




## Interim Report Axfood AB (publ)

### SECOND QUARTER SUMMARY

- Axfood's consolidated sales for the period April–June totalled SEK 10,478 m (9,804), an increase of 6.9%.
- Retail sales for Group-owned stores increased by 6.3% during the period. Like-for-like sales increased by 3.9% during the period.
- Operating profit for the period was SEK 431 m (376).
- Profit after financial items was SEK 429 m (370) for the period.
- Profit after tax totalled SEK 334 m (289) for the period, and earnings per share were SEK 1.59 (1.36).
- A 4:1 stock split was carried out during the second quarter.
- Axfood Närlivs signed renewed supply agreements with Reitan Convenience and EMAB.
- Axfood's goal for 2015 is to exceed the level of profit achieved in 2014.

### NO SIGNIFICANT EVENTS HAVE TAKEN PLACE AFTER THE BALANCE SHEET DATE

Key ratios							
SEK m	Q2 2015	Q2 2014	Change	Six months 2015	Six months 2014	Change	Full year 2014
Net sales	10,478	9,804	6.9%	20,044	18,750	6.9%	38,484
Operating profit	431	376	14.6%	760	622	22.2%	1,447
Operating margin, %	4.1	3.8	0.3	3.8	3.3	0.5	3.8
Profit after financial items	429	370	15.9%	757	612	23.7%	1,430
Profit after tax	334	289	15.6%	590	478	23.4%	1,104
Earnings per share, SEK <sup>1, 4</sup>	1.59	1.36	16.9%	2.81	2.25	24.9%	5.22
Cash flow per share, SEK <sup>4</sup>	1.9	0.2	850.0%	-0.8	-1.1	27.3%	3.1
Cash flow from operating activities per share, SEK <sup>4</sup>	3.0	1.5	100.0%	5.5	3.4	61.8%	9.7
Return on capital employed, % <sup>2</sup>	37.8	32.6	5.2	37.8	32.6	5.2	32.4
Return on shareholders' equity, % <sup>2</sup>	33.7	30.6	3.1	33.7	30.6	3.1	28.1
Shareholders' equity per share, SEK <sup>3, 4</sup>	-	-	-	17.85	16.40	8.8%	19.20
Equity ratio, %	-	-	-	38.6	39.1	-1.3%	41.9

1) Before and after dilution.

2) Moving 12-month figures.

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

4) During the second quarter Axfood carried out a 4:1 stock split. The number of shares after the split is 209,870,712. The comparison figures have been adjusted.

#### For further information, please contact:

Anders Strålmán, President and CEO, mobile +46-70-293 16 93  
Karin Hygrel-Jonsson, CFO, mobile +46-70-662 69 70

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 2015.

## CEO'S COMMENTS

The second quarter was yet another quarter of good sales performance, where Axfood continued to take market shares. Attractive customer offerings, well run stores and a greater number of customers visiting our stores have contributed to the positive sales development. Effective logistics are also contributing to the strong performance. In terms of earnings, the quarter was Axfood's best second quarter ever. All units made a positive contribution to this.

### Continued strong earnings for all units

Willys continues to report favourable sales growth and good profitability. Further development of Willys+, the successful, digital customer programme, has been well received by customers, who have grown in numbers.

Hemköp delivered very good sales growth also during the second quarter, both in total and for like-for-like stores. Earnings continue to strengthen, which can be credited to the long-term work on offering modernized, well run stores, attractive customer offerings and an enhanced customer programme that is appreciated by a growing number of customers.

Axfood Närlivs had good sales growth, with higher market shares and favourable earnings, which can be credited primarily to improved offerings and a greater number of customers. Earnings for the corresponding period a year ago were tempered by costs for implementation of the new business system. Axfood Närlivs signed two renewed agreements during the period – a 5-year supply agreement with Reitan Convenience, and a 3-year agreement with EMAB.

Axfood Sverige, which is reported as a new segment as from 2015, comprises Axfood's entire operations in purchasing, inventory and transports. Axfood Sverige's earnings improved sharply as a result of the favourable sales performance combined with high efficiency and good cost control. Earnings for the corresponding period a year ago were affected by costs associated with the change of the business system.

