



Interim Report Axfood AB (publ)

SECOND QUARTER SUMMARY

- Axfood's consolidated sales for the period April–June totalled SEK 9,804 m (9,557), an increase of 2.6%. Easter was in April, compared with March a year ago.
- Retail sales for Group-owned stores increased by 2.6% during the period. Like-for-like sales increased by 1.5% during the period.
- Operating profit for the period was SEK 376 m (326).
- Profit after financial items was SEK 370 m (318) for the period.
- Profit after tax totalled SEK 289 m (248) for the period, and earnings per share were SEK 5.45 (4.74).
- Eva Pettersson was appointed as new Divisional Director of Axfood Närlivs.
- Axfood's goal for 2014 is to exceed the level of profit achieved in 2013.

NO SIGNIFICANT EVENTS HAVE TAKEN PLACE AFTER THE BALANCE SHEET DATE

Key ratios

SEK m	Q2 2014	Q2 2013	Change	Six months 2014	Six months 2013	Change	Full year 2013
Net sales	9,804	9,557	2.6%	18,750	18,507	1.3%	37,522
Operating profit	376	326	15.3%	622	580	7.2%	1,302
Operating margin, %	3.8	3.4	0.4	3.3	3.1	0.2	3.5
Profit after financial items	370	318	16.4%	612	565	8.3%	1,278
Profit after tax	289	248	16.5%	478	442	8.1%	993
Earnings per share, SEK ¹	5.45	4.74	15.0%	9.02	8.43	7.0%	18.80
Cash flow per share, SEK	0.6	-2.2	-	-4.4	-2.4	-83.3%	-1.2
Cash flow from operating activities per share, SEK	5.8	6.1	-4.9%	13.7	15.8	-13.3%	30.4
Return on capital employed, % ²	32.6	29.2	3.4	32.6	29.2	3.4	30.3
Return on shareholders' equity, % ²	30.6	30.2	0.4	30.6	30.2	0.4	27.5
Shareholders' equity per share, SEK ³	-	-	-	65.58	61.10	7.3%	71.82
Equity ratio, %	-	-	-	39.1	36.6	2.5	42.6

1) Before and after dilution.

2) Moving 12-month figures.

3) Net asset value per share corresponds to shareholders' equity per share.

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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 1 p.m. (CET) on 15 July 2014.

CEO'S COMMENTS

Axfood's earnings for the second quarter were the best ever, and sales were stable, despite a weaker market with low inflation. The good profitability can be credited primarily to well-run stores with appealing customer offerings, and improved efficiency in the logistics operations.

Stronger earnings for all units

Willys once again posted favourable earnings despite a soft food retail sector with continued fierce competition. The stable sales were positively affected by Easter and a good Midsummer holiday, but were countered by poorer weather during the spring, which put a damper on the barbeque season, which is ordinarily a strong contributor to sales. The focus going forward is to continue growing sales with stronger customer offerings, among other things through further development of the Willys+ digital customer programme, which today has more than 1.5 enrolled customers.

Hemköp continued to show good sales performance and stronger profitability, especially in the important Stockholm region. Upgraded and more inspiring stores with a wide selection of fresh products and appealing offerings have contributed to the positive performance. To attract even more customers and ensure favourable sales growth also in the future, additional stores will be modernized in the coming quarters.

Axfood Närlivs once again delivered good earnings. Growth has been very strong particularly for Axfood Snabbgross as a result of improved offerings and more customers. However, sales in the convenience retail segment were weaker due to poorer weather conditions compared with a year ago.

Dagab improved its earnings considerably during the quarter. Following an intensive period involving the changeover to the new business system, efficiency has improved. During the same period a year ago, the new business system was implemented at one of the largest distribution centres, which gave rise to higher costs.

Market outlook

Future confidence among Swedish households remains positive, and consumption has grown relatively well during the year. At the same time, grocery prices have grown more slowly, which has contributed to dampened growth in the food retail sector. As previously, Axfood believes that the market conditions will remain stable during the year, with food price inflation of one to two per cent.

Axfood's strategy remains firm

Axfood's strategic agenda for profitable growth is unchanged. As previously, focus is on stimulating sales with more compelling offerings and more modern stores that exceed customers' expectations. During the year, the digital customer programmes will also be further developed, which is an important measure in the work on strengthening customer relationships and growing sales. Parallel with this, work continues on fine-tuning the business system and further improving efficiency. Total investments in 2014 are expected to be in the range of SEK 700–800 m.

Axfood's goal for 2014 is to exceed the level of profit achieved in 2013.

Anders Strålmán

President and CEO, Axfood AB

SALES, AXFOOD GROUP

Second quarter

Consolidated wholesale and retail sales for the Axfood Group totalled SEK 9,804 m (9,557) during the second quarter, a change of 2.6%. Store sales for the Axfood Group (wholly owned stores and Hemköp franchises) totalled 8,246 m (8,071), an increase of 2.2%. Sales for Group-owned retail operations increased by 2.6% during the second quarter, with a 1.5% rise in like-for-like sales. Sales for the quarter were favourably affected by Easter weekend falling in April this year, compared with March a year ago.

Axfood's private label share was 24.8% (24.8%) as of June.

