from liability for the financial year.

Stockholm, Sweden, March 15, 2001

Caj Nackstad
Authorized Public
Accountant

Per Bergman
Authorized Public
Accountant

Executive management



Mats Jansson (b. 1951)
(See Board information)



Lars Nilsson (b. 1956)
Executive Vice President and CFO.
Number of shares: 9,400
Number of options: 35,000



Kent Peterson (b. 1948)
President, Purchasing and Markets.
Number of shares: 7,000
Number of options: 17,500



Bodil Eriksson (b. 1963)
Senior Vice President, Corporate
Communications.
Number of shares: 0
Number of options: 17,500



Lennart Andersson (b. 1955)
Taking over as President and CEO of
Hemköp in June 2001, succeeding Håkan
Matz, President and CEO of
Hemköpskedjan, 1999-2000.
Number of shares: 0
Number of options: 0



Anders Nyberg (b. 1956)
Named Executive Vice President of
Axfood on February 1, 2001.
Number of shares: 0
Number of options: 0



Bengt Andersson (b. 1952)
President of Axfood Direkt
Number of shares: 1,000
Number of options: 17,500

Board of Directors



Gösta Törnroth, Claes Andersson, Nils-Erik Johansson, Åke Pettersson.



Sven-Erik Brandt, Peggy Bruzelius, Mats Jansson, Marcus Storch.



Antonia Ax:son Johnson, Hans G. Johansson, Göran Ennerfelt, Annika Åhnberg.

Board of Directors and Auditors

Directors elected by the Annual General Meeting:

Claes Andersson (b. 1947)

Claes Andersson is a merchant and owner of the Sabis AB store chain in Stockholm. He was formerly a director of D-Gruppen AB, from 1995-1999. Director since 2000. Number of shares: 593,092 via companies.

Antonia Ax:son Johnson (b. 1943)

Chairman or director of a number of companies in the Axel Johnson Group. Director of Nordstjernan AB, the Axel and Margaret Ax:son Johnson Foundation for Public Service, NCC AB, Xerox Corporation, Stockholm Environment Institute, the Royal Swedish Academy of Engineering Sciences (IVA), and other organizations. Chairman of the City Mission of Stockholm and the World Childhood Foundation. Director since 2000. Number of shares: 24,084,166 via companies.

Peggy Bruzelius (b. 1949)

Chairman of Grand Hôtel Holding AB and Lancelot Asset Management AB. Director of AB Electrolux, Scania AB, Ratos AB, Drott AB, Syngenta AB, the Stockholm School of Economics Association, the Industry and Commerce Stock Exchange Committee, the Securities Council, and other organizations. Former President of ABB Financial Services and Executive Vice President of Skandinaviska Enskilda Banken. Director since 2000. Number of shares: 1,500.

Göran Ennerfelt (b. 1940)

Chairman or director of various companies in the Axel Johnson Group. Chairman of the Board of Trustees of SNS – the Center for Business and Policy Studies, Chairman of Svensk Handel, the General Export Association of Sweden and the Stockholm Institute of East European Economics. Vice Chairman of the Sweden-America Foundation. Director of Spirent plc, Svenska Handelsbanken, Samhall AB, the Swedish Employers' Confederation (SAF), the International Chamber of Commerce, and other organizations. Chairman of the Board since 2000. Number of shares: 10,000.

Mats Jansson (b. 1951)

President and CEO of Axfood AB. Chairman or director of various companies in the Axel Johnson Group. Director of Hufvudstaden AB. Mats Jansson is a former President and CEO of AB Catena (now Bilia AB), and President and CEO of Oy Karl Fazer AB. Director since 2000. Number of shares: 4,300. Number of options: 60,000.

Nils-Erik Johansson (b. 1933)

Chairman of Clas Ohlson AB and Leksands IF. Director of Åhléns AB, Almi Företagspartner Dalarna AB, FöreningsSparbanken Falun, FöreningsSparbankens' Company Council in Stockholm, the Mistra Mat 21 program at the Swedish University of Agricultural Sciences (SLU), and others. Nils-Erik Johansson is a former President and CEO of Hemköpskedjan AB. Director since 2000. Number of shares: 0.

Marcus Storch (b. 1942)

Chairman of ConNova AB. Vice Chairman of Axel Johnson AB and the Nobel Foundation. Director of Axel Johnson AB, the Axel and Margaret Ax:son Johnson Foundation, Dagens Industri AB, Nordstjernan AB, NCC AB, AB Hanells Industrier, Skyways Holding AB, OM Stockholm Exchange AB, Tumba Bruk AB, the Royal Swedish Academy of Science, the Royal Swedish Academy of Engineering Sciences (IVA), and other organizations. D. Med. h.c. Marcus Storch is a former President and CEO of AGA AB. Vice Chairman of the Board since 2000. Number of shares: 12,000.

Gösta Törnroth (b. 1943)

Chairman of Nyföretagarcentrum (Solna). Director of Svensk Handel, the Swedish Research Institute of Trade (HUI), the Commerce Employees' Association and moreSALE International AB. Gösta Törnroth served as President and Chairman of D-gruppen AB from the start in 1983 until 1998, and as a director on Dagab AB's board between 1991-1994. Director since 2000. Number of shares: 0.

Annika Åhnberg (b. 1949)

Chairman of the program board of the ELSA (Ethical, Legal and Social Aspects of Genome Research and Gene Technology) research program. Director of the Royal Swedish Academy of Agriculture and Forestry (KSLM), the Royal Swedish Academy of Engineering Sciences (IVA), Skandia Liv, and HANDU AB. Director since 2000. Number of shares: 0.

Employee representatives

Sven-Erik Brandt (b. 1947)

Sven-Erik Brandt joined Dagab AB in 1976 and represents the Commercial Employees' Union. Director since 2000. Number of shares: 0.

Hans G. Johansson (b. 1945)

Hans G. Johansson is an employee of Hemköp and an employee representative for the Commercial Employees' Union. Director since 2000. Number of shares: 0.

Åke Pettersson (b. 1935)

Åke Pettersson joined Dagab AB in 1962 and represents the Salaried Employees' Union HTF. Director since 2000. Number of shares: 0.

Auditors

Per Bergman

Authorized Public Accountant

Caj Nackstad

Authorized Public Accountant

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