### Market outlook

Consumers have begun to show cautious optimism on account of the low interest rates and the indefinite postponement of the amortization requirement for home mortgages. Our view is that the market conditions for the food retail sector will remain unchanged, with continued strong competition and food price inflation of approximately 1%–2%, even though price increases during the first half of the year were slightly higher.

### Axfood's strategy remains firm

Axfood's long-term strategy for ensuring good profitability and growth remains unchanged. We will continue to develop our concepts, strengthen our brands and exceed customers' expectations. We are also keeping our focus fixed on increasing efficiency, maintaining a high pace of establishment, good cost control and further development of our customer programmes and private label products. Parallel with this, Axfood will now, step by step, be seeing the results of the major investments we have made in recent years in the new business system as well as in our stores and new customer programmes. During the year we will continue to invest in store modernizations and maintain an ambitious pace of investment, with six new stores slated to open during the second half of the year. Our work on development and evaluation of e-commerce continues. Capital expenditures in 2015 are expected to total SEK 700-800 m.

Axfood has had a good start to the year, with record earnings both for the second quarter and first half of the year. As we now move in to the second half of 2015, we will encounter considerably tougher comparison figures for both sales and earnings.

Axfood's goal for 2015 is to exceed the level of profit achieved in 2014.

Anders Strålmán

*President and CEO, Axfood AB*

## SALES, AXFOOD GROUP

### Second quarter

Consolidated wholesale and retail sales for the Axfood Group totalled SEK 10,478 m (9,804) during the second quarter, an increase of 6.9%. Store sales for the Axfood Group (wholly owned stores and Hemköp franchises) totalled SEK 8,706 m (8,246), an increase of 5.6%. Sales for Group-owned retail operations increased by 6.3% during the second quarter, with a 3.9% rise in like-for-like sales. Attractive customer offerings, well run stores and a greater number of customers who have chosen to visit the Group's stores have contributed to the positive sales performance.

Axfood's private label share was 26.5% (24.8%) as of June.

### THE SWEDISH FOOD RETAIL MARKET

According to Statistics Sweden's retail trade index for May, accumulated sales for the food retail segment have grown 3.1% since the start of the year in current prices. In fixed prices, adjusted for price and calendar effects, volume has increased by 1.2%.

#### Net sales per operating segment

SEK m	Q2 2015	Q2 2014	Six months 2015	Six months 2014	Full year 2014
Willys	5,691	5,374	10,952	10,315	20,974
Hemköp	1,470	1,364	2,871	2,719	5,510
Axfood Närlivs	717	668	1,312	1,213	2,522
Axfood Sverige	10,058	8,948	19,323	17,025	34,951
Joint-Group <sup>1</sup>	168	169	334	340	679
<i>Internal sales</i>					
Axfood Sverige	-7,468	-6,560	-14,435	-12,541	-25,509
Axfood Närlivs	-1	0	-2	-1	-3
Joint-Group	-157	-159	-311	-320	-640
<b>Total</b>	<b>10,478</b>	<b>9,804</b>	<b>20,044</b>	<b>18,750</b>	<b>38,484</b>

<sup>1)</sup> Includes head office support functions, such as the Executive Committee, Finance/Accounting, Communications, Business Development, HR and IT.

#### Store sales, Group-owned and franchise stores

SEK m	Q2 2015	% <sup>1)</sup>	Like-for-like sales, % <sup>1)</sup>	Six months 2015	% <sup>1)</sup>	Like-for-like sales, % <sup>1)</sup>
<b>Willys</b>	<b>5,691</b>	<b>5.9</b>	<b>3.7</b>	<b>10,952</b>	<b>6.2</b>	<b>4.0</b>
Hemköp, Group-owned	1,448	7.8	4.9	2,826	5.6	4.6
Hemköp franchises	1,567	2.5	3.2	3,081	3.8	3.7
<b>Hemköp total</b>	<b>3,015</b>	<b>5.0</b>	<b>4.0</b>	<b>5,907</b>	<b>4.6</b>	<b>4.1</b>
<b>Group-owned retail operations</b>	<b>7,139</b>	<b>6.3</b>	<b>3.9</b>	<b>13,778</b>	<b>6.0</b>	<b>4.1</b>
<b>Axfood Group, total</b>	<b>8,706</b>	<b>5.6</b>	<b>3.8</b>	<b>16,859</b>	<b>5.6</b>	<b>4.0</b>

<sup>1)</sup> Percentage change compared with the corresponding period a year ago.

