



Interim Report Axfood AB (publ)

SECOND QUARTER SUMMARY

- Axfood's consolidated sales for the period April–June totalled SEK 8,583 m (8,216), an increase of 4.5%.
- Retail sales for Group-owned stores rose 0.7% during the period. Like-for-like sales fell by 1.9%.
- Operating profit for the period was SEK 279 m (269).
- Profit after financial items for the period was SEK 270 m (258).
- Profit after tax for the period was SEK 199 m (190), and earnings per share were SEK 3.79 (3.63).
- Axfood Närlivs signed an agreement to acquire Reitan Servicehandel's cold storage distribution centre in Stockholm. Axfood will take over operations on 1 October 2010.
- Axfood's goal for 2010 is to achieve an operating profit at least at the same level as in 2009.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

- A new, two-year cooperation agreement was signed between Axfood Närlivs and Preem.

Key ratios

| SEK m | Q2 2010 | Q2 2009 | Change, % | Six months 2010 | Six months 2009 | Change, % | Full year 2009 |
|--------------------------------------|---------|---------|-----------|-----------------|-----------------|-----------|----------------|
| Net sales | 8,583 | 8,216 | 4.5 | 16,793 | 15,898 | 5.6 | 32,378 |
| Operating profit | 279 | 269 | 3.7 | 524 | 503 | 4.2 | 1,128 |
| Operating margin, % | 3.3 | 3.3 | 0.0 | 3.1 | 3.2 | -0.1 | 3.5 |
| Profit after financial items | 270 | 258 | 4.7 | 505 | 479 | 5.4 | 1,082 |
| Profit after tax | 199 | 190 | 4.7 | 373 | 353 | 5.7 | 793 |
| Earnings per share, SEK ¹ | 3.79 | 3.63 | 4.4 | 7.10 | 6.73 | 5.5 | 15.13 |
| Cash flow per share, SEK | -0.2 | 0.8 | - | -0.9 | -2.1 | 57.1 | 0.1 |
| Equity ratio, % | - | - | - | 32.9 | 30.7 | 2.2 | 36.7 |
| Return on capital employed, % | - | - | - | 32.7 | 30.5 | 2.2 | 31.8 |
| Return on shareholders' equity, % | - | - | - | 34.8 | 36.7 | -1.9 | 32.4 |
| Net asset value per share, SEK | - | - | - | 47.34 | 41.78 | 13.3 | 50.22 |

1) Before and after dilution.

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CEO'S COMMENTS

Axfood continues to show stable earnings performance in a highly competitive market. On top of this, industry statistics show a generally weak volume and price trend for the food retail market. Indications are strong that consumers are giving priority to capital goods and restaurant visits. For many, considerably higher electricity bills from the past winter have also affected their personal finances.

During the second quarter we had continued high activity in all operations, establishing or converting additional stores and carrying out numerous campaign activities.

Willys continues to show good earnings performance with a favourable operating margin, at the same time that its market share has grown through more new stores. Willys also continues to defend its position as "Sweden's cheapest bag of groceries". This was recently confirmed in an independent price study that has been carried out and published. However, from the start of the quarter, like-for-like sales have been affected by a generally weak trend in the industry, competitor establishment and own new establishment. During the remainder of 2010, additional stores will be opened through new establishment or conversion from Hemköp units.

Hemköp posted yet another quarter in the black, positive like-for-like sales performance and increasingly stable operations. This is a result of the structural changes that were initiated in 2009. It can also be credited to the campaigns that we carried out during the spring, in line with Hemköp's new price strategy and improved customer offer.

At PrisXtra, sales and profitability remain unsatisfactory. It is nevertheless our judgement that it will be possible to achieve a positive operating result for the full year.

Axfood Närlivs has signed three new agreements – one covering the acquisition of Reitan Servicehandel's cold storage distribution centre in Kungens kurva, a new five-year supply agreement with Reitan Servicehandel, and a new two-year agreement with the Preem service station chain.

As previously, Dagab is maintaining a very high level of quality in its delivery reliability and in June posted its best delivery reliability performance ever, at 97.8%. The resumed collaboration with the Vi stores is also proceeding very satisfactorily.

Much points to continued optimism among households, despite the risk for higher interest rates. At the same time, we believe the market conditions will remain unchanged, with high price competition and price conscious customers.

In line with our strategy, we are continuing to ensure profitable growth through greater efficiency and good cost control. During the rest of 2010 we will maintain a high pace of establishment and change, further develop our concepts, optimize store operations, refine our price and product range strategy, and stimulate our sales performance.

Axfood's goal for 2010 is to achieve an operating profit at least at the same level as in 2009.

Anders Strålmán
President and CEO

SALES, AXFOOD GROUP

Second quarter

Consolidated wholesale and retail sales for the Axfood Group totalled SEK 8,583 m (8,216) for the period, an increase of 4.5%. Store sales for the Axfood Group (wholly owned stores and Hemköp franchises) totalled SEK 7,021 m (7,013), an increase of 0.1%. Sales for Axfood-owned retail operations rose 0.7% during the period, with a 1.9% drop in like-for-like sales.

