



Interim Report Axfood AB (publ)

THIRD QUARTER SUMMARY

- Axfood's consolidated sales for the period July–September totalled SEK 8,582 m (8,049), an increase of 6.6%.
- Retail sales for Group-owned stores rose 2.7% during the period. Like-for-like sales rose 0.3%.
- Operating profit for the period was SEK 364 m (335).
- Profit after financial items for the period was SEK 357 m (325).
- Profit after tax for the period was SEK 262 m (240), and earnings per share were SEK 5.00 (4.57).
- A new, two-year cooperation agreement was signed between Axfood Närlivs and Preem.
- 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

- On 1 October, Axfood Närlivs took over ownership of the cold storage distribution centre that was acquired from Reitan Servicehandel in Stockholm.
- Anne Rhenman-Eklund has been appointed as new Head of Corporate Communications.

Key ratios

| SEK m | Q3 2010 | Q3 2009 | Change, % | Nine months 2010 | Nine months 2009 | Change, % | Full year 2009 |
|--|---------|---------|-----------|------------------|------------------|-----------|----------------|
| Net sales | 8,582 | 8,049 | 6.6 | 25,375 | 23,947 | 6.0 | 32,378 |
| Operating profit | 364 | 335 | 8.7 | 888 | 838 | 6.0 | 1,128 |
| Operating margin, % | 4.2 | 4.2 | 0.0 | 3.5 | 3.5 | 0.0 | 3.5 |
| Profit after financial items | 357 | 325 | 9.8 | 862 | 804 | 7.2 | 1,082 |
| Profit after tax | 262 | 240 | 9.2 | 635 | 593 | 7.1 | 793 |
| Earnings per share, SEK ¹ | 5.00 | 4.57 | 9.4 | 12.10 | 11.30 | 7.1 | 15.13 |
| Cash flow per share, SEK | -0.9 | 0.0 | - | -1.8 | -2.1 | 14.3 | 0.1 |
| Cash flow from operating activities per share, SEK | 6.3 | 6.1 | 3.3 | 19.8 | 19.4 | 2.1 | 29.7 |
| Return on capital employed, % ² | 33.3 | 31.9 | 1.4 | 33.3 | 31.9 | 1.4 | 31.8 |
| Return on shareholders' equity, % ² | 32.3 | 35.2 | -2.9 | 32.3 | 35.2 | -2.9 | 32.4 |
| Shareholders' equity per share, SEK | - | - | - | 52.3 | 46.4 | 12.7 | 50.2 |
| Equity ratio, % | - | - | - | 37.2 | 34.6 | 2.6 | 36.7 |
| Net asset value per share, SEK | - | - | - | 52.30 | 46.35 | 12.8 | 50.22 |

1) Before and after dilution.

2) Moving 12-month figures.

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The information in this interim report is such that Axfood is required to disclose in accordance with the Securities Market Act. Submitted for publication at 7.30 a.m. (CET) on 26 October 2010.

CEO'S COMMENTS

Axfood is presenting a strong result for the third quarter of the year and continues to show profitable growth. Our stable earnings performance can be credited to favourable sales growth, a positive operating result for all businesses, efficiency and good cost control. In line with our strategy we have also further developed and improved our various concepts and advanced our positions step by step.

All business-conducting units contributed favourably to our result

Willys has strengthened its brand and increased its market shares, with very favourable earnings performance and stable sales growth. By improving the customer's store experience, developing the price and product range strategy and offering more stores, Willys is defending its position with "Sweden's cheapest bag of groceries". Willys continues to have an independent research company conduct nationwide comparisons of food prices, which are published on a regular basis. However, as in the preceding quarter, like-for-like sales were dampened at a few locations due to own new establishment and competitor establishment.

We are especially pleased with Hemköp's sales performance. The third quarter was yet another quarter in the black, positive like-for-like sales performance and increasingly stable operations. Since the price-cutting campaign that was carried out during the first quarter, customer numbers have increased every month.

At PrisXtra, sales and profitability remain unsatisfactory. However, we continue to believe that it will be possible to achieve an operating profit for the full year.

Axfood Närlivs has increased its market shares through favourable sales and new agreements, despite fierce competition. The positive sales performance is partly attributable to relatively good weather during the quarter.

Dagab continues its stable development and, as previously, is maintaining a high level of quality in its service level compliance and delivery reliability. The resumed collaboration with the Vi stores is also proceeding very satisfactorily.

Outlook for remainder of year

Industry statistics for the period show that consumers continue to prioritize capital goods along with restaurant visits, which has resulted in a generally low volume and price trend for the food retail segment. Whether or not this consumption pattern continues for the rest of the year is still difficult to say. Regardless, the market will continue to be characterized by strong competition and price-conscious customers.

