



Interim Report Axfood AB (publ)

THIRD QUARTER SUMMARY

- Axfood's consolidated sales for the period July–September totalled SEK 9,756 m (9,465), an increase of 3.1%.
- Retail sales for Group-owned stores increased by 2.3% during the period. Like-for-like sales increased by 0.9% during the period.
- Operating profit for the period was SEK 453 m (382).
- Profit after financial items was SEK 448 m (376) for the period.
- Profit after tax totalled SEK 349 m (294) for the period, and earnings per share were SEK 6.63 (5.58).
- Axfood's estimation is that profit for 2014 will exceed the level achieved in 2013.

NO SIGNIFICANT EVENTS HAVE TAKEN PLACE AFTER THE BALANCE SHEET DATE

Key ratios

SEK m	Q3 2014	Q3 2013	Change	Nine months 2014	Nine months 2013	Change	Full year 2013
Net sales	9,756	9,465	3.1%	28,506	27,972	1.9%	37,522
Operating profit	453	382	18.6%	1,075	962	11.7%	1,302
Operating margin, %	4.6	4.0	0.6	3.8	3.4	0.4	3.5
Profit after financial items	448	376	19.1%	1,060	941	12.6%	1,278
Profit after tax	349	294	18.7%	827	736	12.4%	993
Earnings per share, SEK ¹	6.63	5.58	18.8%	15.65	14.01	11.7%	18.80
Cash flow per share, SEK	5.7	-3.6	-	1.3	-6.0	-	-1.2
Cash flow from operating activities per share, SEK	10.8	5.4	100%	24.5	21.2	15.6%	30.4
Return on capital employed, % ²	33.6	29.6	4.0	33.6	29.6	4.0	30.3
Return on shareholders' equity, % ²	29.6	28.4	1.2	29.6	28.4	1.2	27.5
Shareholders' equity per share, SEK ³	-	-	-	72.06	66.59	8.2%	71.82
Equity ratio, %	-	-	-	42.2	41.7	0.5	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 7.30 a.m. (CET) on 22 October 2014.

CEO'S COMMENTS

Axfood once again delivered very good profitability and good sales growth. All units contributed to the positive performance. This can be credited mainly to attractive stores and appealing customer offerings, improved efficiency and good cost control.

Stronger earnings for all units

Willys continued to post strong earnings and stable sales growth. However, like-for-like sales growth has been weaker as a result of a dampened market with low inflation. Development of the digital customer programme continued, and more than 1.5 million customers are now enrolled. The programme is a strategically important future investment in further stimulating sales and strengthening customer relationships and offerings. Willys is now entering the final quarter of the year with an ambitious pace of establishment, with five new stores set to open.

Hemköp has had very good performance in both like-for-like sales and earnings, especially in the important Stockholm region. More modernized stores with an attractive product selection and appealing customer offerings, combined with improved store operations, have contributed to the positive performance. During the coming quarter focus will be on continued development of the store concept and on opening more new stores.

Axfood Närlivs posted good sales and stable earnings despite intensive work in connection with the changeover to the new business system. The favourable summer weather had a positive impact and, as previously, growth for Axfood Snabbgross was very good.

Dagab once again delivered considerably improved earnings. The new business system was implemented during the same period a year ago, which resulted in higher costs at the time. As the resource-intensive implementation has been completed, efficiency has increased. The work on fine-tuning the business system and further improving efficiency will continue in the coming quarter.

Market outlook

Consumer sentiment remains optimistic in Sweden, and household consumption is making the biggest contribution to economic growth. At the same time, grocery prices have had very weak development, which has contributed to dampened growth in the food retail sector. Axfood expects food price inflation for the full year to be around 1%.

Axfood's strategy remains firm

Axfood is entering the final quarter of the year with favourable prospects. As previously, focus is on developing the concepts with more modernized stores and more compelling customer offerings in an effort to exceed customers' expectations. At the same time, we are pursuing an ambitious pace of establishment, with six new stores set to open during the coming quarter. Parallel with this, the work on developing the customer programmes and the business system continues, which is a key part in our work to ensure continued profitable growth. Total investments in 2014 are expected to be around SEK 700 m.