Six months

Consolidated wholesale and retail sales for the Axfood Group totalled SEK 16,793 m (15,898) for the period, an increase of 5.6%. Store sales for the Axfood Group (wholly owned stores and Hemköp franchises) totalled SEK 13,863 m (13,651), an increase of 1.6%. Sales for Axfood-owned retail operations rose 2.0% during the period, with a 0.2% increase in like-for-like sales.

Net sales per operating segment

| SEK m | Q2 2010 | Q2 2009 | Six months 2010 | Six months 2009 | 2009 |
|-----------------------------|--------------|--------------|--------------------|--------------------|---------------|
| Hemköp | 1,224 | 1,344 | 2,503 | 2,701 | 5,335 |
| Willys | 4,665 | 4,492 | 9,131 | 8,678 | 17,589 |
| PrisXtra ¹ | 161 | 175 | 332 | 357 | 685 |
| Axfood Närlivs ¹ | 1,491 | 1,468 | 2,784 | 2,722 | 5,611 |
| Dagab | 6,422 | 6,159 | 12,601 | 11,828 | 24,052 |
| Other ² | 1,026 | 887 | 2,019 | 1,615 | 3,364 |
| <i>Internal sales</i> | | | | | |
| Dagab | -5,424 | -5,454 | -10,645 | -10,452 | -21,049 |
| Axfood Närlivs | -6 | -5 | -12 | -10 | -19 |
| Other | -976 | -850 | -1,920 | -1,541 | -3,190 |
| Total | 8,583 | 8,216 | 16,793 | 15,898 | 32,378 |

¹ On 1 January 2010, NetXtra was transferred from PrisXtra to Axfood Närlivs. The comparison figures have been adjusted by SEK 10 m for the second quarter, by SEK 22 m for the half year, and by SEK 40 m for the full year 2009.

² Includes joint-Group support functions, such as purchasing coordination, IT and corporate offices. The item "other" also includes charges for, among other things, amortization of surplus value pertaining to the acquisition of PrisXtra. The increase in sales is attributable to higher internal volumes for Fruits and Vegetables and for Centrally Packaged Meat.

Retail sales, own and franchise stores

| SEK m | Q2 2010 | % ¹⁾ | Like-for-like sales, % ¹⁾ | Six months 2010 | % ¹⁾ | Like-for-like sales, % ¹⁾ |
|-----------------------|--------------|-----------------|---|--------------------|-----------------|---|
| Hemköp | 1,212 | -8.8 | 1.6 | 2,477 | -7.2 | 1.3 |
| Hemköp franchises | 983 | -3.3 | 0.0 | 1,923 | -1.2 | 0.8 |
| Hemköp total | 2,195 | -6.4 | 0.9 | 4,400 | -4.7 | 1.1 |
| Willys total | 4,665 | 3.9 | -2.5 | 9,131 | 5.2 | 0.2 |
| PrisXtra total | 161 | -8.0 | -8.0 | 332 | -7.0 | -7.0 |
| Total | 7,021 | 0.1 | -1.6 | 13,863 | 1.6 | 0.3 |

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

Change in store structure, six months 2010

| | Dec. 2009 | New establish- ment | Acquisitions | Sales/ closures | Conversions to/from | June 2010 |
|--------------------------------------|------------|------------------------|--------------|-----------------|------------------------|------------|
| Hemköp | 72 | | | -2 | -5 | 65 |
| Willys ¹⁾ | 147 | 4 | 3 | | 5 | 159 |
| PrisXtra | 6 | | | | | 6 |
| Total, Group-owned | 225 | 4 | 3 | -2 | - | 230 |
| Hemköp franchises | 86 | | | -3 | | 83 |
| ¹⁾ Of which, Willys hemma | 34 | 1 | 3 | | 3 | 41 |

EARNINGS, AXFOOD GROUP

Second quarter

Operating profit for the period was SEK 279 m (269). The operating margin for the period was 3.3% (3.3%). Net financial items totalled SEK -9 m (-11), and profit after financial items was SEK 270 m (258). The margin after financial items was 3.1% (3.1%). Profit after tax was SEK 199 m (190).

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

Six months

Operating profit for the period was SEK 524 m (503). The operating margin for the period was 3.1% (3.2%). Net financial items totalled SEK -19 m (-24), and profit after financial items was SEK 505 m (479). Profit after tax was SEK 373 m (353).

Operating profit for the period, broken down by operating segment

| SEK m | Q2 2010 | Q2 2009 | Six months 2010 | Six months 2009 | 2009 |
|---|------------|------------|-----------------|-----------------|--------------|
| Hemköp | 10 | -10 | 16 | 3 | 28 |
| Willys | 195 | 177 | 362 | 344 | 731 |
| PrisXtra | -3 | 3 | 0 | 3 | 6 |
| Axfood Närlivs | 34 | 38 | 48 | 54 | 132 |
| Dagab | 34 | 36 | 64 | 60 | 147 |
| Other ¹ | 9 | 25 | 34 | 39 | 84 |
| Operating profit for the period, total² | 279 | 269 | 524 | 503 | 1,128 |

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

² Net financial items are not distributed per operating segment.