To secure continued profitable growth, our strategy remains firm. As previously, our priority is to further develop our concepts, optimize store operations, refine our price and product range strategies and stimulate sales growth while maintaining good cost control.

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

Third quarter

Consolidated wholesale and retail sales for the Axfood Group totalled SEK 8,582 m (8,049) for the period, an increase of 6.6%. Store sales for the Axfood Group (wholly owned stores and Hemköp franchises) totalled SEK 6,929 m (6,784), an increase of 2.1%. Sales for Axfood-owned retail operations rose 2.7% during the period, with a 0.3% rise in like-for-like sales

Nine months

Consolidated wholesale and retail sales for the Axfood Group totalled SEK 25,375 m (23,947) for the period January–September, an increase of 6.0%. Store sales for the Axfood Group (wholly owned stores and Hemköp franchises) totalled SEK 20,789 m (20,435), an increase of 1.7%. Sales for Axfood-owned retail operations rose 2.2% during the period, with a 0.2% increase in like-for-like sales.

Net sales per operating segment

| SEK m | Q3 2010 | Q3 2009 | Nine months 2010 | Nine months 2009 | Full year 2009 |
|-----------------------------|--------------|--------------|------------------|------------------|----------------|
| Hemköp | 1,164 | 1,276 | 3,667 | 3,977 | 5,335 |
| Willys | 4,660 | 4,384 | 13,791 | 13,062 | 17,589 |
| PrisXtra ¹ | 143 | 155 | 475 | 512 | 685 |
| Axfood Närlivs ¹ | 1,571 | 1,498 | 4,355 | 4,220 | 5,611 |
| Dagab | 6,379 | 5,946 | 18,980 | 17,774 | 24,052 |
| Other ² | 993 | 845 | 3,012 | 2,460 | 3,364 |
| <i>Internal sales</i> | | | | | |
| Dagab | -5,381 | -5,240 | -16,026 | -15,692 | -21,049 |
| Axfood Närlivs | -6 | -5 | -18 | -15 | -19 |
| Other | -941 | -810 | -2,861 | -2,351 | -3,190 |
| Total | 8,582 | 8,049 | 25,375 | 23,947 | 32,378 |

¹ On 1 January 2010, NetXtra was transferred from PrisXtra to Axfood Närlivs. The comparison figures have been adjusted by SEK 8 m for the third quarter, by SEK 30 m for the first nine months of the 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 | Q3 2010 | % ¹⁾ | Like- for-like sales, % ¹⁾ | Nine months 2010 | % ¹⁾ | Like-for-like sales, % ¹⁾ |
|-----------------------|--------------|-----------------|---------------------------------------|------------------|-----------------|--------------------------------------|
| Hemköp | 1,151 | -8.7 | 3.3 | 3,628 | -7.7 | 1.9 |
| Hemköp franchises | 972 | -1.2 | 1.8 | 2,895 | -1.2 | 1.2 |
| Hemköp total | 2,123 | -5.4 | 2.6 | 6,523 | -4.9 | 1.6 |
| Willys total | 4,660 | 6.3 | -0.2 | 13,791 | 5.6 | 0.1 |
| PrisXtra total | 143 | -7.7 | -7.7 | 475 | -7.2 | -7.2 |
| Total | 6,926 | 2.1 | 0.5 | 20,789 | 1.7 | 0.4 |

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

Change in store structure, nine months 2010

| | Dec. 2009 | New establishment | Acquisitions | Sales/closures | Conversions to/from | Sept. 2010 |
|--------------------------------------|------------|-------------------|--------------|----------------|---------------------|------------|
| Hemköp | 72 | 1 | | -2 | -5 | 66 |
| Willys ¹⁾ | 147 | 4 | 3 | | 5 | 159 |
| PrisXtra | 6 | | | | | 6 |
| Total, Group-owned | 225 | 5 | 3 | -2 | - | 231 |
| Hemköp franchises | 86 | | | -4 | | 82 |
| ¹⁾ Of which, Willys hemma | 34 | 1 | 3 | | 3 | 41 |

EARNINGS, AXFOOD GROUP

Third quarter

Operating profit for the period rose 8.7%, to SEK 364 m (335). The operating margin was 4.2% (4.2%). Net financial items totalled SEK -7 m (-10), and profit after financial items was SEK 357 m (325). The margin after financial items was 4.2% (4.0%). Profit after tax was SEK 262 m (240).

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

Nine months

Operating profit for the period January–September was SEK 888 m (838). The operating margin was 3.5% (3.5%). Net financial items totalled SEK -26 m (-34), and profit after financial items was SEK 862 m (804). Profit after tax was SEK 635 m (593).