Axfood's estimation is that profit for 2014 will exceed the level achieved in 2013.

Anders Strålmán
President and CEO, Axfood AB

SALES, AXFOOD GROUP

Third quarter

Consolidated wholesale and retail sales for the Axfood Group totalled SEK 9,756 m (9,465) during the third quarter, a change of 3.1%. Store sales for the Axfood Group (wholly owned stores and Hemköp franchises) totalled 8,051 m (7,904), an increase of 1.9%. Sales for Group-owned retail operations increased by 2.3% during the third quarter, with a 0.9% rise in like-for-like sales.

Axfood's private label share was 25.7% (24.8%) as of September.

Nine months

Consolidated wholesale and retail sales for the Axfood Group totalled SEK 28,506 m (27,972) during the period, an increase of 1.9%. Store sales for the Axfood Group (wholly owned stores and Hemköp franchises) totalled SEK 24,011 m (23,742), an increase of 1.1%. Sales for Group-owned retail operations increased by 1.5% during the period, with a 0.1% rise in like-for-like sales.

THE SWEDISH FOOD RETAIL MARKET

According to Statistics Sweden's retail trade index for August, accumulated sales for the food retail segment have risen 1.8% since the start of the year in current prices. In fixed prices, adjusted for price and calendar effects, volume increased by 1.4%.

Net sales per operating segment					
SEK m	Q3 2014	Q3 2013	Nine months 2014	Nine months 2013	Full year 2013
Hemköp	1,337	1,341	4,056	4,140	5,578
Willys	5,243	5,092	15,558	15,185	20,394
Axfood Närlivs	1,779	1,738	4,949	4,893	6,489
Dagab	6,591	6,346	19,381	18,940	25,509
Other ¹	1,301	1,284	3,919	3,834	5,120
<i>Internal sales</i>					
Dagab	-5,260	-5,096	-15,585	-15,314	-20,622
Axfood Närlivs	-1	-3	-2	-6	-7
Other	-1,234	-1,237	-3,770	-3,700	-4,939
Total	9,756	9,465	28,506	27,972	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	Q3 2014	% ¹⁾	Like-for-like sales, % ¹⁾	Nine months 2014	% ¹⁾	Like-for-like sales, % ¹⁾
Hemköp	1,316	-0.4	2.5	3,993	-2.2	1.9
Hemköp franchises	1,492	0.1	3.0	4,460	-0.4	2.8
Hemköp total	2,808	-0.1	2.7	8,453	-1.2	2.4
Willys total	5,243	3.0	0.6	15,558	2.5	-0.4
Total	8,051	1.9	1.3	24,011	1.1	0.6

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

Change in store structure, nine months 2014						
	Dec. 2013	New establishment	Acquisitions	Sales/closures	Conversions to/from	Sept. 2014
Hemköp	69	1	1	-3	-1	67
Willys ¹⁾	183	3			1	187
Total, Group-owned	252	4	1	-3	-	254
Hemköp franchises	111		2	-3		110
¹⁾ Of which, Willys Hemma	47	2				49

EARNINGS, AXFOOD GROUP

Third quarter

Operating profit for the third quarter totalled SEK 453 m (382). The operating margin was 4.6% (4.0%). All units showed stronger earnings. The new business system was implemented in the distribution centres during the same period a year ago, which gave rise to higher costs at the time. The preceding year's results were also affected by more store openings than in the same period this year. Net financial items totalled SEK -5 m (-6), and profit after financial items was SEK 448 m (376). The margin after financial items was 4.6% (4.0%). Profit after tax was SEK 349 m (294). Joint-Group costs were affected by higher depreciation for the new business system.

Nine months

Operating profit for the period totalled SEK 1,075 m (962). The operating margin was 3.8% (3.4%). Net financial items for the period totalled SEK -15 m (-21), and profit after financial items was SEK 1,060 m (941). Profit after tax was SEK 827 m (736).