#### Change in store structure, six months 2015

	Dec. 2014	New establishment	Acquisitions	Sales/ closures	Conversions to/from	June 2015
Willys <sup>1)</sup>	191	2		-2		191
Hemköp	68	1	2	-4		67
<b>Total, Group-owned</b>	<b>259</b>	<b>3</b>	<b>2</b>	<b>-6</b>		<b>258</b>
Hemköp franchises	111		1	-2		110
<sup>1)</sup> Of which, Willys Hemma	52			-2		50

## EARNINGS, AXFOOD GROUP

### Second quarter

Operating profit for the second quarter totalled SEK 431 m (376). The operating margin was 4.1% (3.8%). All units showed strong earnings. Implementation of the new business system was completed during the same period a year ago, which gave rise to higher costs. Net financial items totalled SEK -2 m (-6), and profit after financial items was SEK 429 m (370). The margin after financial items was 4.1% (3.8%). Profit after tax was SEK 334 m (289).

#### Operating profit for the period, broken down by operating segment

SEK m	Q2 2015	Q2 2014	Six months 2015	Six months 2014	Full year 2014
Willys	227	221	399	391	870
Hemköp	56	47	106	82	197
Axfood Närlivs	59	42	78	49	138
Axfood Sverige	132	98	257	170	403
Joint-Group <sup>1</sup>	-43	-32	-80	-70	-161
<b>Operating profit for the period, total<sup>2</sup></b>	<b>431</b>	<b>376</b>	<b>760</b>	<b>622</b>	<b>1,447</b>

<sup>1)</sup> Includes head office support functions, such as the Executive Committee, Finance/Accounting, Communications, Business Development, HR and IT. During the second quarter, "Joint-Group" included non-recurring consulting costs of approximately SEK 9 m.

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

### CAPITAL EXPENDITURES

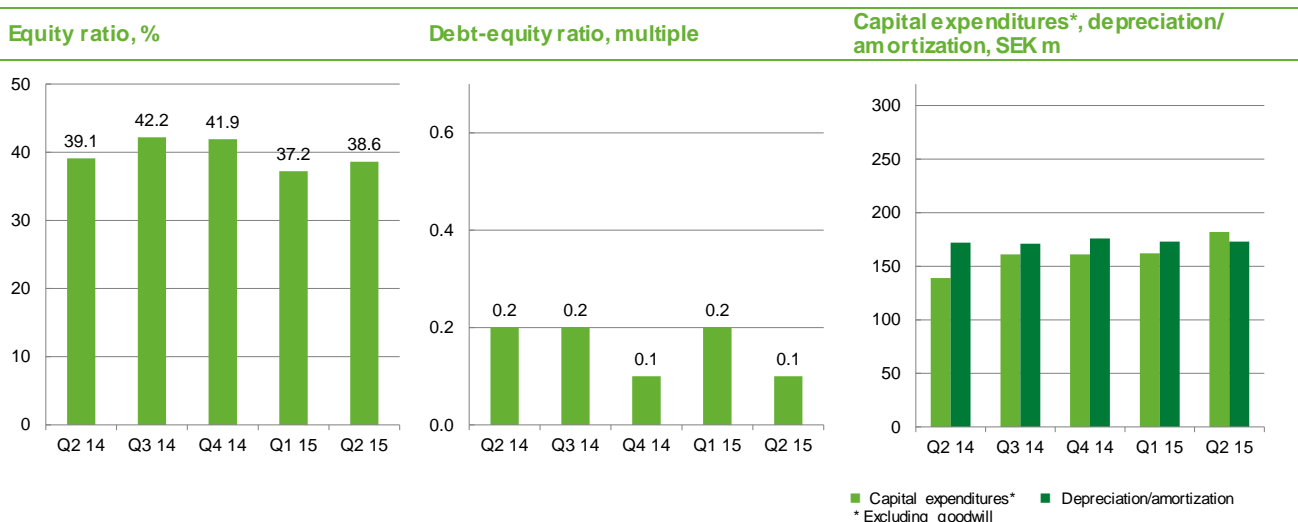
Total capital expenditures during the period January–June amounted to SEK 385 m (303), of which SEK 44 m (2) pertained to acquisitions of businesses, while SEK 209 m (175) pertained to investments in non-current assets in retail operations, SEK 14 m (16) to investments in non-current assets in wholesale operations, and SEK 46 m (23) to IT development.