Operating profit for the period, broken down by operating segment

| SEK m | Q3 2010 | Q3 2009 | Nine months 2010 | Nine months 2009 | Full year 2009 |
|---|------------|------------|------------------|------------------|----------------|
| Hemköp | 11 | 19 | 27 | 22 | 28 |
| Willys | 214 | 199 | 576 | 543 | 731 |
| PrisXtra | 1 | 1 | 1 | 4 | 6 |
| Axfood Närlivs | 43 | 52 | 91 | 106 | 132 |
| Dagab | 58 | 38 | 122 | 98 | 147 |
| Other ¹ | 37 | 26 | 71 | 65 | 84 |
| Operating profit for the period, total² | 364 | 335 | 888 | 838 | 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

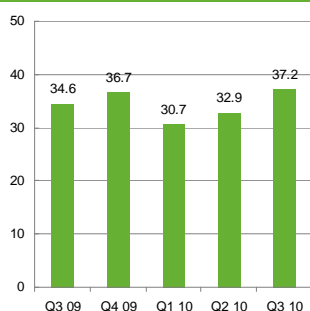
Total capital expenditures during the period January–September amounted to SEK 592 m (439), of which SEK 6 m (3) pertained to acquisitions of businesses. In addition, SEK 309 m (189) pertained to investments in non-current assets in retail operations, SEK 71 m (75) to investments in non-current assets in wholesale operations, and SEK 114 m (128) to IT development.

FINANCIAL POSITION

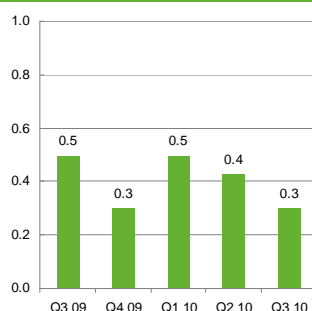
Cash flow from operating activities for the first nine months of the year before paid tax was SEK 1,309 m (1,253). Paid tax amounted to SEK -272 m (-236). Cash and cash equivalents held by the Group amounted to SEK 221 m, compared with SEK 316 m in December 2009. Interest-bearing assets amounted to SEK 221 m at the end of the period, compared with SEK 316 m in December 2009. Interest-bearing liabilities and provisions totalled SEK 815 m at the end of the period, compared with SEK 848 m in December 2009. Interest-bearing net debt was SEK 594 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 -567 m (-411).

The equity ratio was 37.2%, compared with 36.7% as per December 2009.

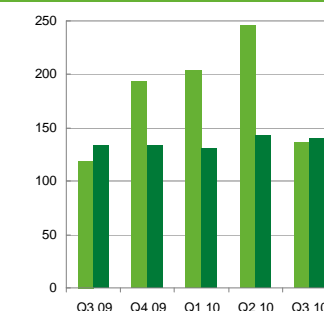
Equity ratio, %



Debt-equity ratio, multiple



Capital expenditures*, depreciation/amortization, SEK m



■ Capital expenditures* ■ Depreciation/amortization
* Excluding goodwill

THE SWEDISH FOOD RETAIL MARKET

According to Statistics Sweden's retail trade index from August, accumulated sales for the food retail segment have risen 2% since the start of the year in current prices and 0.2% in fixed prices. Accumulated growth in sales for the Axfood Group's stores was 1.7% during the same period.

STORE OPERATIONS

Willys

Third quarter

Willys continues to strengthen its brand and increased its market shares with very favourable earnings performance. Sales for the third quarter totalled SEK 4,660 m (4,384), an increase of 6.3% compared with a year earlier. Like-for-like sales decreased by 0.2% during the period as a result of newly established competition at a few locations. Operating profit for the third quarter was SEK 214 m (199), an increase of 7.5%. The operating margin was 4.6% (4.5%).

The private label share as of September was 24.4% for Willys (24.2%) and 28.0% for Willys hemma (29.4%).

To defend its position as "Sweden's cheapest bag of groceries", Willys continues to develop its customers' store experience as well as its price and product range strategy. As part of this work, store modernizations continue. During the third quarter, an additional three stores were adapted to the new generation of Willys, and the renewal project currently covers 43 stores. Willys also continues to have an independent research company conduct nationwide comparisons of food companies, which are published on a regular basis.

Nine months

Willys' sales for the period January–September totalled SEK 13,791 m (13,062), an increase of 5.6% compared with a year ago. Like-for-like sales increased during the same period by 0.1%. Operating profit for the first nine months of the year was SEK 576 m (543), and the operating margin was 4.2% (4.2%).