Six months

Consolidated wholesale and retail sales for the Axfood Group totalled SEK 18,750 m (18,507) during the period, an increase of 1.3%. Store sales for the Axfood Group (wholly owned stores and Hemköp franchises) totalled SEK 15,960 m (15,838), an increase of 0.8%. Sales for Group-owned retail operations increased by 1.1% during the period, while like-for-like sales decreased by 0.3%.

Net sales per operating segment

SEK m	Q2 2014	Q2 2013	Six months 2014	Six months 2013	Full year 2013
Hemköp	1,364	1,392	2,719	2,799	5,578
Willys	5,374	5,174	10,315	10,093	20,394
Axfood Närlivs	1,749	1,728	3,170	3,155	6,489
Dagab	6,681	6,400	12,790	12,594	25,509
Other ¹	1,355	1,329	2,618	2,550	5,120
<i>Internal sales</i>					
Dagab	-5,399	-5,178	-10,325	-10,218	-20,622
Axfood Närlivs	0	-1	-1	-3	-7
Other	-1,320	-1,287	-2,536	-2,463	-4,939
Total	9,804	9,557	18,750	18,507	37,522

¹⁾ Includes joint-Group support functions, such as purchasing coordination, IT and corporate offices.

Retail sales, Group-owned and franchise stores

SEK m	Q2 2014	% ¹⁾	Like-for-like sales, % ¹⁾	Six months 2014	% ¹⁾	Like-for-like sales, % ¹⁾
Hemköp	1,343	-2.2	2.6	2,677	-3.0	1.6
Hemköp franchises	1,529	0.3	3.7	2,968	-0.6	2.7
Hemköp total	2,872	-0.9	3.2	5,645	-1.7	2.2
Willys total	5,374	3.9	1.2	10,315	2.2	-0.8
Total	8,246	2.2	1.9	15,960	0.8	0.2

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

Change in store structure, six months 2014

	Dec. 2013	New establishment	Acquisitions	Sales/ closures	Conversions to/from	June 2014
Hemköp	69	1		-2	-1	67
Willys ¹⁾	183	2			1	186
Total, Group-owned	252	3	-	-2	-	253
Hemköp franchises	111			-1		110
¹⁾ Of which, Willys Hemma	47	2				49

EARNINGS, AXFOOD GROUP

Second quarter

Operating profit for the second quarter totalled SEK 376 m (326). The operating margin was 3.8% (3.4%). All units showed stronger earnings, but it was the logistics operations that showed the greatest earnings improvement. The new business system was implemented in one of the largest distribution centres during the same period a year ago, which gave rise to higher costs in the comparison period. Net financial items totalled SEK -6 m (-8), and profit after financial items was SEK 370 m (318). The margin after financial items was 3.8% (3.3%). Profit after tax was SEK 289 m (248). Joint-Group costs were affected by higher depreciation for the new business system.

Six months

Operating profit for the period totalled SEK 622 m (580). The operating margin was 3.3% (3.1%). Net financial items for the period totalled SEK -10 m (-15), and profit after financial items was SEK 612 m (565). Profit after tax was SEK 478 m (442).

Operating profit for the period, broken down by operating segment

SEK m	Q2 2014	Q2 2013	Six months 2014	Six months 2013	Full year 2013
Hemköp	47	44	82	74	151
Willys	221	211	391	381	808
Axfood Närlivs	47	42	57	54	140
Dagab	48	12	70	41	114
Other ¹	13	17	22	30	89
Operating profit for the period, total²	376	326	622	580	1,302

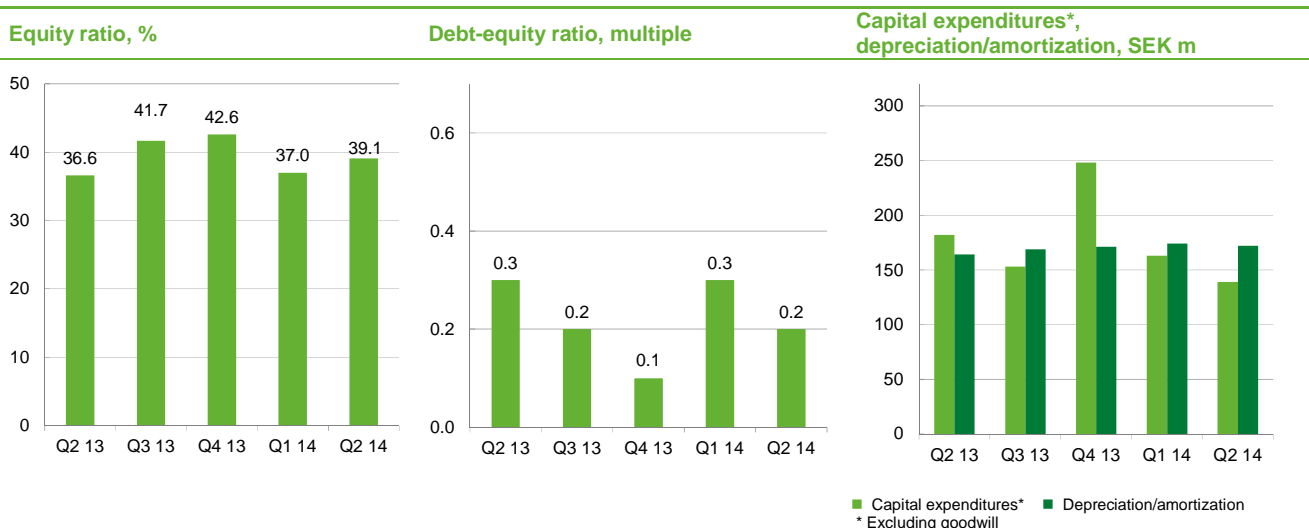
¹ "Other" includes joint-Group support functions, such as purchasing coordination, IT and corporate offices. Also includes accumulated charges for, among other things, amortization of surplus value pertaining to the acquisition of PrisXtra and depreciation of SEK 37 m (32) pertaining to the new business system.