Operating profit for the period, broken down by operating segment

SEK m	Q3 2014	Q3 2013	Nine months 2014	Nine months 2013	Full year 2013
Hemköp	60	42	142	116	151
Willys	243	219	634	600	808
Axfood Närlivs	54	52	111	106	140
Dagab	65	32	135	73	114
Other ¹	31	37	53	67	89
Operating profit for the period, total²	453	382	1,075	962	1,302

¹ "Other" includes joint-Group support functions, such as purchasing coordination, IT and corporate offices. Other also includes accumulated charges for, among other things, amortization of surplus value pertaining to the acquisition of PrisXtra and depreciation of SEK 57 m (49) pertaining to the new business system.

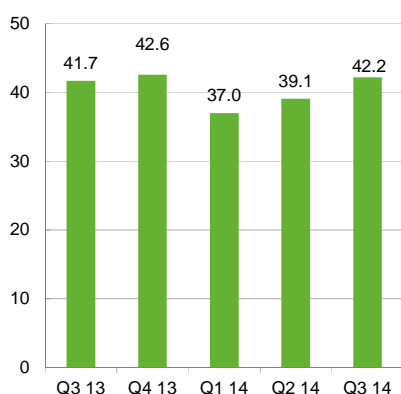
² Net financial items are not distributed per operating segment. Axfood has no significant transactions with related parties other than transactions with subsidiaries.

CAPITAL EXPENDITURES

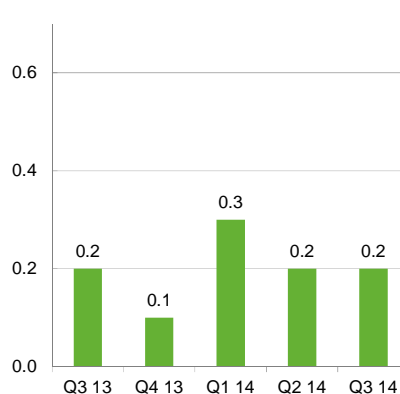
Total capital expenditures during the period January–September amounted to SEK 474 m (551), of which SEK 14 m (40) pertained to acquisitions of businesses, while SEK 257 m (316) pertained to investments in non-current assets in retail operations, SEK 41 m (51) to investments in non-current assets in wholesale operations, and SEK 25 m (86) 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.

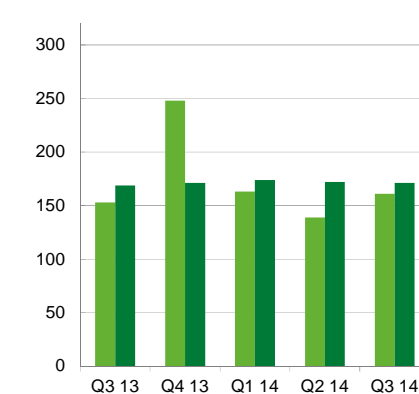
Equity ratio, %



Debt-equity ratio, multiple



Capital expenditures*, depreciation/amortization, SEK m



■ Capital expenditures* ■ Depreciation/amortization
* Excluding goodwill

FINANCIAL POSITION

Cash flow from operating activities before paid tax was SEK 1,483 m (1,318) during the first nine months of the year. Paid tax amounted to SEK -195 m (-206). Cash and cash equivalents held by the Group amounted to SEK 524 m, compared with SEK 457 m in December 2013. Interest-bearing liabilities and provisions totalled SEK 566 m at the end of the period, compared with SEK 535 m in December 2013. Interest-bearing net debt was SEK 42 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 -431 m (-492).

The equity ratio was 42.2%, compared with 42.6% in December 2013.

STORE OPERATIONS

Willys

Third quarter

Willys once again posted strong earnings and stable sales growth. Sales amounted to SEK 5,243 m (5,092), an increase of 3.0% compared with the same period a year ago. Like-for-like sales increased by 0.6%. Operating profit totalled SEK 243 m (219). The operating margin was 4.6% (4.3%). Profit for the corresponding period a year ago was affected by costs in connection with the opening of five stores, compared with one new store opening during the same period this year.