The pace of establishment has been high, especially during the first half of the year. In all, three Willys and one Willys hemma have been established, three Willys hemma stores have been acquired, and five stores have been 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 | Q3 2010 | Q3 2009 | Nine months 2010 | Nine months 2009 | 2009 |
|---|---------|---------|------------------|------------------|-----------|
| Net sales | 4,660 | 4,384 | 13,791 | 13,062 | 17,589 |
| Change in like-for-like sales, % | -0.2 | 2.3 | 0.1 | 2.2 | 1.7 |
| Operating profit | 214 | 199 | 576 | 543 | 731 |
| Operating margin, % | 4.6 | 4.5 | 4.2 | 4.2 | 4.2 |
| Number of Group-owned stores | - | - | 159 | 145 | 147 |
| Average number of employees during the period | - | - | 3,185 | 3,103 | 3,110 |
| Private label share (Willys/Willys hemma) | - | - | 24.4/28.0 | 24.2/29.4 | 23.6/28.3 |

Hemköp

Third quarter

Earnings as well as sales performance continued to be positive. Like-for-like sales for Group-owned stores increased by 3.3% during the period. Following the price-cutting campaign that was carried out during the first quarter, the number of customers has also increased every month.

Sales for Hemköp's stores – both Group-owned and franchises – decreased by 5.4% during the third quarter. Sales for Group-owned Hemköp stores totalled SEK 1,151 m (1,261) during the third quarter, a decrease of 8.7%. Compared with the same period a year ago, total sales were negatively affected by changes in the number of stores. Sales for franchise stores totalled SEK 972 m (984), a decrease of 1.2%, with a 1.8% rise in like-for-like sales.

Operating profit for the third quarter was SEK 11 m (19). The operating margin for the period was 0.9% (1.5%). Earnings were affected by SEK 4 m (0) in costs for store closures. The lower operating profit is also a result of higher marketing costs compared with a year earlier.

Hemköp's loyalty card continues to grow, and by the end of the period 330,000 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 14.9% (14.9%) as of September.

During the third quarter, one Group-owned store was established and one proprietor-run store was closed.

Nine months

Like-for-like sales for Group-owned stores rose 1.9% during the period.

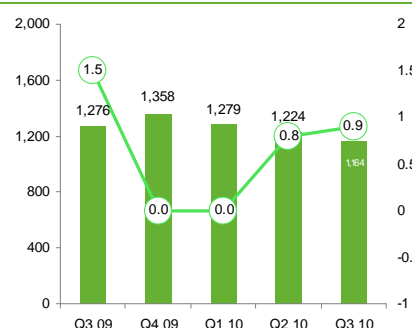
Sales for Hemköp stores – both Group-owned and franchises – decreased by 4.9% during the period January–September. Sales for Group-owned Hemköp stores totalled SEK 3,628 m (3,931) during the period, a decrease of 7.7%.

Sales for franchise stores totalled SEK 2,895 m (2,930), a decrease of 1.2%, with a 1.2% rise in like-for-like sales.

Operating profit for the period January–September was SEK 27 m (22). The operating margin for the period was 0.7% (0.6%). Earnings were affected by SEK 6 m in costs for store closures. Profit for the comparison period was affected by SEK 23 m in costs for store closures.

During the first nine months of the year, one Group-owned store was established, five stores were converted to Willys and Willy hemma, and six stores were closed – two Group-owned and four proprietor-run. Hemköp had 148 stores at the end of the period, of which 66 were Group-owned.

Sales, SEK m, and operating margin, %



Key ratios

| SEK m | Q3 2010 | Q3 2009 | Nine months 2010 | Nine months 2009 | 2009 |
|---|---------|---------|------------------|------------------|-------|
| Net sales | 1,164 | 1,276 | 3,667 | 3,977 | 5,335 |
| Change in like-for-like sales, % | 3.3 | -1.2 | 1.9 | -3.5 | -2.7 |
| Operating profit | 11 | 19 | 27 | 22 | 28 |
| Operating margin, % | 0.9 | 1.5 | 0.7 | 0.6 | 0.5 |
| Number of Group-owned stores | - | - | 66 | 75 | 72 |
| Average number of employees during the year | - | - | 1,402 | 1,570 | 1,573 |
| Private label share | - | - | 14.9 | 14.9 | 16.1 |

PrisXtra

Third quarter

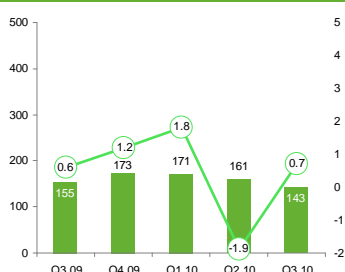
PrisXtra's sales totalled SEK 143 m (155) during the third quarter, a decrease of 7.7%. Like-for-like sales decreased by 7.7% during the period. Operating profit for the third quarter was SEK 1 m (1), and the operating margin was 0.7% (0.6%).