² Net financial items are not distributed per operating segment.

CAPITAL EXPENDITURES

Total capital expenditures during the period January–June amounted to SEK 303 m (398), of which SEK 2 m (34) pertained to acquisitions of businesses, while SEK 175 m (226) pertained to investments in non-current assets in retail operations, SEK 16 m (32) to investments in non-current assets in wholesale operations, and SEK 23 m (63) to IT development.

In February Axfood increased its ownership in the Urban Deli group to 50%. Axfood previously owned 5% of the Urban Deli Nytorget unit and 50% of Urban Deli Sickla. Urban Deli operates restaurants, food markets and stores in the Stockholm area. After the acquisition, Axfood has a non-controlling interest in Urban Deli, and the holding is reported as a joint venture. The purchase price was SEK 22 m and was paid in cash.



FINANCIAL POSITION

Cash flow from operating activities before paid tax was SEK 850 m (961) during the first half of the year. Paid tax amounted to SEK -131 m (-133). Cash and cash equivalents held by the Group amounted to SEK 224 m, compared with SEK 457 m in December 2013. Interest-bearing liabilities and provisions totalled SEK 664 m at the end of the period, compared with SEK 535 m in December 2013. Interest-bearing net debt was SEK 440 m at the end of the period, compared with SEK 78 m in December 2013. Payout of the shareholder dividend affected cash flow by SEK -794 m (-630), and net capital expenditures affected cash flow by SEK -277 m (-349).

The equity ratio was 39.1%, compared with 42.6% in December 2013.

THE SWEDISH FOOD RETAIL MARKET

According to Statistics Sweden's retail trade index for May, accumulated sales for the food retail segment rose 1.8% since the start of the year in current prices. In fixed prices, adjusted for price and calendar effects, volume increased by 1.3%.

STORE OPERATIONS

Willys

Second quarter

Willys again reported favourable earnings despite a dampened food retail market with continued fierce competition. Sales amounted to SEK 5,374 m (5,174), an increase of 3.9% compared with the same period a year ago. Like-for-like sales increased by 1.2%. Operating profit totalled SEK 221 m (211). The operating margin was 4.1% (4.1%).

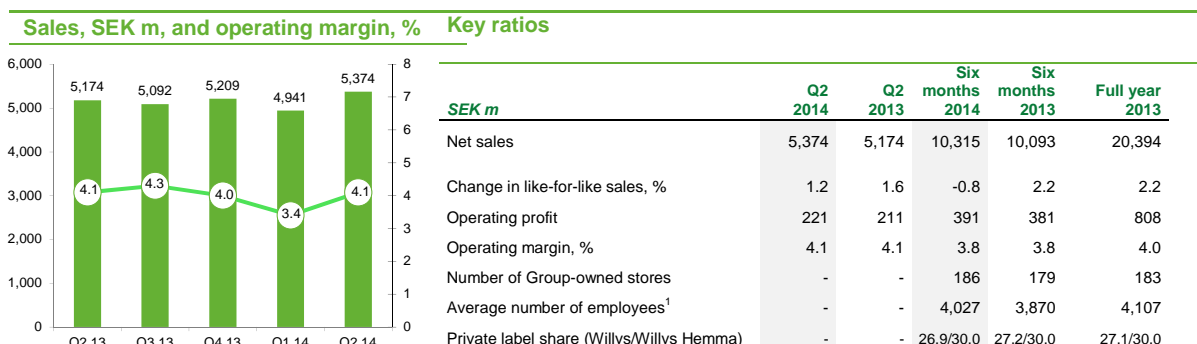
The private label share as of June was 26.9% (27.2%) for Willys and 30.0% (30.0%) for Willys Hemma.

The focus going forward is on further growing sales with stronger customer offerings, among other things through further development of the Willys+ digital customer programme.

Six months

Willys' sales during the period January–June amounted to SEK 10,315 m (10,093), an increase of 2.2% compared with the same period a year ago. Like-for-like sales decreased by 0.8%. Operating profit for the first half of the year totalled SEK 391 m (381), and the operating margin was 3.8% (3.8%).

One new Willys store and two new Willys Hemma stores opened during the first half of the year. At the end of the period the Willys chain comprised 137 Willys stores and 49 Willys Hemma stores.



1) Calculation of the number of employees was adjusted in December 2013, and thus the comparative figure for the quarter has also been adjusted.