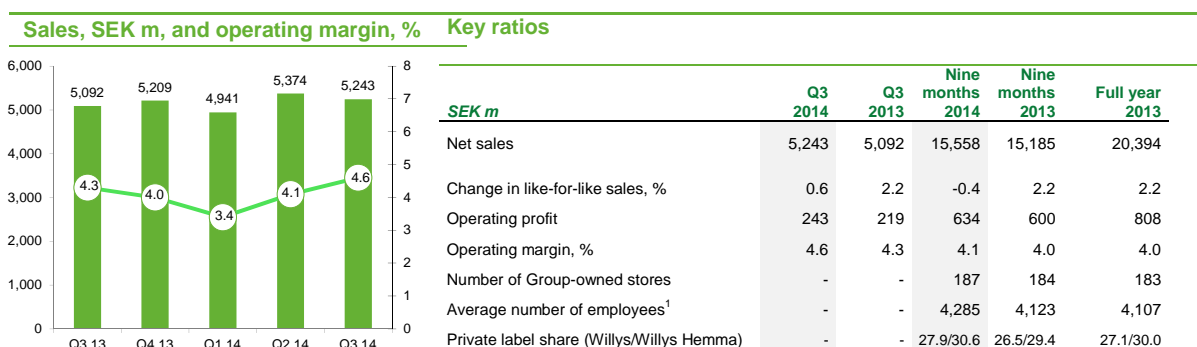
The private label share as of September was 27.9% (26.5%) for Willys and 30.6% (29.4%) for Willys Hemma.

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. Willys will also maintain an ambitious pace of establishment during the coming quarter, with five new stores.

Nine months

Willys' sales during the period January–September amounted to SEK 15,558 m (15,185), an increase of 2.5% compared with the same period a year ago. Like-for-like sales decreased by 0.4%. Operating profit totalled SEK 634 m (600), and the operating margin was 4.1% (4.0%).

Two new Willys stores and two new Willys Hemma stores opened during the period. At the end of the period, the Willys chain comprised 138 Willys stores and 49 Willys Hemma stores.



1) Calculation of the number of employees was adjusted in December 2013, and thus the comparative figures have been adjusted.

Hemköp

Third quarter

Like-for-like sales performance remained very favourable, with good profitability. Investments in modernizing stores with an attractive product selection and stronger customer offerings, combined with improved store operations, contributed to the positive performance. Total sales were affected by a fewer number of stores compared with a year ago. Sales decreased by 0.3%, with sales for Group-owned stores totalling SEK 1,316 m (1,321), a decrease of 0.4%. Like-for-like sales for Group-owned stores rose 2.5% during the period. Sales for franchise stores amounted to SEK 1,492 m (1,491), an increase of 0.1%, while like-for-like sales for franchise stores rose 3.0% (see table on page 3). Hemköp's private label share was 19.8% (19.8%) as of September.

Operating profit for the third quarter totalled SEK 60 m (42). The operating margin for the period was 4.5% (3.1%).

Nine months

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

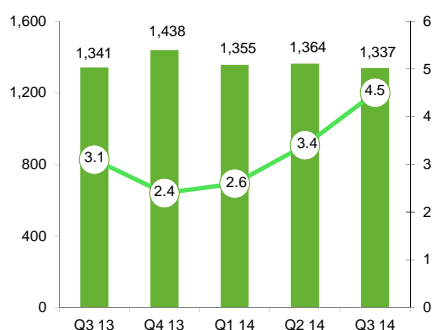
Sales for Hemköp's stores – Group-owned and franchises – decreased by 1.2% during the period January–September. Sales for Group-owned stores amounted to SEK 3,993 m (4,081), a decrease of 2.2%.

Sales for franchise stores amounted to SEK 4,460 m (4,476), a decrease of 0.4%, with a 2.8% rise in like-for-like sales.

Operating profit for the period January–September totalled SEK 142 m (116). The operating margin for the period was 3.5% (2.8%). Operating profit was affected by nonrecurring expenses of SEK – m (1).