CAPITAL EXPENDITURES

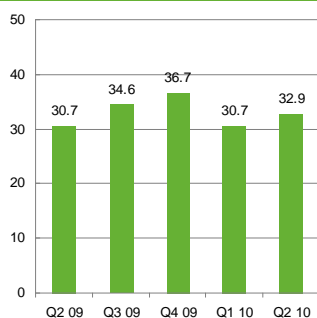
Total capital expenditures during the period January–June amounted to SEK 454 m (319), of which SEK 4 m (3) pertained to acquisitions of businesses. In addition, SEK 219 m (138) pertained to investments in non-current assets in retail operations, SEK 63 m (58) to investments in non-current assets in wholesale operations, and SEK 89 m (93) to IT development.

FINANCIAL POSITION

Cash flow from operating activities for the first half of the year before paid tax was SEK 892 m (859). Paid tax amounted to SEK -184 m (-164). Cash and cash equivalents held by the Group amounted to SEK 268 m, compared with SEK 316 m in December 2009. Interest-bearing assets amounted to SEK 268 m at the end of the period, compared with SEK 316 m in December 2009. Interest-bearing liabilities and provisions totalled SEK 1,060 m at the end of the period, compared with SEK 848 m in December 2009. Interest-bearing net debt was SEK 792 m at the end of the period, compared with SEK 532 m in December 2009. Payout of the shareholder dividend affected cash flow by SEK -525 m (-420), and net capital expenditures affected cash flow by SEK -440 m (-292).

The equity ratio was 32.9%, compared with 36.7% as per December 2009.

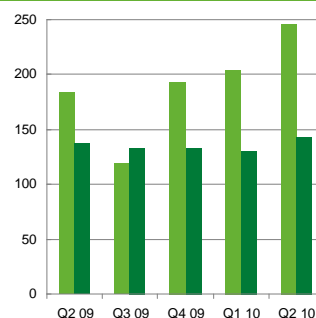
Equity ratio, %



Debt-equity ratio, multiple



Capital expenditures*, depreciation/amortization, SEK m



■ Capital expenditures* ■ Depreciation/amortization
* Excluding goodwill

STORE OPERATIONS

Willys

Second quarter

Willys continues to show favourable earnings performance and defend its position as "Sweden's cheapest bag of groceries". This has also been confirmed in an independent study of prices that was recently carried out and published. Sales during the second quarter totalled SEK 4,665 m (4,492), an increase of 3.9% compared with the same period a year ago. Like-for-like sales decreased by 2.5% during the period. Operating profit for the second quarter was SEK 195 m (177), an increase of 10.2%. The operating margin was 4.2% (3.9%).

The private label share as of June was 23.8% (24.4%) for Willys and 28.2% (28.5%) for Willys hemma.

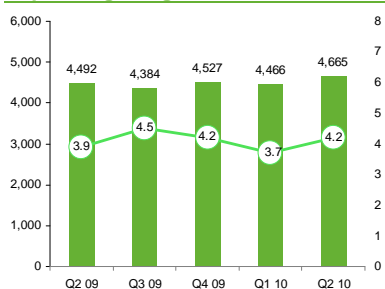
To further strengthen its market presence, Willys maintained a high pace of establishment during the second quarter, when two stores were converted from Hemköp to Willys, and two from Hemköp to Willys hemma. In addition, two stores were acquired. An additional six stores were adapted during the second quarter to the new generation of Willys. The renewal project currently covers 40 stores.

Six months

Willys' sales for the period January–June totalled SEK 9,131 m (8,678), an increase of 5.2% compared with a year ago. Like-for-like sales increased during the same period by 0.2%. Operating profit for the first half of the year was SEK 362 m (344), and the operating margin was 4.0% (4.0%).

During the first half of the year, three Willys stores and one Willys hemma store were established, three Willys hemma stores were acquired, and five stores were converted from Hemköp, of which two to Willys and three to Willys hemma. The Willys chain thereby consists of 159 wholly owned stores, of which 41 are Willys hemma.

Sales, SEK m, and operating margin, %



Key ratios

| SEK m | Q2 2010 | Q2 2009 | Six months 2010 | Six months 2009 | 2009 |
|---|---------|---------|-----------------|-----------------|-----------|
| Net sales | 4,665 | 4,492 | 9,131 | 8,678 | 17,589 |
| Change in like-for-like sales, % | -2.5 | 4.0 | 0.2 | 2.2 | 1.7 |
| Operating profit | 195 | 177 | 362 | 344 | 731 |
| Operating margin, % | 4.2 | 3.9 | 4.0 | 4.0 | 4.2 |
| Number of Group-owned stores | - | - | 159 | 142 | 147 |
| Average number of employees during the period | - | - | 3,161 | 3,104 | 3,110 |
| Private label share (Willys/Willys hemma) | - | - | 23.8/28.2 | 24.4/28.5 | 23.6/28.3 |

Hemköp

Second quarter

During the second quarter, Hemköp continued its structural programme but also followed up the price-cutting campaign from the preceding quarter with a seasonal campaign. The outcome was positive in terms of sales as well as in the increased number of customers. Like-for-like sales for Group-owned stores increased by 1.6% during the period.