Hemköp

Second quarter

Hemköp continued to show favourable like-for-like sales performance, with stronger profitability. More modern and more inspiring stores combined with appealing offerings have contributed to the positive performance. Total sales were affected by a fewer number of stores compared with a year ago. Sales decreased by 2.0%, with sales for Group-owned stores totalling SEK 1,343 m (1,373), a decrease of 2.2%. Like-for-like sales for Group-owned stores rose 2.6% during the period. Sales for franchise stores amounted to SEK 1,529 m (1,524), an increase of 0.3%, while like-for-like sales for franchise stores rose 3.7% (see table on page 3). Hemköp's private label share was 19.0% (18.1%) as of June.

Operating profit for the second quarter totalled SEK 47 m (44). The operating margin was 3.4% (3.2%).

To attract even more customers and ensure favourable sales growth also in the future, additional stores will be modernized during the coming quarters.

Six months

Like-for-like sales for Group-owned stores increased by 1.6% during the period.

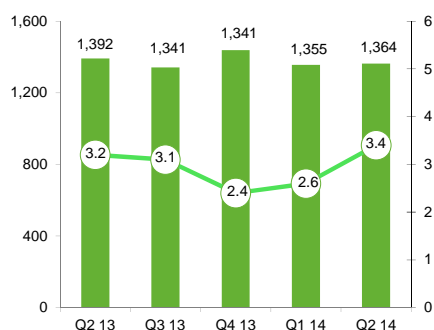
Sales for Hemköp's stores – Group-owned and franchises – decreased by 1.7% during the period January–June. Sales for Group-owned stores amounted to SEK 2,677 m (2,760), a decrease of 3.0%.

Sales for franchise stores amounted to SEK 2,968 m (2,985), a decrease of 0.6%, with a 2.7% rise in like-for-like sales.

Operating profit for the period January–June totalled SEK 82 m (74). The operating margin for the period was 3.0% (2.6%). Operating profit was affected by nonrecurring expenses of SEK – m (1).

During the first half of the year, one store was established, two were closed, and one was converted to Willys. In addition, one franchise store was closed during the period. Hemköp had 177 stores at the end of the period, of which 67 were Group-owned.

Sales, SEK m, and operating margin, %



Key ratios

SEK m	Q2 2014	Q2 2013	Six months 2014	Six months 2013	Full year 2013
Net sales	1,364	1,392	2,719	2,799	5,578
Change in like-for-like sales, %	2.6	0.2	1.6	0.2	0.9
Operating profit	47	44	82	74	151
Operating margin, %	3.4	3.2	3.0	2.6	2.7
Number of Group-owned stores	-	-	67	70	69
Average number of employees ¹	-	-	1,654	1,588	1,675
Private label share	-	-	19.0	18.1	19.3

1) Calculation of the number of employees was adjusted in December 2013, and thus the comparative figure for the quarter has also been adjusted.

AXFOOD WHOLESALING

Dagab

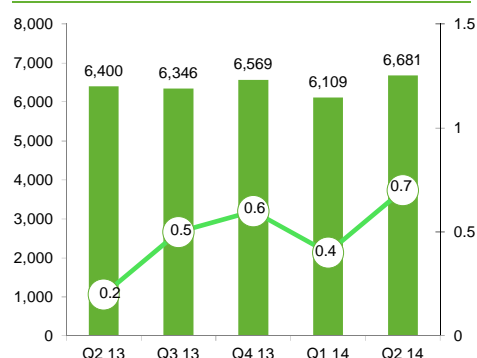
Second quarter

Dagab considerably improved its earnings during the quarter as a result of improved efficiency. During the same period a year ago, the new business system was implemented at one of the largest distribution centres, which gave rise to higher costs. Operating profit totalled SEK 48 m (12), and the operating margin was 0.7% (0.2%). Sales amounted to SEK 6,681 m (6,400). Going forward, focus is on fine-tuning the business system and further improving efficiency.

Six months

Dagab's sales during the period January–June amounted to SEK 12,790 m (12,594). Operating profit for the period totalled SEK 70 m (41), and the operating margin was 0.5% (0.3%).

Sales, SEK m, and operating margin, %



Key ratios

SEK m	Q2 2014	Q2 2013	Six months 2014	Six months 2013	Full year 2013
Net sales	6,681	6,400	12,790	12,594	25,509
Distributed sales	4,603	4,418	8,882	8,757	17,817
Operating profit	48	12	70	41	114
Operating margin, %	0.7	0.2	0.5	0.3	0.4
Average number of employees ¹	-	-	1,063	1,034	1,089
Delivery reliability ²	95.6	-	95.3	-	-

1) Calculation of the number of employees was adjusted in December 2013, and thus the comparative figure for the quarter has also been adjusted.

2) Delivery reliability could not be measured during the second to fourth quarters of 2013 due to the implementation of the new business system.

Axfood Närlivs

Second quarter

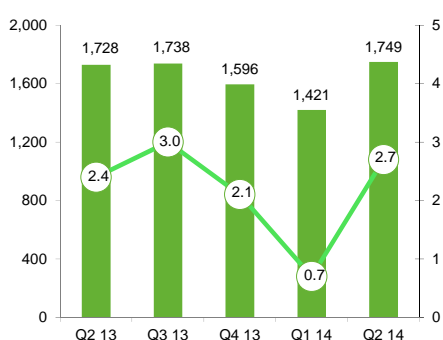
Axfood Närlivs once again delivered good earnings. Growth has been very strong particularly for Axfood Snabbgross as a result of improved offerings and more customers. However, sales in the convenience retail segment were weaker due to poorer weather conditions compared with a year ago. Sales during the second quarter amounted to SEK 1,749 m (1,728), an increase of 1.2%.