During the first nine months of the year one store was established and one was acquired. Three stores were closed or sold, and one was converted to Willys. In addition, two franchise stores opened and three 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	Q3 2014	Q3 2013	Nine months 2014	Nine months 2013	Full year 2013
Net sales	1,337	1,341	4,056	4,140	5,578
Change in like-for-like sales, %	2.5	2.3	1.9	0.9	0.9
Operating profit	60	42	142	116	151
Operating margin, %	4.5	3.1	3.5	2.8	2.7
Number of Group-owned stores	-	-	67	70	69
Average number of employees ¹	-	-	1,740	1,647	1,675
Private label share	-	-	19.8	19.8	19.3

1) Calculation of the number of employees was adjusted in December 2013, and thus the comparative figures have been adjusted.

AXFOOD WHOLESALING

Dagab

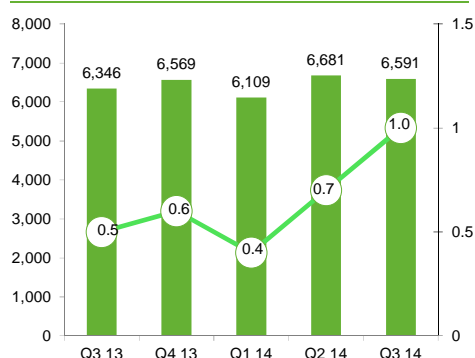
Third quarter

Dagab continued to improve its efficiency and considerably increased earnings. Both delivery reliability and productivity improved in pace with completion of the intensive and resource-intensive implementation of the business system. Operating profit totalled SEK 65 m (32), and the operating margin was 1.0% (0.5%). Sales amounted to SEK 6,591 m (6,346). Going forward, focus is on fine-tuning the business system and further improving efficiency.

Nine months

Dagab's sales during the period January–September amounted to SEK 19,381 m (18,940). Operating profit for the period totalled SEK 135 m (73), and the operating margin was 0.7% (0.4%).

Sales, SEK m, and operating margin, %



Key ratios

SEK m	Q3 2014	Q3 2013	Nine months 2014	Nine months 2013	Full year 2013
Net sales	6,591	6,346	19,381	18,940	25,509
Distributed sales	4,530	4,421	13,412	13,178	17,817
Operating profit	65	32	135	73	114
Operating margin, %	1.0	0.5	0.7	0.4	0.4
Average number of employees ¹	-	-	1,117	1,073	1,089
Delivery reliability ²	95.9	-	95.9	-	-

1) Calculation of the number of employees was adjusted in December 2013, and thus the comparative figures have 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

Third quarter

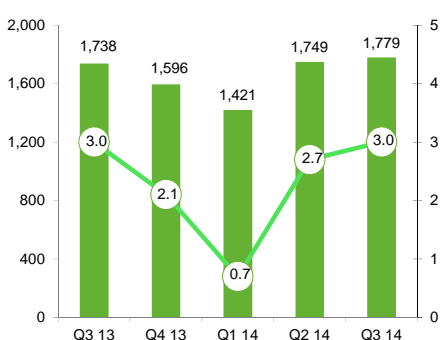
Axfood Närlivs delivered good sales and stable earnings despite higher costs in connection with implementation of the new business system. Growth was very favourable particularly for Axfood Snabbgross as a result of improved offerings and more customers. Sales during the third quarter amounted to SEK 1,779 m (1,738), an increase of 2.4%.

Operating profit for the third quarter totalled SEK 54 m (52), and the operating margin was 3.0% (3.0%).

Nine months

Axfood Närlivs' sales during the period January–September amounted to SEK 4,949 m (4,893), an increase of 1.1%. Operating profit for the period totalled SEK 111 m (106), and the operating margin was 2.2% (2.2%).

Sales, SEK m, and operating margin, %



Key ratios

SEK m	Q3 2014	Q3 2013	Nine months 2014	Nine months 2013	Full year 2013
Net sales	1,779	1,738	4,949	4,893	6,489
Distributed sales	1,666	1,614	4,636	4,557	6,049
Operating profit	54	52	111	106	140
Operating margin, %	3.0	3.0	2.2	2.2	2.2
Axfood Snabbgross, no. stores	-	-	20	20	20
Average number of employees ¹	-	-	831	867	869
Delivery reliability, %	96.6	97.5	97.1	97.6	97.6

1) Calculation of the number of employees was adjusted in December 2013, and thus the comparative figures have been adjusted.