Sales for Hemköp's stores – both Group-owned and franchises – decreased by 6.4% during the second quarter. Sales for Group-owned Hemköp stores totalled SEK 1,212 m (1,329) during the second quarter, a decrease of 8.8%. Compared with the same period a year ago, total sales were negatively affected by changes in store structure. Sales for franchise stores totalled SEK 983 m (1,017), a decrease of 3.3%, with an unchanged movement in like-for-like sales.

Operating profit for the second quarter was SEK 10 m (-10). The operating margin for the period was 0.8% (-0.7). Profit for the comparison period was affected by SEK 18 m in costs for store closures.

Hemköp's loyalty card continues to grow, and by the end of the period 325,000 cards were in issue. The loyalty card is a key part of a long-term effort to boost customer loyalty and thus sales and market shares.

Hemköp's private label share (incl. franchise stores) was 14.7% (14.6%) as of June.

During the second quarter, four stores were converted to Willys and Willy hemma, and four stores were closed – two Group-owned and two proprietor-run.

Six months

Like-for-like sales for Group-owned stores rose 1.3% during the period.

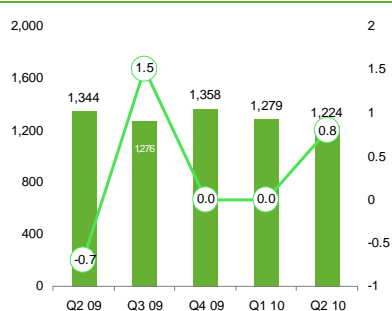
Sales for Hemköp stores – both Group-owned and franchises – decreased by 4.7% during the period January–June. Sales for Group-owned Hemköp stores totalled SEK 2,477 m (2,670) during the period, a decrease of 7.2%.

Sales for franchise stores totalled SEK 1,923 m (1,946), a decrease of 1.2%, with a 0.8% rise in like-for-like sales.

Operating profit for the period January–June was SEK 16 m (3). The operating margin for the period was 0.6% (0.1%). Profit for the comparison period was affected by SEK 23 m in costs for store closures.

During the first half of the year, five stores were converted to Willys and Willy hemma, and five stores were closed – two Group-owned and three proprietor-run. Hemköp had 148 stores at the end of the period, of which 65 were Group-owned.

Sales, SEK m, and operating margin, %



Key ratios

| SEK m | Q2 2010 | Q2 2009 | Six months 2010 | Six months 2009 | 2009 |
|---|---------|---------|-----------------|-----------------|-------|
| Net sales | 1,224 | 1,344 | 2,503 | 2,701 | 5,335 |
| Change in like-for-like sales, % | 1.6 | -3.6 | 1.3 | -4.5 | -2.7 |
| Operating profit | 10 | -10 | 16 | 3 | 28 |
| Operating margin, % | 0.8 | -0.7 | 0.6 | 0.1 | 0.5 |
| Number of Group-owned stores | - | - | 65 | 76 | 72 |
| Average number of employees during the year | - | - | 1,449 | 1,614 | 1,573 |
| Private label share | - | - | 14.7 | 14.6 | 16.1 |

PrisXtra

Second quarter

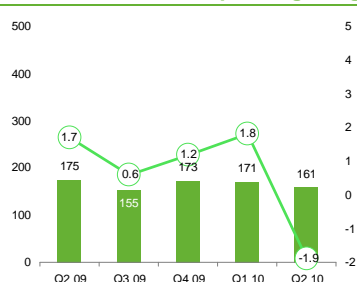
PrisXtra's sales totalled SEK 161 m (175) during the second quarter, a decrease of 8.0%. Like-for-like sales decreased by 8.0% during the period. Operating profit for the second quarter was SEK -3 m (3), and the operating margin was -1.9% (1.7%).

As previously, the two largest stores continue to be hurt by traffic re-routing and roadwork associated with construction of the Norra länken motorway in Stockholm.

Six months

PrisXtra's sales totalled SEK 332 m (357) during the period, a decrease of 7.0%. Like-for-like sales decreased by 7.0% during the period. Operating profit for the period January–June was SEK 0 m (3), and the operating margin for the period was 0.0% (0.8%).