Operating profit for the second quarter totalled SEK 47 m (42), and the operating margin was 2.7% (2.4%). During the period, Eva Pettersson was appointed as new Divisional Director for Axfood Närlivs.

Six months

Axfood Närlivs' sales during the period January–June amounted to SEK 3,170 m (3,155), an increase of 0.5%. Operating profit for the period totalled SEK 57 m (54), and the operating margin was 1.8% (1.7%).

Sales, SEK m, and operating margin, %



Key ratios

SEK m	Q2 2014	Q2 2013	Six months 2014	Six months 2013	Full year 2013
Net sales	1,749	1,728	3,170	3,155	6,489
Distributed sales	1,634	1,609	2,970	2,943	6,049
Operating profit	47	42	57	54	140
Operating margin, %	2.7	2.4	1.8	1.7	2.2
Axfood Snabbgross, no. stores	-	-	20	20	20
Average number of employees ¹	-	-	818	807	869
Delivery reliability, %	97.3	97.5	97.3	97.7	97.6

1) Calculation of the number of employees was adjusted in December 2013, and thus the comparative figure for the quarter has also been adjusted.

Disclosures about financial assets and liabilities

The tables below provide disclosures about how fair value has been determined for the financial instruments that are measured at fair value in the statement of financial position. The breakdown of how fair value is determined is done according to the following three levels:

Level 1: according to prices in an active market for the same instruments. Axfood has no financial instruments at this level.

Level 2: based on direct or indirect observable market data that is not included in level 1. Level 2 includes, among other things, derivatives used in hedge accounting and available-for-sale financial assets.

Level 3: based on input data that is not observable in the market. Axfood has no financial instruments at this level.

Group, 30/6/2014	Financial assets and liabilities			Total, statement of financial position
	Carrying amount	Fair value	Non-financial assets and liabilities	
<i>SEK m</i>				
Financial assets	50	50	33	83
Accounts receivable – trade	1,070	1,070	-	1,070
Other current assets	4	4	1,106	1,110
Cash and bank balances	224	224	-	224
Total assets	1,348	1,348	1,139	2,487
Non-current interest-bearing liabilities	62	62	421	483
Current interest-bearing liabilities	181	181	-	181
Accounts payable – trade	2,413	2,413	-	2,413
Total liabilities	2,656	2,656	421	3,077

Parent Company, 30/6/2014	Financial assets and liabilities			Total, statement of financial position
	Carrying amount	Fair value	Non-financial assets and liabilities	
<i>SEK m</i>				
Financial assets	6	9	-	6
Receivable from Group companies	894	894	-	894
Total assets	900	903	-	900
Current interest-bearing liabilities	109	109	-	109
Accounts payable – trade	14	14	-	14
Liabilities to Group companies	548	548	0	548
Total liabilities	671	671	0	671

Disclosures about fair value of financial instruments

The carrying amount of interest-bearing assets and liabilities in the statement of financial position can deviate from their fair value due to changes in market interest rates, among other things. To establish the fair value of financial assets and liabilities, market value has been used for assets and liabilities as far as possible. Axfood's holdings of tenant-owner rights are stated at market value (level 2). Interest-bearing financial assets and liabilities that are not derivative instruments are calculated based on future cash flows of principal amounts and interest, discounted to the current market interest rate while taking into account the risk-free interest rate and risk premium for Axfood on the balance sheet date (the effective interest method – level 2). For current financial assets and liabilities with variable interest rates, fair value is considered to be the same as the carrying amount.

The carrying amount of trade accounts receivable, other receivables, cash and cash equivalents, trade accounts payable and other liabilities is a reasonable approximation of fair value.

Axfood uses the market interest rate in effect on the accounting date plus a relevant interest rate spread to discount financial instruments. The interest rate used for interest-bearing liabilities as per 30 June 2014 was 1.43%.

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 of a total loss, such as from a fire at one of the central warehouses in Jordbro, Backa or Örebro. Major emphasis is put on preventive work, and the organization for this is well developed, as is the Company's planning to maintain operating continuity in the event of unforeseen events.

For a thorough account of the risks that affect the Group, please refer to the 2013 Annual Report.

SEASONAL EFFECTS

Axfood has no significant seasonal variations.

SUSTAINABLE DEVELOPMENT

One of Axfood's strategic objectives is to be an active driver of sustainable development and thereby be best in the industry. Sustainability work strengthens Axfood's business and contributes to long-term development of the operations. In the day-to-day activities, sustainability aspects are integrated in product purchasing and selection as well as in logistics, product flows and store operations. Priority areas for Axfood's environmental sustainability work are energy consumption, transports and the eco-cycle. All of these areas have major bearing on Axfood's business and have large potential for improvement.