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

Nine months

PrisXtra's sales totalled SEK 475 m (512) during the period January–September, a decrease of 7.2%. Like-for-like sales decreased by 7.2% during the period. Operating profit for the period January–September was SEK 1 m (4), and the operating margin for the period was 0.2% (0.8%).

Sales, SEK m, and operating margin, %



Key ratios

| SEK m | Q3 2010 | Q3 2009 | Nine months 2010 | Nine months 2009 | 2009 |
|---|---------|---------|------------------|------------------|------|
| Net sales | 143 | 155 | 475 | 512 | 685 |
| Change in like-for-like sales, % | -7.7 | -6.9 | -7.2 | -9.4 | -9.4 |
| Operating profit | 1 | 1 | 1 | 4 | 6 |
| Operating margin, % | 0.7 | 0.6 | 0.2 | 0.8 | 0.9 |
| Number of Group-owned stores | - | - | 6 | 6 | 6 |
| Average number of employees during the year | - | - | 164 | 193 | 192 |

AXFOOD WHOLESALING

Dagab

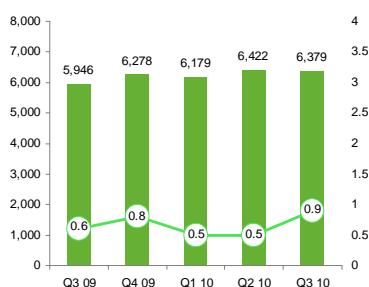
Third quarter

Dagab continues its favourable performance. Sales during the third quarter totalled SEK 6,379 m (5,946). Operating profit for the third quarter was SEK 58 m (38), and the operating margin was 0.9% (0.6%). Implementation of Autoorder is progressing according to plan, and the resumed collaboration with the Vi stores is proceeding very satisfactorily.

Nine months

Dagab's sales for the period January–September totalled SEK 18,980 m (17,774). Operating profit for the period was SEK 122 m (98), and the operating margin for the period was 0.6% (0.6%).

Sales, SEK m, and operating margin, %



Key ratios

| SEK m | Q3 2010 | Q3 2009 | Nine months 2010 | Nine months 2009 | 2009 |
|---|---------|---------|------------------|------------------|--------|
| Net sales | 6,379 | 5,946 | 18,980 | 17,774 | 24,052 |
| Distributed sales | 4,287 | 4,016 | 12,771 | 11,920 | 16,229 |
| Operating profit | 58 | 38 | 122 | 98 | 147 |
| Operating margin, % | 0.9 | 0.6 | 0.6 | 0.6 | 0.6 |
| Average number of employees during the period | - | - | 925 | 882 | 902 |
| Delivery reliability, % | 96.7 | 96.7 | 97.1 | 96.6 | 96.8 |

Axfood Närlivs

Third quarter

Axfood Närlivs continues to grow its market shares through good sales and new agreements, despite continued fierce competition. Sales during the third quarter amounted to SEK 1,571 m (1,498). The positive sales performance can be credited in part to relatively good weather during the period. As earlier in the year, the favourable sales performance for the cash and carry operation continues.

Operating profit for the third quarter was SEK 43 m (52), and the operating margin was 2.7% (3.5%). This level is according to plan and is a consequence of the highly competitive market.

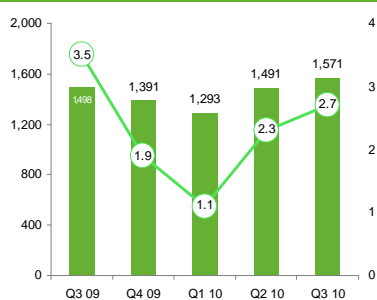
On 1 October, Axfood Närlivs successfully took over ownership of the cold storage distribution centre outside Stockholm that was acquired from Reitan Servicehandel. The acquisition creates favourable conditions to further strengthen and develop the company's position as a fast-food wholesaler.

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.

Nine months

Axfood Närlivs' sales for the period January–September totalled SEK 4,355 m (4,220). Operating profit for the period was SEK 91 m (106), and the operating margin for the period was 2.1% (2.5%).

Sales, SEK m, and operating margin, %



Key ratios

| SEK m | Q3 2010 | Q3 2009 | Nine months 2010 | Nine months 2009 | 2009 |
|---|---------|---------|------------------|------------------|-------|
| Net sales | 1,571 | 1,498 | 4,355 | 4,220 | 5,611 |
| Distributed sales | 1,355 | 1,284 | 3,761 | 3,574 | 4,777 |
| Operating profit | 43 | 52 | 91 | 106 | 132 |
| Operating margin, % | 2.7 | 3.5 | 2.1 | 2.5 | 2.4 |
| Axfood Snabbgross, no. stores | - | - | 19 | 19 | 19 |
| Average number of employees during the year | - | - | 643 | 614 | 625 |
| Delivery reliability, % | 96.8 | 97.1 | 97.3 | 97.2 | 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.