Sales, SEK m, and operating margin, %



Key ratios

| SEK m | Q2 2010 | Q2 2009 | Six months 2010 | Six months 2009 | 2009 |
|---|---------|---------|-----------------|-----------------|------|
| Net sales | 161 | 175 | 332 | 357 | 685 |
| Change in like-for-like sales, % | -8.0 | -8.1 | -7.0 | -10.2 | -9.4 |
| Operating profit | -3 | 3 | 0 | 3 | 6 |
| Operating margin, % | -1.9 | 1.7 | 0 | 0.8 | 0.9 |
| Number of Group-owned stores | - | - | 6 | 6 | 6 |
| Average number of employees during the year | - | - | 172 | 202 | 192 |

AXFOOD WHOLESALING

Dagab

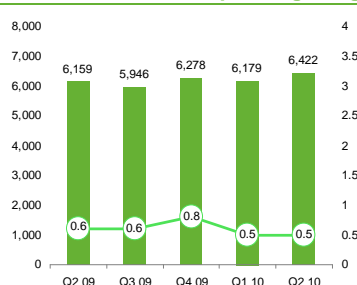
Second quarter

Sales during the second quarter totalled SEK 6,422 m (6,159). Operating profit for the second quarter was SEK 34 m (36), and the operating margin was 0.5% (0.6%). Implementation of Autoorder is continuing according to plan, and the resumed collaboration with the Vi stores is proceeding very satisfactorily. In June, Dagab posted the best delivery reliability performance ever, at 97.8%.

Six months

Dagab's sales for the period January–June totalled SEK 12,601 m (11,828). Operating profit for the period was SEK 64 m (60), and the operating margin for the period was 0.5% (0.5%).

Sales, SEK m, and operating margin, %



Key ratios

| SEK m | Q2 2010 | Q2 2009 | Six months 2010 | Six months 2009 | 2009 |
|---|---------|---------|-----------------|-----------------|--------|
| Net sales | 6,422 | 6,159 | 12,601 | 11,828 | 24,052 |
| Distributed sales | 4,310 | 4,123 | 8,484 | 7,904 | 16,229 |
| Operating profit | 34 | 36 | 64 | 60 | 147 |
| Operating margin, % | 0.5 | 0.6 | 0.5 | 0.5 | 0.6 |
| Average number of employees during the period | - | - | 927 | 907 | 902 |
| Delivery reliability, % | 97.4 | 97.0 | 97.3 | 96.6 | 96.8 |

Axfood Närlivs

Second quarter

Sales during the second quarter totalled SEK 1,491 m (1,468). Operating profit for the second quarter was SEK 34 m (38), and the operating margin was 2.3% (2.6%). This represents good performance considering the relatively cold weather during the start of the quarter and the continued fierce competition. As earlier in the year, the favourable sales performance for the cash and carry operation continues.

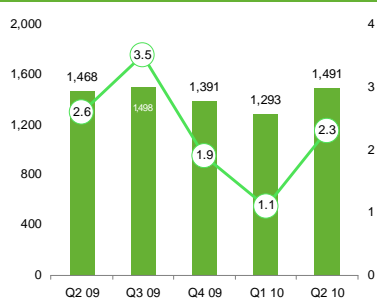
During the period, Axfood Närlivs signed an agreement to acquire Reitan Servicehandel's cold storage distribution centre in Kungens kurva, outside Stockholm. The acquisition creates favourable conditions to further strengthen and develop the company's position as a fast food wholesaler. In connection with the acquisition, a new, five-year supply agreement was also signed with Reitan Servicehandel Sverige AB.

Axfood Närlivs also signed a new, two-year agreement with Preem, covering the supply of newsstand items, retail food products and fast food solutions. The agreement takes effect on 1 January 2011.

Six months

Axfood Närlivs' sales for the period January–June totalled SEK 2,784 m (2,722). Operating profit for the period was SEK 48 m (54), and the operating margin for the period was 1.7% (2.0%).

Sales, SEK m, and operating margin, %



Key ratios

| SEK m | Q2 2010 | Q2 2009 | Six months 2010 | Six months 2009 | 2009 |
|---|---------|---------|-----------------|-----------------|-------|
| Net sales | 1,491 | 1,468 | 2,784 | 2,722 | 5,611 |
| Distributed sales | 1,286 | 1,239 | 2,406 | 2,290 | 4,777 |
| Operating profit | 34 | 38 | 48 | 54 | 132 |
| Operating margin, % | 2.3 | 2.6 | 1.7 | 2.0 | 2.4 |
| Axfood Snabbgross, no. stores | - | - | 19 | 19 | 19 |
| Average number of employees during the year | - | - | 642 | 607 | 625 |
| Delivery reliability, % | 97.7 | 97.1 | 97.7 | 97.3 | 97.4 |

SIGNIFICANT RISKS AND UNCERTAINTIES

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

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

For a thorough account of the risks that affect the Group, please refer to the 2009 Annual Report.

ENVIRONMENTAL IMPACT

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

PARENT COMPANY

Other operating revenue for the Parent Company during the period January–June amounted to SEK 86 m (83). After selling expenses, administrative expenses and other operating expenses, totalling SEK 115 m (97), and SEK -4 m (-12) in net financial items, the result after financial items was SEK -33 m (-26). Capital expenditures during the period totalled SEK 2 m (1).