During the quarter a number of important decisions were made regarding sustainable business. Among other things, a goal was set to sell only fish assigned a green light by WWF by 2020. Hemköp, which stopped selling eggs from caged hens in 2008, also made the decision to sell only organic bananas in its stores. Willys will stop selling eggs from caged hens entirely during the autumn of 2014.

One overall goal is to reduce the climate impact of the Group's operations by 75% during the period 2009–2020. One area of importance going forward involves work on improving energy efficiency and changing over to refrigerants that do not have any adverse climate impact. As a step in reducing energy consumption, a system for detailed measurement and control of electricity consumption is currently being installed in Axfood's Group-owned stores and warehouses. In addition, Dagab has installed one of Sweden's largest solar panel systems, which helps power the refrigeration system at the company's cold storage warehouse in Gothenburg.

Dagab and Axfood Närlivs are working continuously to minimize their environmental impact. These measures include maximizing load capacity in delivery vehicles and the use of so-called eco-driving techniques to reduce fuel consumption. To further lower emissions from Dagab's and Axfood Närlivs' transports, "Evolution" diesel fuel is used, which is partly based on pine oil and produces lower CO₂ emissions than conventional diesel fuel.

Another important goal is to increase recycling, where most waste is either recycled for use as raw material by the recycling industry or is converted to energy.

During the autumn of 2013 an ambitious diversity goal was also set, with the vision that the Group's employees will reflect the diversity of the Group's customers. Axfood is a firm believer that diversity increases business benefit.

A more detailed description of Axfood's work with environmental matters can be found at axfood.se and in Axfood's Sustainability Report for 2013. See the table on page 14 for follow-up data on electricity consumption and emissions from transports.

PARENT COMPANY

Other operating revenue for the Parent Company during the period January–June amounted to SEK 87 m (77). After selling and administrative expenses, totalling SEK 154 m (135), and net financial items totalling

SEK 4 m (0), profit after financial items was SEK -63 m (-58). Capital expenditures during the period totalled SEK 14 m (3).

The Parent Company's interest-bearing net debt receivable was SEK 219 m at the end of the period, compared with interest-bearing net debt of SEK 306 m as per December 2013. The Parent Company has no significant transactions with related parties, other than transactions with subsidiaries.

ACCOUNTING POLICIES

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

New accounting policies 2014

Effective 1 January 2014 the Group applies IFRSs 10, 11 and 12. IFRS 10 Consolidated Financial Statements supersedes IAS 27 with respect to the rules for consolidated accounting and SIC-12 with respect to when a company is to be subjected to consolidated accounting rules. IFRS 10 includes a model that is to be used for determining if control exists or not. IFRS 11 Joint Arrangements mainly entails two changes: determining if an arrangement is a joint operation or a joint venture, and elimination of proportionate consolidation for joint ventures. The amended IAS 28 Investments in Associates and Joint Ventures, which is an effect of IFRS 11, is applied. IFRS 12 Disclosure of Interests in Other Entities requires a number of disclosures about an entity's interests in other companies in the consolidated financial statements, and more extensive disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated "structured entities". Axfood's opinion is that the investments in joint arrangements and associated companies in the Group will not need to be consolidated in accordance with IFRS 10.

New accounting policies in 2015 and later

A number of new or amended IFRSs and interpretations take effect in 2015 and later, and have not been prospectively applied in the preparation of this interim report. New IFRSs and interpretations or amendments that will be applicable starting in financial years after 2015 and later are not planned to be applied prospectively. To the extent that anticipated effects on the financial statements of the application of the new or amended IFRSs and interpretations are not described above, Axfood has determined that they will not have any material effect on the consolidated accounting.

FORECAST

Axfood's goal for 2014 is to exceed the level of profit achieved in 2013.

NEXT REPORT

The interim report for the period January–September 2014 will be presented on 22 October 2014.