In February Axfood completed the acquisition of Hall Miba AB, acquiring the remaining 50%. Following the acquisition Axfood owns 100% of the company. The acquisition was made under the terms of agreement signed between Axfood and the seller during the fourth quarter of 2011. Consideration for the remaining 50% of the company totalled SEK 35 m and was paid in cash. The amount had no earnings effect.

### FINANCIAL POSITION

Cash flow from operating activities before paid tax was SEK 1,264 m (850) during the period. Paid tax amounted to SEK -119 m (-131). Cash and cash equivalents held by the Group amounted to SEK 936 m, compared with SEK 1,109 m in December 2014. Interest-bearing liabilities and provisions totalled SEK 529 m at the end of the period, compared with SEK 585 m in December 2014. The interest-bearing net debt receivable was SEK 427 m at the end of the period, compared with an interest-bearing net debt receivable of SEK 524 m in December 2014. Payout of the shareholder dividend affected cash flow by SEK -899 m (-794), and net capital expenditures affected cash flow by SEK -398 m (-277).

The equity ratio was 38.6%, compared with 41.9% in December 2014.



## Willys

### Second quarter

Willys reported favourable sales growth and good profitability. Sales amounted to SEK 5,691 m (5,374), an increase of 5.9% compared with the same period a year ago. Like-for-like sales increased by 3.7%. Operating profit totalled SEK 227 m (221). The operating margin was 4.0% (4.1%).

Willys' private label share was 28.8% as of June (27.2%).

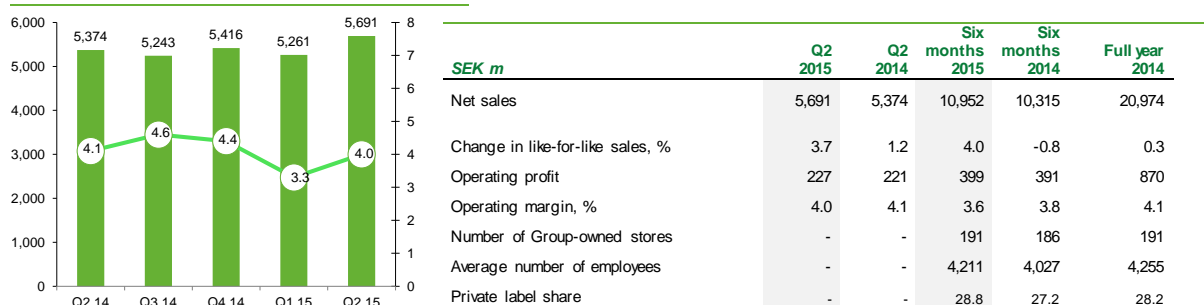
The focus going forward is on further growing sales with more compelling customer offerings, among other things through further development of the Willys+ digital customer programme. Willys will also continue to pursue an ambitious pace of establishment.

### Six months

Willys' sales during the period January–June amounted to SEK 10,952 m (10,315), an increase of 6.2% compared with the same period a year ago. Like-for-like sales increased by 4.0%. Operating profit for the first half of the year totalled SEK 399 m (391), and the operating margin was 3.6% (3.8%). Earnings were negatively affected by costs of SEK 9 m associated with store closures.

Two new Willys stores opened during the first half of the year, and two Willys Hemma stores were closed. At the end of the period the Willys chain comprised 141 Willys stores and 50 Willys Hemma stores.

#### Sales, SEK m, and operating margin, % Key ratios



## Hemköp

### Second quarter

Sales performance remained strong, both in total and for like-for-like stores, which can be credited to the long-term work on offering modernized, well run stores, attractive customer offerings, and an enhanced customer programme that is appreciated by a growing number of customers. Sales for Group-owned stores totalled SEK 1,448 m (1,343), an increase of 7.8%. Like-for-like sales for Group-owned stores rose 4.9% during the quarter. Sales for franchise stores amounted to SEK 1,567 m (1,529), an increase of 2.5%, while like-for-like sales for franchise stores rose 3.2%.

Hemköp's private label share was 21.0% (19.0%) as of June.

Operating profit for the second quarter totalled SEK 56 m (47). The operating margin for the quarter was 3.8% (3.4%).