The Parent Company's interest-bearing net debt was SEK 769 m at the end of the period, compared with SEK 1,187 m in December 2009. The Parent Company has no significant transactions with related parties, other than transactions with subsidiaries.

ACCOUNTING PRINCIPLES

Group

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

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

Effective 1 January 2010 the revised IFRS 3 Business Combinations took effect, along with the amended IAS 27 Consolidated and Separate Financial Statements. The revised and amended standards will only have prospective effects. In addition to IFRS 3 and IAS 27 are changes in IFRS 2 Share-based Payment, IAS 32 Financial Instruments: Presentation – with respect to presentation of new issues – and IAS 39 Financial Instruments: Recognition and Measurement, with respect to items that qualify for hedge accounting. In addition to these changes are IFRIC 12 Service Concession Agreements, IFRIC 15 Agreements on the Construction of Real Estate, IFRIC 16 Hedges of a Net Investment in a Foreign Entity, IFRIC

17 Distribution of Non-cash Assets to Owners, and IFRIC 18 Transfers of Assets from Customers. The changes and IFRIC interpretations referred to here do not have any effect on the Axfood Group's statements of comprehensive income, financial position, cash flows and changes in equity.

Parent Company

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

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

FORECAST

Axfood's goal for 2010 is to achieve an operating profit at least at the same level as in 2009¹.

NEXT REPORTING DATE

The interim report for the period January–September 2010 will be presented on 26 October 2010.

PRESS RELEASES ISSUED DURING THE SECOND QUARTER

| | |
|---------------|--|
| 13 April 2010 | Hemköp launches new seasonal concept |
| 19 April 2010 | Hemköp serves notice for 14 positions at head offices |
| 20 April 2010 | Interim Report Axfood AB (publ), for the period 1 January–31 March 2010 |
| 20 April 2010 | Axfood presents sustainability programme with climate targets |
| 11 May 2010 | Axfood main partner of Save the Children Sweden |
| 30 June 2010 | Axfood Närlivs AB acquires Reitan Servicehandel Sverige AB's cold storage distribution centre in Kungens kurva |

¹ Unchanged compared with preceding report.

This quarterly report gives a fair overview of the Parent Company's and Group's operations, financial position and results of operations, and describes significant risks and uncertainties that the Parent Company and companies included in the Group face.

Stockholm, 15 July 2010

Fredrik Persson
Chairman

Marcus Storch
Vice Chairman

Antonia Ax:son Johnson

Peggy Bruzelius

Maria Curman

Odd Reitan

Annika Åhnberg

Sven-Erik Brandt*

Ulla-May Iwahr Rydén*

Lars Östberg*

Anders Strålmán
President and CEO

* *Employee representative*

This interim report has not been reviewed by the Company's auditors.

FINANCIAL STATEMENTS, GROUP

| Condensed statement of comprehensive income, Group | | | | | |
|--|------------|------------|--------------------|--------------------|------------|
| SEK m | Q2 2010 | Q2 2009 | Six months 2010 | Six months 2009 | 2009 |
| Net sales | 8,583 | 8,216 | 16,793 | 15,898 | 32,378 |
| Cost of goods sold | -7,412 | -7,076 | -14,516 | -13,723 | -27,912 |
| Gross profit | 1,171 | 1,140 | 2,277 | 2,175 | 4,466 |
| Selling/administrative expenses, etc. | -892 | -871 | -1,753 | -1,672 | -3,338 |
| Operating profit | 279 | 269 | 524 | 503 | 1,128 |
| Net financial items | -9 | -11 | -19 | -24 | -46 |
| Profit after financial items | 270 | 258 | 505 | 479 | 1,082 |
| Tax | -71 | -68 | -132 | -126 | -289 |
| Profit for the period | 199 | 190 | 373 | 353 | 793 |
| <i>Other comprehensive income</i> | | | | | |
| Change in fair value of forward exchange contracts | 0 | 2 | 1 | 0 | 0 |
| Change in fair value of available-for-sale financial assets | - | - | - | - | 4 |
| Tax attributable to components in other comprehensive income | 0 | -1 | 0 | 0 | -1 |
| <i>Other comprehensive income for the period</i> | 0 | 1 | 1 | 0 | 3 |
| Total comprehensive income for the period | 199 | 191 | 374 | 353 | 796 |
| Operating profit includes depreciation/amortization of | 143 | 137 | 274 | 267 | 535 |
| Earnings per share, SEK | 3.79 | 3.63 | 7.10 | 6.73 | 15.13 |