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 year a number of important decisions have been 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. During the autumn Willys stopped selling eggs from caged hens entirely.

One overall goal is to reduce the climate impact of Axfood'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 15 for follow-up data on electricity consumption and emissions from transports.

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, 30/9/2014	Financial assets and liabilities			Total, statement of financial position
	Carrying amount	Fair value	Non-financial assets and liabilities	
<i>SEK m</i>				
Financial assets	49	49	30	79
Accounts receivable – trade	963	963	-	963
Other current assets	1	1	1,116	1,117
Cash and bank balances	524	524	-	524
Total assets	1,537	1,537	1,146	2,683
Non-current interest-bearing liabilities	40	40	427	467
Current interest-bearing liabilities	99	99	-	99
Accounts payable – trade	2,498	2,498	-	2,498
Total liabilities	2,637	2,637	427	3,064

Parent Company, 30/9/2014	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	836	836	-	836
Total assets	339	339	-	339
Current interest-bearing liabilities	1,181	1,184	-	1,181
Accounts payable – trade	14	14	-	14
Liabilities to Group companies	857	857	0	857
Total liabilities	871	871	0	871

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 September 2014 was 0.88%.

SIGNIFICANT RISKS AND UNCERTAINTIES

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

Axfood works continuously with risk identification and assessment. One of the most significant business risks that Axfood has identified in its safety analysis work is of a total loss, such as from a fire at one of the central warehouses in 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.

PARENT COMPANY

Other operating revenue for the Parent Company during the period January–September amounted to SEK 129 m (117). After selling and administrative expenses, totalling SEK 229 m (197), and net financial items totalling SEK 13 m (0), profit after financial items was SEK -87 m (-80). Capital expenditures during the period totalled SEK 15 m (6).

The Parent Company's interest-bearing net debt receivable was SEK 285 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. The Group adheres to IFRIC 21 – Levies, which provides guidance on when to recognize a liability for a levy imposed by a government for an obligating event. IFRIC 21 has a very small effect on the Axfood Group's financial statement.

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 estimation is that profit for 2014 will exceed the level achieved in 2013.

NEXT REPORT

The year-end report for 2014 will be presented on 10 February 2015.

NOMINATING COMMITTEE

Shareholders who wish to submit nominations to the Nominating Committee ahead of Axfood's Annual General Meeting on 18 March 2015 may do so by e-mail at: valberedning@axfood.se by 30 December 2014 at the latest.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at 5 p.m. on 18 March 2015 at Cirkus, in Stockholm. The 2014 Annual Report will be published on 23 February 2015 on Axfood's website, at which time it will be available at Axfood's head offices in Stockholm. In addition, printed versions will be distributed by post to shareholders, upon request, approximately one week before the Annual General Meeting.

This interim report has been reviewed by the Company's auditors. The review report can be found on page 12.

Stockholm, 21 October 2014

Anders Strålmán
President and CEO

PRESS RELEASES DURING THE THIRD QUARTER

18 September 2014 Axfood partners with Rainforest Alliance

10 September 2014 Axfood Närlivs concentrates operations for independent convenience stores

2 September 2014 Axfood Snabbgross plans move of product supply

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 2014. 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 Swedish 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 International Standard on Review Engagements (ISRE) 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 has another focus and is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA) and other generally accepted auditing standards. The procedures performed in a review to not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion based on a review does not provide the same level of assurance as a conclusion based on an audit.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report, in all material respects, is not prepared for the Group in accordance with IAS 34 and the Swedish Annual Accounts Act and for the Parent Company in accordance with the Swedish Annual Accounts Act.