SEASONAL EFFECTS

Axfood has no significant seasonal variations.

ENVIRONMENTAL IMPACT

One of Axfood's strategic objectives is to actively conduct work for sustainable development. In the day-to-day activities, sustainability aspects are integrated in purchasing as well as in logistics, transport, store operations and waste handling. In 2009 Axfood adopted a new sustainability programme covering environmental matters, social responsibility and animal welfare. Some of the areas covered include energy savings, waste handling and shrinkage. In 2010, priority 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–September amounted to SEK 129 m (124). After selling expenses, administrative expenses and other operating expenses, totalling SEK 165 m (140), and SEK -6 m (-17) in net financial items, the result after financial items was SEK -42 m (-33). Capital expenditures during the period totalled SEK 3 m (1).

The Parent Company's interest-bearing net debt was SEK 853 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 POLICIES

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

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

FORECAST

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

NEXT REPORTING DATE

The year-end report for the period January–December 2010 will be released on 8 February 2011.

NOMINATING COMMITTEE

Shareholders who wish to submit nominations to the Nominating Committee ahead of Axfood's Annual General Meeting 16 March 2011 may do so by e-mail at the following address: valberedning@axfood.se

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at 5 p.m. on 16 March 2011, in Stockholm. The 2010 Annual Report will be published on 1 March 2011 on Axfood's website, at which time it will be available at Axfood's head offices in Solna. In addition, printed versions will be distributed by post to shareholders approximately one week before the Annual General Meeting upon request.

This interim report has been reviewed by the Company's auditors. The review report can be found on page 11.

Stockholm, 26 October 2010

Anders Strålman

President and CEO

PRESS RELEASES ISSUED DURING THE THIRD QUARTER

| | |
|-------------------|--|
| 2 July 2010 | New cooperation agreement between Axfood Närlivs and Preem |
| 15 July 2010 | Interim Report Axfood AB (publ), 1 January–30 June 2010 |
| 9 September 2010 | Dagab reduces its climate impact |
| 20 September 2010 | Organic products to benefit Save the Children Sweden |
| 30 September 2010 | Hemköp arrives in Östermalm |

¹ Unchanged compared with the preceding report.

AUDITORS' REVIEW REPORT

To the Board of Directors of Axfood AB (publ)

Reg. no. 556542-0824

Introduction

We have reviewed the accompanying interim report for Axfood AB (publ) for the period 1 January–30 September 2010. The Board of Directors and the President are responsible for the preparation and presentation of the interim report in accordance with IAS 34 Interim Financial Reporting and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of review

We have conducted our review in accordance with the Swedish standard for such reviews, SÖG 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Swedish generally accepted auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Therefore, a review does not enable us to express a conclusion with the same degree of assurance that an audit would do.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34 and the Annual Accounts Act and that the parent company interim financial information, in all material respects, is not prepared in accordance with the Annual Accounts Act.

Stockholm, 26 October 2010

KPMG AB

Thomas Thiel

Authorized Public Accountant

FINANCIAL STATEMENTS, GROUP

Condensed statement of comprehensive income, Group

| SEK m | Q3 2010 | Q3 2009 | Nine months 2010 | Nine months 2009 | 2009 |
|--|------------|------------|---------------------|---------------------|------------|
| Net sales | 8,582 | 8,049 | 25,375 | 23,947 | 32,378 |
| Cost of goods sold | -7,424 | -6,928 | -21,940 | -20,651 | -27,912 |
| Gross profit | 1,158 | 1,121 | 3,435 | 3,296 | 4,466 |
| Selling/administrative expenses, etc. | -794 | -786 | -2,547 | -2,458 | -3,338 |
| Operating profit | 364 | 335 | 888 | 838 | 1,128 |
| Net financial items | -7 | -10 | -26 | -34 | -46 |
| Profit after financial items | 357 | 325 | 862 | 804 | 1,082 |
| Tax | -95 | -85 | -227 | -211 | -289 |
| Profit for the period | 262 | 240 | 635 | 593 | 793 |
| <i>Other comprehensive income</i> | | | | | |
| Change in fair value of forward exchange contracts | -3 | 0 | -2 | 0 | 0 |
| Change in fair value of available-for-sale financial assets | - | - | - | - | 4 |
| Tax attributable to components in other comprehensive income | 1 | 0 | 1 | 0 | -1 |
| <i>Other comprehensive income for the period</i> | -2 | 0 | -1 | 0 | 3 |
| Total comprehensive income for the period | 260 | 240 | 634 | 593 | 796 |
| Operating profit includes depreciation/amortization of | 140 | 134 | 414 | 401 | 535 |
| Earnings per share, SEK | 5.00 | 4.57 | 12.10 | 11.30 | 15.13 |