PRESS RELEASES DURING THE SECOND QUARTER

30/6/2014 Hemköp and Willys: Only green-listed fish by 2020

10/6/2014 Hemköp and Willys quality-assure production at pig farms in Värmland

5/6/2014 Only organic bananas to be sold at Hemköp

3/4/2014 Eva Pettersson new Divisional Director at Axfood Närlivs

This half-year 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 2014

Fredrik Persson
Chairman

Lars Olofsson
Vice Chairman

Antonia Ax:son Johnson

Caroline Berg

Peggy Bruzelius

Odd Reitan

Annika Åhnberg

Ulla-May Iwahr Rydén*

Michael Sjören*

Inger Sjöstrand*

Anders Strålmán
President and CEO

* *Employee representatives*

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

FINANCIAL STATEMENTS, GROUP

Condensed statement of profit or loss and other comprehensive income, Group					
SEK m	Q2 2014	Q2 2013	Six months 2014	Six months 2013	Full year 2013
Net sales	9,804	9,557	18,750	18,507	37,522
Cost of goods sold	-8,462	-8,251	-16,210	-15,990	-32,392
<i>Gross profit</i>	1,342	1,306	2,540	2,517	5,130
Selling/administrative expenses, etc.	-966	-980	-1,918	-1,937	-3,828
<i>Operating profit</i>	376	326	622	580	1,302
Net financial items	-6	-8	-10	-15	-24
<i>Profit before tax</i>	370	318	612	565	1,278
Tax	-81	-70	-134	-123	-285
Profit for the period	289	248	478	442	993
Other comprehensive income					
<i>Items that cannot be reclassified to profit or loss for the period</i>					
Revaluation of defined benefit pension plans	-14	-5	-19	-5	18
Tax attributable to items that cannot be reclassified to profit or loss for the period	3	1	4	1	-4
<i>Items that have been reclassified or can be reclassified to profit or loss for the period</i>					
Change in fair value of forward exchange contracts	1	2	2	2	-1
Tax attributable to items that have been reclassified or can be reclassified to profit or loss for the period	0	0	0	0	0
Other comprehensive income for the period	-10	-2	-13	-2	13
Total comprehensive income for the period	279	246	465	440	1,006
Operating profit includes depreciation/amortization of	172	164	346	327	667
Earnings per share, SEK	5.45	4.74	9.02	8.43	18.80
Profit for the period attributable to					
Owners of the parent	286	246	473	439	987
Non-controlling interests	3	2	5	3	6
Total comprehensive income for the period attributable to					
Owners of the parent	276	244	460	437	1,000
Non-controlling interests	3	2	5	3	6

Condensed statement of financial position, Group

<i>SEK m</i>	30/6/2014	30/6/2013	31/12/2013
Assets			
Goodwill	1,801	1,793	1,800
Financial assets	83	46	60
Other non-current assets	2,721	2,766	2,797
Total non-current assets	4,605	4,605	4,657
Inventories	1,871	1,799	1,906
Accounts receivable – trade	1,070	1,021	909
Other current assets	1,110	1,013	1,000
Cash and bank balances	224	393	457
Total current assets	4,275	4,226	4,272
Total assets	8,880	8,831	8,929
Shareholders' equity and liabilities			
Equity attributable to owners of the parent	3,441	3,205	3,768
Equity attributable to non-controlling interests	32	31	34
Total shareholders' equity	3,473	3,236	3,802
Non-current interest-bearing liabilities	483	494	471
Noninterest-bearing non-current liabilities	409	332	403
Total non-current liabilities	892	826	874
Current interest-bearing liabilities	181	389	64
Accounts payable – trade	2,413	2,547	2,225
Other current noninterest-bearing liabilities	1,921	1,833	1,964
Total current liabilities	4,515	4,769	4,253
Total shareholders' equity and liabilities	8,880	8,831	8,929
Pledged assets	32	29	32
Contingent liabilities	27	33	27

Condensed statement of cash flows, Group

<i>SEK m</i>	Six months 2014	Six months 2013	Full year 2013
Operating activities			
Cash flow from operating activities before changes in working capital, before paid tax	944	871	1,907
Paid tax	-131	-133	-235
Changes in working capital	-94	90	-76
<i>Cash flow from operating activities</i>	719	828	1,596
Investing activities			
Acquisitions of operations, net	-2	-15	-19
Acquisitions of non-current assets, net	-252	-334	-690
Change in financial non-current assets, net	-23	0	-9
<i>Cash flow from investing activities</i>	-277	-349	-718
Financing activities			
Change in interest-bearing liabilities	119	23	-312
Dividend payout	-794	-630	-630
<i>Cash flow from financing activities</i>	-675	-607	-942
Cash flow for the period	-233	-128	-64

Condensed statement of changes in equity, Group

SEK m	30/6/2014	30/6/2013	31/12/2013
Amount at start of year	3,802	3,426	3,426
Total comprehensive income for the period	465	440	1,006
Dividend to shareholders	-794	-630	-630
Amount at end of period	3,473	3,236	3,802

Key ratios and other data, Group

	Six months 2014	Six months 2013	Full year 2013
Operating margin, %	3.3	3.1	3.5
Margin after financial items, %	3.3	3.1	3.4
Equity ratio, %	39.1	36.6	42.6
Debt-equity ratio, net, multiple	0.1	0.2	0.0
Debt-equity ratio, multiple	0.2	0.3	0.1
Interest coverage, multiple	44.7	32.4	43.6
Capital employed, SEK m	4,137	4,120	4,337
Return on capital employed, %	32.6	29.2	30.3
Return on shareholders' equity, %	30.6	30.2	27.5
Capital expenditures, SEK m	303	398	806
Earnings per share, SEK ¹	9.02	8.43	18.80
Dividend per share, SEK	-	-	15.00
Shareholders' equity per share, SEK ^{1,2}	65.58	61.10	71.82
Cash flow per share, SEK ¹	-4.4	-2.4	-1.2
Number of shares outstanding ¹	52,467,678	52,467,678	52,467,678
Average number of employees ³	8,102	7,835	8,285
Work attendance rate, %	94.4	94.3	94.8
CO ₂ , kg/tonne goods ⁴	21.3	20.1	21.9
Electricity consumption, kWh/m ² (stores and warehouses) ⁵	355.1	360.8	361.7

Quarterly overview

	Q3 12	Q4 12	Q1 13	Q2 13	Q3 13	Q4 13	Q1 14	Q2 14
Sales	9,044	9,252	8,950	9,557	9,465	9,550	8,946	9,804
Operating profit	370	258	254	326	382	340	246	376
Operating margin, %	4.1	2.8	2.8	3.4	4.0	3.6	2.7	3.8
Earnings per share, SEK ¹	5.08	4.37	3.69	4.74	5.58	4.79	3.57	5.45
Shareholders' equity per share, SEK ¹	60.8	64.8	56.5	61.1	66.6	71.8	60.3	65.6
Return on shareholders' equity, %	29.0	27.2	31.8	30.2	28.4	27.5	29.2	30.6
Cash flow from operating activities per share, SEK	7.9	10.1	9.7	6.1	5.4	9.2	7.9	5.8
Capital expenditures	142	253	210	188	153	255	163	140

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

2) Net asset value per share corresponds to shareholders' equity per share.