### Six months

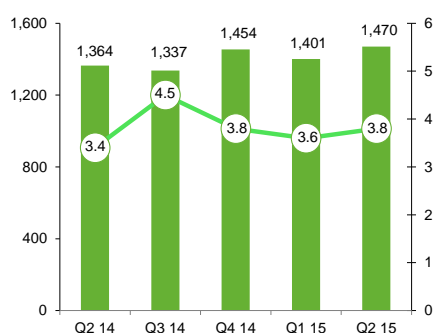
Sales for Group-owned stores totalled SEK 2,826 m (2,677), an increase of 5.6%. Like-for-like sales for Group-owned stores rose 4.6% during the period.

Sales for franchise stores amounted to SEK 3,081 m (2,968), an increase of 3.8%, with a 3.7% rise in like-for-like sales.

Operating profit for the period January–June totalled SEK 106 m (82). The operating margin for the period was 3.7% (3.0%).

Three stores were established/acquired during the first half of the year, and four stores were closed or sold. In addition, one franchise store was acquired and two were sold 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 2015	Q2 2014	Six months 2015	Six months 2014	Full year 2014
Net sales	1,470	1,364	2,871	2,719	5,510
Change in like-for-like sales, %	4.9	2.6	4.6	1.6	2.3
Operating profit	56	47	106	82	197
Operating margin, %	3.8	3.4	3.7	3.0	3.6
Number of Group-owned stores	-	-	67	67	68
Average number of employees	-	-	1,658	1,654	1,683
Private label share	-	-	21.0	19.0	20.3

## Axfood Närlivs

### Second quarter

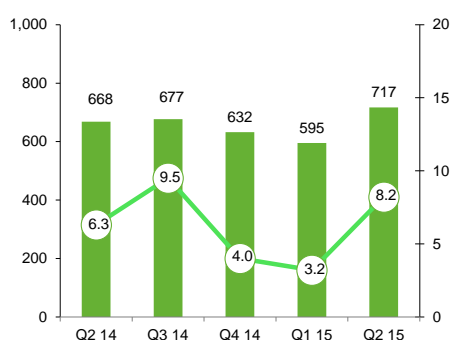
Axfood Närlivs had favourable sales growth, with higher market shares and favourable earnings, which can be credited primarily to improved customer offerings and a greater number of customers. Earnings for the corresponding period a year ago were tempered by costs for implementation of the new business system at Axfood Närlivs. Sales during the quarter totalled SEK 717 m (668), an increase of 7.3%.

Operating profit amounted to SEK 59 m (42) for the second quarter, and the operating margin was 8.2% (6.3%).

### Six months

Sales for Axfood Närlivs during the period January–June amounted to SEK 1,312 m (1,213), an increase of 8.2%. Operating profit for the period totalled SEK 78 m (49), and the operating margin was 5.9% (4.0%).

#### Sales, SEK m, and operating margin, %



#### Key ratios

SEK m	Q2 2015	Q2 2014	Six months 2015	Six months 2014	Full year 2014
Net sales	717	668	1,312	1,213	2,522
Operating profit	59	42	78	49	138
Operating margin, %	8.2	6.3	5.9	4.0	5.5
Axfood Snabbgross, no. stores	-	-	20	20	20
Average number of employees	-	-	426	417	434

## Axfood Sverige

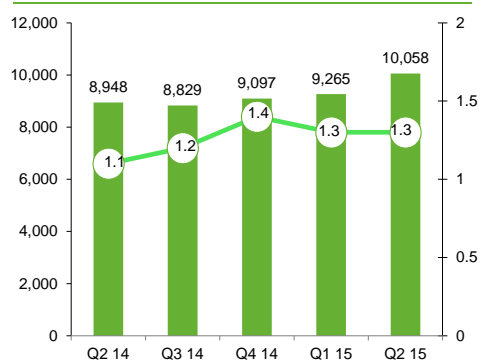
### Second quarter

Axfood Sverige, which is reported as a new segment as from 2015, comprises Axfood's entire operations in purchasing, inventory and transports. Axfood Sverige's earnings improved sharply as a result of the favourable sales performance combined with high efficiency and good cost control. Axfood Sverige's earnings for the corresponding period a year ago were affected by costs associated with the change of the business system. Sales amounted to SEK 10,058 m (8,948). Operating profit totalled SEK 132 m (98), and the operating margin was 1.3% (1.1%).