Condensed statement of financial position, Group

| <i>SEK m</i> | Nine months 2010 | Nine months 2009 | 2009 |
|---|---------------------|---------------------|--------------|
| Assets | | | |
| Goodwill | 1,545 | 1,539 | 1,539 |
| Interest-bearing receivables | - | 4 | - |
| Other financial assets | 33 | 28 | 30 |
| Other non-current assets | 2,261 | 2,053 | 2,118 |
| Total non-current assets | 3,839 | 3,624 | 3,687 |
| Inventories | 1,768 | 1,661 | 1,790 |
| Accounts receivable – trade | 614 | 538 | 539 |
| Interest-bearing receivables | - | 13 | - |
| Other current assets | 925 | 989 | 841 |
| Cash and bank balances | 221 | 200 | 316 |
| Total current assets | 3,528 | 3,401 | 3,486 |
| Total assets | 7,367 | 7,025 | 7,173 |
| Shareholders' equity and liabilities | | | |
| Equity attributable to equity holders of the parent | 2,744 | 2,432 | 2,635 |
| Total shareholders' equity | 2,744 | 2,432 | 2,635 |
| Non-current interest-bearing liabilities | 401 | 539 | 546 |
| Noninterest-bearing non-current liabilities | 204 | 205 | 204 |
| Total non-current liabilities | 605 | 744 | 750 |
| Current interest-bearing liabilities | 414 | 556 | 302 |
| Accounts payable – trade | 2,118 | 1,893 | 1,835 |
| Other current noninterest-bearing liabilities | 1,486 | 1,400 | 1,651 |
| Total current liabilities | 4,018 | 3,849 | 3,788 |
| Total shareholders' equity and liabilities | 7,367 | 7,025 | 7,173 |
| Contingent liabilities | 18 | 22 | 19 |
| Pledged assets | 16 | 1 | 14 |

Condensed statement of cash flows, Group

| <i>SEK m</i> | Nine months 2010 | Nine months 2009 | 2009 |
|--|---------------------|---------------------|----------|
| Operating activities | | | |
| Cash flow from operating activities before changes in working capital, before paid tax | 1,280 | 1,227 | 1,652 |
| Paid tax | -272 | -236 | -242 |
| Changes in working capital | 29 | 26 | 148 |
| <i>Cash flow from operating activities</i> | 1,037 | 1,017 | 1,558 |
| Investing activities | | | |
| Company acquisitions, net | -9 | -6 | -6 |
| Acquisitions of non-current assets, net | -558 | -405 | -587 |
| Change in financial non-current assets, net | -2 | - | 13 |
| <i>Cash flow from investing activities</i> | -569 | -411 | -580 |
| Financing activities | | | |
| Change in interest-bearing liabilities | -38 | -298 | -554 |
| Dividend paid out | -525 | -420 | -420 |
| <i>Cash flow from financing activities</i> | -563 | -718 | -974 |
| Cash flow for the period | -95 | -112 | 4 |

Condensed statement of changes in equity, Group

| <i>SEK m</i> | Nine months 2010 | Nine months 2009 | 2009 |
|---|---------------------|---------------------|--------------|
| Amount at start of year | 2,635 | 2,259 | 2,259 |
| Total comprehensive income for the period | 634 | 593 | 796 |
| Dividend to shareholders | -525 | -420 | -420 |
| Amount at end of period | 2,744 | 2,432 | 2,635 |

Key ratios and other data, Group

| | Nine months 2010 | Nine months 2009 | 2009 |
|---|---------------------|---------------------|------------|
| Operating margin, % | 3.5 | 3.5 | 3.5 |
| Margin after financial items, % | 3.4 | 3.4 | 3.3 |
| Equity ratio, % | 37.2 | 34.6 | 36.7 |
| Debt-equity ratio, net, multiple | 0.2 | 0.4 | 0.2 |
| Debt-equity ratio, multiple | 0.3 | 0.5 | 0.3 |
| Interest coverage, multiple | 31.8 | 21.6 | 22.2 |
| Capital employed, SEK m | 3,559 | 3,527 | 3,483 |
| Return on capital employed, % | 33.3 | 31.9 | 31.8 |
| Return on shareholders' equity, % | 32.3 | 35.2 | 32.4 |
| Capital expenditures, SEK m | 592 | 439 | 633 |
| Earnings per share, SEK ¹ | 12.10 | 11.30 | 15.13 |
| Dividend per share, SEK | - | - | 10.00 |
| Net asset value per share, SEK ¹ | 52.30 | 46.35 | 50.22 |
| Cash flow per share, SEK ¹ | -1.8 | -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 | 6,771 | 6,735 | 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