Stockholm, 21 October 2014
KPMG AB

Thomas Thiel
Authorized Public Accountant

FINANCIAL STATEMENTS, GROUP

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

SEK m	Q3 2014	Q3 2013	Nine months 2014	Nine months 2013	Full year 2013
Net sales	9,756	9,465	28,506	27,972	37,522
Cost of goods sold	-8,373	-8,163	-24,583	-24,153	-32,392
Gross profit	1,383	1,302	3,923	3,819	5,130
Selling/administrative expenses, etc.	-930	-920	-2,848	-2,857	-3,828
Operating profit	453	382	1,075	962	1,302
Net financial items	-5	-6	-15	-21	-24
Profit before tax	448	376	1,060	941	1,278
Tax	-99	-82	-233	-205	-285
Profit for the period	349	294	827	736	993
Other comprehensive income					
<i>Items that cannot be reclassified to profit or loss for the period</i>					
Revaluation of defined benefit pension plans	-10	-4	-29	-9	18
Tax attributable to items that cannot be reclassified to profit or loss for the period	2	1	6	2	-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	0	-2	2	0	-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	-8	-5	-21	-7	13
Total comprehensive income for the period	341	289	806	729	1,006
Operating profit includes depreciation/amortization of	171	169	517	496	667
Earnings per share, SEK	6.63	5.58	15.65	14.01	18.80
Profit for the period attributable to					
Owners of the parent	348	294	821	733	987
Non-controlling interests	1	0	6	3	6
Total comprehensive income for the period attributable to					
Owners of the parent	340	289	800	726	1,000
Non-controlling interests	1	0	6	3	6

Condensed statement of financial position, Group

<i>SEK m</i>	30/9/2014	30/9/2013	31/12/2013
Assets			
Goodwill	1,811	1,793	1,800
Other intangible non-current assets	759	852	845
Financial assets	79	52	60
Property, plant and equipment	1,885	1,847	1,916
Deferred tax assets	43	40	36
Total non-current assets	4,577	4,584	4,657
Inventories	1,858	1,764	1,906
Accounts receivable – trade	963	912	909
Other current assets	1,117	995	1,000
Cash and bank balances	524	205	457
Total current assets	4,462	3,876	4,272
Total assets	9,039	8,460	8,929
Shareholders' equity and liabilities			
Equity attributable to owners of the parent	3,781	3,494	3,768
Equity attributable to non-controlling interests	33	31	34
Total shareholders' equity	3,814	3,525	3,802
Non-current interest-bearing liabilities	467	492	471
Noninterest-bearing non-current liabilities	406	333	403
Total non-current liabilities	873	825	874
Current interest-bearing liabilities	99	65	64
Accounts payable – trade	2,498	2,358	2,225
Other current noninterest-bearing liabilities	1,755	1,687	1,964
Total current liabilities	4,352	4,110	4,253
Total shareholders' equity and liabilities	9,039	8,460	8,929
Pledged assets	32	34	32
Contingent liabilities	23	32	27

Condensed statement of cash flows, Group

<i>SEK m</i>	Nine months 2014	Nine months 2013	Full year 2013
Operating activities			
Cash flow from operating activities before changes in working capital, before paid tax	1,598	1,415	1,907
Paid tax	-195	-206	-235
Changes in working capital	-115	-97	-76
<i>Cash flow from operating activities</i>	1,288	1,112	1,596
Investing activities			
Acquisitions of operations, net	-12	-14	-19
Acquisitions of non-current assets, net	-396	-478	-690
Change in financial non-current assets, net	-23	0	-9
<i>Cash flow from investing activities</i>	-431	-492	-718
Financing activities			
Change in interest-bearing liabilities	4	-306	-312
Dividend payout	-794	-630	-630
<i>Cash flow from financing activities</i>	-790	-936	-942
Cash flow for the period	67	-316	-64

Condensed statement of changes in equity, Group

SEK m	30/9/2014	30/9/2013	31/12/2013
Amount at start of year	3,802	3,426	3,426
Total comprehensive income for the period	806	729	1,006
Dividend to shareholders	-794	-630	-630
Amount at end of period	3,814	3,525	3,802