3) Calculation of the number of employees was adjusted in December 2013, and thus the comparative figure for the quarter has also been adjusted.

4) Moving 12-month figures. Pertains to the total volume for Dagab's and Axfood Närlivs' transports from warehouses to stores with own delivery vehicles.

5) Moving 12-month figures. Pertains to wholly owned stores and warehouses.

FINANCIAL STATEMENTS, PARENT COMPANY

Condensed income statement, Parent Company

SEK m	Q2 2014	Q2 2013	Six months 2014	Six months 2013	Full year 2013
Net sales	-	-	-	-	-
Selling/administrative expenses, etc.	-32	-30	-67	-58	-106
<i>Operating profit</i>	-32	-30	-67	-58	-106
Other net financial items	2	0	4	0	3
<i>Profit after financial items</i>	-30	-30	-63	-58	-103
Appropriations, net	-	-	-	-	1,010
<i>Profit before tax</i>	-30	-30	-63	-58	907
Tax	7	7	14	13	-201
Net profit for the period	-23	-23	-49	-45	706
Operating profit includes depreciation/amortization totalling	3	0	5	0	1

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

Condensed balance sheet, Parent Company

SEK m	30/6/2014	30/6/2013	31/12/2013
Assets			
Property, plant and equipment	41	6	32
Participations in Group companies	3,418	3,606	3,606
Other financial non-current assets	6	6	6
Deferred tax assets	6	6	6
Total non-current assets	3,471	3,624	3,650
Receivables from Group companies ¹	894	1,198	2,203
Other current assets	145	122	21
Cash and bank balances	-	0	114
Total current assets	1,039	1,320	2,338
Total assets	4,510	4,944	5,988
Shareholders' equity and liabilities			
Restricted shareholders' equity	287	287	287
Unrestricted shareholders' equity	2,632	2,718	3,468
Total shareholders' equity	2,919	3,005	3,755
Untaxed reserves	867	563	867
Non-current interest-bearing liabilities	24	27	25
Noninterest-bearing non-current liabilities	1	2	2
Total non-current liabilities	25	29	27
Current interest-bearing liabilities	109	325	-
Liabilities to Group companies ²	548	980	1,285
Accounts payable – trade	14	12	26
Other current noninterest-bearing liabilities	28	30	28
Total current liabilities	699	1,347	1,339
Total shareholders' equity and liabilities	4,510	4,944	5,988
Pledged assets	-	-	-
Contingent liabilities	329	360	329
1) Of which, interest-bearing receivables	894	1,182	877
2) Of which, interest-bearing liabilities	542	969	1,272

FINANCIAL DEFINITIONS

Average number of employees: 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 year plus capital employed at the end of the year, divided by two.

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

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

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

Earnings per share: Net profit for the year attributable to owners of the parent divided by a weighted average number of shares outstanding.

Equity ratio: Shareholders' equity including non-controlling interests as a percentage of total assets.

Interest 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: Equity attributable to owners of the parent divided by the number of shares outstanding.

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 non-controlling interests.

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

P/E multiple before and after 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: Net profit for the year attributable to owners of the parent as a percentage of average equity attributable to owners of the parent. Average equity is calculated as shareholders' equity at the start of the year plus shareholders' equity at the end of the year, divided by two.

GLOSSARY

Autoorder: An automated store restocking system.

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

E-learning: An interactive training program.

Evolution diesel: Environmental diesel fuel that is based partly on pine oil.

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., two comparable years.



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ABOUT AXFOOD

Axfood conducts food retail and wholesale business in Sweden. Retail business is conducted through the wholly owned grocery chains Willys and Hemköp. The number of Group-owned stores is 253. In addition, Axfood collaborates with a number of proprietor-run stores that are tied to Axfood through agreements, including stores in the Hemköp chain, but also stores operating under the Handlar'n and Tempo profiles. Wholesale business is conducted through Dagab and Axfood Närlivs. 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. Axfood's principal owner is Axel Johnson AB, with 50.1% of the shares.

Mission

Axfood's business mission is to develop and run successful food retail concepts based on clear and attractive customer offerings.

Business model

Axfood's business model is built upon a strong purchasing function, focus on private label products, efficient logistics and attractive grocery stores.

Strategy

Axfood will be the most profitable company in the Swedish food retail market and grow its market shares by strengthening and developing its position. Axfood's long-term goal is to attain an operating margin of 4%. Axfood's strategy is built upon five cornerstones: customers, profitability, growth, the environment and social responsibility, and employees and organization. Read more at axfood.se.

Value drivers

Factors that affect Axfood's performance include:

- Access to strategic store locations
- Development of an attractive product offering
- Innovativeness for enhancing customer benefit