| | Q4 08 | Q1 09 | Q2 09 | Q3 09 | Q4 09 | Q1 10 | Q2 10 | Q3 10 |
|--|-------|-------|-------|-------|-------|-------|-------|-------|
| Sales | 8,144 | 7,682 | 8,216 | 8,049 | 8,431 | 8,210 | 8,583 | 8,582 |
| Operating profit | 277 | 234 | 269 | 335 | 290 | 245 | 279 | 364 |
| Operating margin, % | 3.4 | 3.0 | 3.3 | 4.2 | 3.4 | 3.0 | 3.3 | 4.2 |
| Earnings per share, SEK ¹ | 3.79 | 3.10 | 3.63 | 4.57 | 3.83 | 3.31 | 3.79 | 5.00 |
| Shareholders' equity per share, SEK ¹ | 43.1 | 38.1 | 41.8 | 46.4 | 50.2 | 43.6 | 47.3 | 52.3 |
| Return on shareholders' equity, % | 33.4 | 42.4 | 36.7 | 35.2 | 32.4 | 37.5 | 34.8 | 32.3 |
| Cash flow from operating activities per share, SEK | 2.6 | 7.3 | 5.9 | 6.1 | 10.3 | 8.0 | 5.5 | 6.3 |
| Capital expenditures | 219 | 135 | 184 | 120 | 194 | 204 | 250 | 138 |

FINANCIAL STATEMENTS, PARENT COMPANY

Condensed income statement, Parent Company

| <i>SEK m</i> | Q3 2010 | Q3 2009 | Nine months 2010 | Nine months 2009 | 2009 |
|--|-----------|-----------|---------------------|---------------------|------------|
| Net sales | - | - | - | - | - |
| Selling/administrative expenses, etc. | -7 | -2 | -36 | -16 | -26 |
| <i>Operating profit</i> | -7 | -2 | -36 | -16 | -26 |
| Net financial items | -2 | -5 | -6 | -17 | -20 |
| <i>Profit after financial items</i> | -9 | -7 | -42 | -33 | -46 |
| Appropriations | - | - | - | - | 1 |
| <i>Profit before tax</i> | -9 | -7 | -42 | -33 | -45 |
| Tax | 2 | 2 | 11 | 9 | 11 |
| Net profit for the period | -7 | -5 | -31 | -24 | -34 |
| Operating profit includes depreciation/amortization of | 2 | 2 | 6 | 6 | 8 |

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

Condensed balance sheet, Parent Company

| <i>SEK m</i> | Nine months 2010 | Nine months 2009 | 2009 |
|---|---------------------|---------------------|--------------|
| Assets | | | |
| Property, plant and equipment | 4 | 10 | 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 | 3,486 | 3,492 | 3,490 |
| Receivables from Group companies ¹ | 644 | 669 | 1,804 |
| Interest-bearing receivables | - | 13 | - |
| Other current assets | 207 | 207 | 13 |
| Cash and bank balances | - | - | - |
| Total current assets | 851 | 889 | 1,817 |
| Total assets | 4,337 | 4,381 | 5,307 |
| Shareholders' equity and liabilities | | | |
| Restricted shareholders' equity | 262 | 262 | 262 |
| Unrestricted shareholders' equity | 2,528 | 2,259 | 3,084 |
| Total shareholders' equity | 2,790 | 2,521 | 3,346 |
| Untaxed reserves | 5 | 5 | 5 |
| Non-current interest-bearing liabilities | 32 | 182 | 180 |
| Noninterest-bearing non-current liabilities | 8 | 7 | 7 |
| Total non-current liabilities | 40 | 189 | 187 |
| Current interest-bearing liabilities | 380 | 523 | 264 |
| Liabilities to Group companies ² | 1,086 | 1,110 | 1,417 |
| Accounts payable – trade | 12 | 12 | 8 |
| Other current noninterest-bearing liabilities | 24 | 21 | 80 |
| Total current liabilities | 1,502 | 1,666 | 1,769 |
| Total shareholders' equity and liabilities | 4,337 | 4,381 | 5,307 |
| Contingent liabilities | 358 | 364 | 360 |
| Pledged assets | - | - | - |
| 1) of which, interest-bearing receivables | 643 | 667 | 659 |
| 2) of which, interest-bearing liabilities | 1,085 | 1,067 | 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.

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.

GLOSSARY

Autoorder: A store restocking automation system.

BLICC: Business Leaders Initiative on Climate Change.

E-learning: An interactive training program.

EMAB: EMAB is a collaborative organization for independent service station stores, with approximately 400 members within the Shell, Statoil 123, Hydro, Bilisten and Preem service station chains.

GRI: Global Reporting Initiative.

Like-for-like sales: Like-for-like sales refer to store sales reported on the basis of an entire comparison period, i.e., both years.

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



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About Axfood

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

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

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