Key ratios and other data, Group

	Nine months 2014	Nine months 2013	Full year 2013
Operating margin, %	3.8	3.4	3.5
Margin after financial items, %	3.7	3.4	3.4
Equity ratio, %	42.2	41.7	42.6
Debt-equity ratio, net, multiple	0.0	0.1	0.0
Debt-equity ratio, multiple	0.2	0.2	0.1
Interest coverage, multiple	54.0	37.2	43.6
Capital employed, SEK m	4,380	4,082	4,337
Return on capital employed, %	33.6	29.6	30.3
Return on shareholders' equity, %	29.6	28.4	27.5
Capital expenditures, SEK m	474	551	806
Earnings per share, SEK ¹	15.65	14.01	18.80
Dividend per share, SEK	-	-	15.00
Shareholders' equity per share, SEK ^{1,2}	72.06	66.59	71.82
Cash flow per share, SEK ¹	1.3	-6.0	-1.2
Number of shares outstanding ¹	52,467,678	52,467,678	52,467,678
Average number of employees ³	8,510	8,239	8,285
Work attendance rate, %	94.8	94.8	94.8
CO ₂ , kg/tonne goods ⁴	20.9	20.4	21.9
Electricity consumption, kWh/m ² (stores and warehouses) ⁵	345.3	348.0	361.7

Quarterly overview

	Q4 12	Q1 13	Q2 13	Q3 13	Q4 13	Q1 14	Q2 14	Q3 14
Sales	9,252	8,950	9,557	9,465	9,550	8,946	9,804	9,756
Operating profit	258	254	326	382	340	246	376	453
Operating margin, %	2.8	2.8	3.4	4.0	3.6	2.7	3.8	4.6
Earnings per share, SEK ¹	4.37	3.69	4.74	5.58	4.79	3.57	5.45	6.63
Shareholders' equity per share, SEK ¹	64.8	56.5	61.1	66.6	71.8	60.3	65.6	72.06
Return on shareholders' equity, %	27.2	31.8	30.2	28.4	27.5	29.2	30.6	29.6
Cash flow from operating activities per share, SEK	10.1	9.7	6.1	5.4	9.2	7.9	5.8	10.8
Capital expenditures	253	210	188	153	255	163	140	171

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 figures have 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	Q3 2014	Q3 2013	Nine months 2014	Nine months 2013	Full year 2013
Net sales	-	-	-	-	-
Selling/administrative expenses, etc.	-33	-22	-100	-80	-106
Operating profit	-33	-22	-100	-80	-106
Other net financial items	9	0	13	0	3
Profit after financial items	-24	-22	-87	-80	-103
Appropriations, net	-	-	-	-	1,010
Profit before tax	-24	-22	-87	-80	907
Tax	6	5	20	18	-201
Net profit for the period	-18	-17	-67	-62	706
Operating profit includes depreciation/amortization totalling	2	0	7	0	1

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

Condensed balance sheet, Parent Company

SEK m	30/9/2014	30/9/2013	31/12/2013
Assets			
Property, plant and equipment	39	9	32
Participations in Group companies	3,266	3,606	3,606
Other financial non-current assets	6	6	6
Deferred tax assets	5	6	6
Total non-current assets	3,316	3,627	3,650
Receivables from Group companies ¹	836	889	2,203
Other current assets	205	184	21
Cash and bank balances	339	3	114
Total current assets	1,380	1,076	2,338
Total assets	4,696	4,703	5,988
Shareholders' equity and liabilities			
Restricted shareholders' equity	287	287	287
Unrestricted shareholders' equity	2,614	2,701	3,468
Total shareholders' equity	2,901	2,988	3,755
Untaxed reserves	867	563	867
Non-current interest-bearing liabilities	23	26	25
Noninterest-bearing non-current liabilities	1	2	2
Total non-current liabilities	24	28	27
Current interest-bearing liabilities	-	-	-
Liabilities to Group companies ²	857	1,083	1,285
Accounts payable – trade	14	15	26
Other current noninterest-bearing liabilities	33	26	28
Total current liabilities	904	1,124	1,339
Total shareholders' equity and liabilities	4,696	4,703	5,988
Pledged assets	-	-	-
Contingent liabilities	316	351	329
1) Of which, interest-bearing receivables	826	889	877
2) Of which, interest-bearing liabilities	857	1,080	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: Interest-bearing liabilities and provisions less cash and cash equivalents plus interest-bearing receivables.

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 254. 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