Condensed statement of financial position, Group

| <i>SEK m</i> | Six months 2010 | Six months 2009 | 2009 |
|---|-----------------|-----------------|--------------|
| Assets | | | |
| Goodwill | 1,543 | 1,538 | 1,539 |
| Interest-bearing receivables | - | 4 | - |
| Other financial assets | 32 | 28 | 30 |
| Other non-current assets | 2,280 | 2,084 | 2,118 |
| Total non-current assets | 3,855 | 3,654 | 3,687 |
| Inventories | 1,835 | 1,705 | 1,790 |
| Accounts receivable – trade | 680 | 564 | 539 |
| Interest-bearing receivables | - | 13 | - |
| Other current assets | 918 | 990 | 841 |
| Cash and bank balances | 268 | 203 | 316 |
| Total current assets | 3,701 | 3,475 | 3,486 |
| Total assets | 7,556 | 7,129 | 7,173 |
| Shareholders' equity and liabilities | | | |
| Equity attributable to equity holders of the parent | 2,484 | 2,192 | 2,635 |
| Total shareholders' equity | 2,484 | 2,192 | 2,635 |
| Non-current interest-bearing liabilities | 395 | 540 | 546 |
| Noninterest-bearing non-current liabilities | 207 | 203 | 204 |
| Total non-current liabilities | 602 | 743 | 750 |
| Current interest-bearing liabilities | 665 | 766 | 302 |
| Accounts payable – trade | 2,150 | 1,826 | 1,835 |
| Other current noninterest-bearing liabilities | 1,655 | 1,602 | 1,651 |
| Total current liabilities | 4,470 | 4,194 | 3,788 |
| Total shareholders' equity and liabilities | 7,556 | 7,129 | 7,173 |
| Contingent liabilities | 20 | 24 | 19 |
| Pledged assets | 17 | 1 | 14 |

Condensed statement of cash flows, Group

| <i>SEK m</i> | Six months 2010 | Six months 2009 | 2009 |
|--|--------------------|--------------------|----------|
| Operating activities | | | |
| Cash flow from operating activities before changes in working capital, before paid tax | 783 | 751 | 1,652 |
| Paid tax | -184 | -164 | -242 |
| Changes in working capital | 109 | 108 | 148 |
| <i>Cash flow from operating activities</i> | 708 | 695 | 1,558 |
| Investing activities | | | |
| Company acquisitions, net | -6 | -4 | -6 |
| Acquisitions of non-current assets, net | -434 | -292 | -587 |
| Change in financial non-current assets, net | -1 | - | 13 |
| <i>Cash flow from investing activities</i> | -441 | -296 | -580 |
| Financing activities | | | |
| Change in interest-bearing liabilities | 210 | -88 | -554 |
| Dividend paid out | -525 | -420 | -420 |
| <i>Cash flow from financing activities</i> | -315 | -508 | -974 |
| Cash flow for the period | -48 | -109 | 4 |

Condensed statement of changes in equity, Group

| <i>SEK m</i> | Six months 2010 | Six months 2009 | 2009 |
|---|-----------------|-----------------|--------------|
| Amount at start of year | 2,635 | 2,259 | 2,259 |
| Total comprehensive income for the period | 374 | 353 | 796 |
| Dividend to shareholders | -525 | -420 | -420 |
| Amount at end of period | 2,484 | 2,192 | 2,635 |

Key ratios and other data, Group

| | Six months 2010 | Six months 2009 | 2009 |
|---|-----------------|-----------------|------------|
| Operating margin, % | 3.1 | 3.2 | 3.5 |
| Margin after financial items, % | 3.0 | 3.0 | 3.3 |
| Equity ratio, % | 32.9 | 30.7 | 36.7 |
| Debt-equity ratio, net, multiple | 0.3 | 0.5 | 0.2 |
| Debt-equity ratio, multiple | 0.4 | 0.6 | 0.3 |
| Interest coverage, multiple | 26.3 | 18.7 | 22.2 |
| Capital employed, SEK m | 3,544 | 3,498 | 3,483 |
| Return on capital employed, % | 32.7 | 30.5 | 31.8 |
| Return on shareholders' equity, % | 34.8 | 36.7 | 32.4 |
| Capital expenditures, SEK m | 454 | 319 | 633 |
| Earnings per share, SEK ¹ | 7.10 | 6.73 | 15.13 |
| Dividend per share, SEK | - | - | 10.00 |
| Net asset value per share, SEK ¹ | 47.34 | 41.78 | 50.22 |
| Cash flow per share, SEK ¹ | 0.9 | -2.1 | 0.1 |
| Number of shares outstanding ¹ | 52,467,678 | 52,467,678 | 52,467,678 |
| Average number of employees during the year | 6,802 | 6,837 | 6,816 |

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

Quarterly overview

| | Q3 08 | Q4 08 | Q1 09 | Q2 09 | Q3 09 | Q4 09 | Q1 10 | Q2 10 |
|--------------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|
| Sales | 7,934 | 8,144 | 7,682 | 8,216 | 8,049 | 8,431 | 8,210 | 8,583 |
| Operating profit | 284 | 277 | 234 | 269 | 335 | 290 | 245 | 279 |
| Operating margin, % | 3.6 | 3.4 | 3.0 | 3.3 | 4.2 | 3.4 | 3.0 | 3.3 |
| Earnings per share, SEK ¹ | 3.66 | 3.79 | 3.10 | 3.63 | 4.57 | 3.83 | 3.31 | 3.79 |
| Capital expenditures | 123 | 219 | 135 | 184 | 120 | 194 | 204 | 250 |

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

FINANCIAL STATEMENTS, PARENT COMPANY

Condensed income statement, Parent Company

| SEK m | Q2 2010 | Q2 2009 | Six months 2010 | Six months 2009 | 2009 |
|--|------------|-----------|-----------------|-----------------|------------|
| Net sales | - | - | - | - | - |
| Selling/administrative expenses, etc. | -19 | -9 | -29 | -14 | -26 |
| Operating profit | -19 | -9 | -29 | -14 | -26 |
| Net financial items | 0 | -4 | -4 | -12 | -20 |
| Profit after financial items | -19 | -13 | -33 | -26 | -46 |
| Untaxed reserves | - | - | - | - | 1 |
| Profit before tax | -19 | -13 | -33 | -26 | -45 |
| Tax | 5 | 4 | 9 | 7 | 11 |
| Net profit for the period | -14 | -9 | -24 | -19 | -34 |
| Operating profit includes depreciation/amortization of | 2 | 2 | 4 | 4 | 8 |

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

Condensed balance sheet, Parent Company

| SEK m | Six months 2010 | Six months 2009 | 2009 |
|---|-----------------|-----------------|--------------|
| Assets | | | |
| Property, plant and equipment | 6 | 12 | 9 |
| Participations in Group companies | 3 468 | 3 468 | 3 468 |
| Other financial non-current assets | 4 | 4 | 3 |
| Deferred tax assets | 10 | 10 | 10 |
| Total non-current assets | 3 488 | 3 494 | 3 490 |
| Receivables from Group companies ¹ | 721 | 878 | 1 804 |
| Interest-bearing receivables | - | 13 | - |
| Other current assets | 135 | 146 | 13 |
| Cash and bank balances | - | - | - |
| Total current assets | 856 | 1 037 | 1 817 |
| Total assets | 4 344 | 4 531 | 5 307 |
| Shareholders' equity and liabilities | | | |
| Restricted shareholders' equity | 262 | 262 | 262 |
| Unrestricted shareholders' equity | 2 535 | 2 265 | 3 084 |
| Total shareholders' equity | 2 797 | 2 527 | 3 346 |
| Untaxed reserves | 5 | 5 | 5 |
| Non-current interest-bearing liabilities | 31 | 181 | 180 |
| Noninterest-bearing non-current liabilities | 8 | 7 | 7 |
| Total non-current liabilities | 39 | 188 | 187 |
| Current interest-bearing liabilities | 629 | 733 | 264 |
| Liabilities to Group companies ² | 834 | 1 046 | 1 417 |
| Accounts payable – trade | 15 | 11 | 8 |
| Other current noninterest-bearing liabilities | 25 | 21 | 80 |
| Total current liabilities | 1 503 | 1 811 | 1 769 |
| Total shareholders' equity and liabilities | 4 344 | 4 531 | 5 307 |
| Contingent liabilities | 360 | 369 | 360 |
| Pledged assets | - | - | - |
| 1) of which, interest-bearing receivables | 720 | 876 | 659 |
| 2) of which, interest-bearing liabilities | 829 | 962 | 1 402 |

FINANCIAL DEFINITIONS

Average number of employees during the year:

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

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

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

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

Dividend yield: Dividend per share divided by the year-end share price.

Earnings per share: Majority owner's share of net profit for the year divided by a weighted average number of shares outstanding.

Earnings per share after dilution: Majority owner's share of net profit for the period after tax, adjusted for interest expenses after taxes pertaining to outstanding convertibles, divided by a weighted average number of common shares adjusted for the dilutive effect of convertibles. The dilutive effect of convertibles consists of the number of shares that would be issued upon full conversion.

Equity ratio: Shareholders' equity including minority interests, as a percentage of total assets.

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

Margin after financial items: Profit after financial items as a percentage of net sales for the period.

Net asset value per share: Majority owner's share of shareholders' equity divided by the number of shares outstanding. For net asset value per share after the dilutive effect, see "Earnings per share after dilution" above".

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

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

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

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

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

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

Return on shareholders' equity: Majority owner's share of net profit for the period as per the income statement as a percentage of the majority owner's share of average shareholders' equity. Average shareholders' equity is calculated as shareholders' equity at the start of the period plus shareholders' equity at the end of the period, divided by two.



Axfood AB conducts food retail and wholesale business in Sweden. Retail business is conducted through the wholly owned store chains Willys, Hemköp and PrisXtra, comprising 230 stores in all. In addition, Axfood collaborates with 840 proprietor-run stores. Axfood has an approximate 20% share of the food retail market in Sweden. Axfood is listed on Nasdaq OMX Stockholm AB's Large Cap list.

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