### Six months

Axfood Sverige's sales during the period January–June amounted to SEK 19,323 m (17,025). Operating profit for the period totalled SEK 257 m (170), and the operating margin was 1.3% (1.0%).

#### Sales, SEK m, and operating margin, %



#### Key ratios

SEK m	Q2 2015	Q2 2014	Six months 2015	Six months 2014	Full year 2014
Net sales	10,058	8,948	19,323	17,025	34,951
Distributed sales	6,547	5,640	12,526	10,745	22,147
Operating profit	132	98	257	170	403
Operating margin, %	1.3	1.1	1.3	1.0	1.2
Average number of employees	-	-	1,694	1,696	1,798
Delivery reliability	96.9	96.0	96.9	95.8	95.9



## SUSTAINABLE DEVELOPMENT

One of Axfood's strategic objectives is to be an active driver of sustainable development and thereby be best in the industry for the benefit of society. 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. Axfood's view of the work on improving social conditions of suppliers is that it is not enough to rely solely on controls and monitoring. It is also important to work with supplier training and dialogue in partnership with local organisations. Priority areas for Axfood's environmental sustainability work are energy consumption, transports and material flows. All of these areas have major bearing on Axfood's business and have large potential for improvement.

A number of important decisions have been made regarding sustainable business. Among other things, a goal has been set to sell only fish assigned a green light by WWF by 2020. Today Axfood does not sell red-listed fish. Providing clearer source labelling of food ingredients is another important area in which efforts have been made to guide consumers. Axfood has set a goal that its private label products will include information about the main ingredients' country of origin by 2015 at the latest. This goal was already achieved in 2014 for a large number of products. For products containing meat, the goal has already been fully achieved.

One overall goal is to reduce the climate impact of Axfood's operations by 75% during the period 2009–2020. An 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 has been installed in Axfood's Group-owned stores and warehouses. In addition, Axfood Sverige has installed one of Sweden's largest solar panel systems, which helps power the refrigeration system at the Group's freezer warehouse in Gothenburg.

Axfood Sverige is working continuously to minimize 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 transport emissions, Evolution Diesel fuel is used, which is based in part on pine oil and produces lower CO<sub>2</sub> emissions than standard diesel. In early 2015 Axfood Sverige took over distribution of beverages to stores, resulting in a lower environmental impact by coordinating beverage deliveries with other product deliveries.

Axfood has an ambitious diversity goal with the vision that the Group's employees will reflect the diversity of its customers. Axfood is convinced that diversity enhances business benefit.

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

During the second quarter Axfood took the initiative together with Stadsmissionen to start a pilot project surrounding the Nordic region's first Social Supermarket. The store will serve financially disadvantaged people and will take care of food waste from Willys and Hemköp stores. The store will open at the end of 2015.

A more detailed description of Axfood's environmental work can be found at [axfood.se](http://axfood.se) and in Axfood's 2014 Sustainability Report. See the table on page 16 for follow-up data on electricity consumption and transport emissions.

## COMBINATION OF OPERATIONS IN 2015

During 2014 Axfood's logistics functions were coordinated. Axfood Närlivs' transport and inventory functions have been transferred to Dagab. Effective 1 January 2015, Axfood's logistics operation – Dagab, including Axfood's Assortment & Purchasing function – reports as a separate segment in Axfood Sverige. This means that sales in Axfood's total wholesaling operation are reported in Axfood Sverige. The Assortment & Purchasing function was previously reported under "Other". In connection with this change, the segment "Other" has been renamed "Joint-Group", which includes joint-Group functions, such as the Executive Committee, Finance/Accounting, HR and IT.



Pro forma data for sales and operating profit per segment in 2014 are provided in the following tables.

#### Sales 2014, pro forma

	Q1	Adjustment	Q1 pro forma
Axfood Närlivs	1,421	-876	545
Dagab	6,109	-6,109	-
Axfood Sverige	-	8,077	8,077
Joint-Group	1,263	-1,092	171
<i>Internal sales</i>			
Dagab	-4,926	4,926	-
Axfood Sverige	-	-5,981	-5,981
Axfood Närlivs	-1	-	-1
Joint-Group	-1,216	1,055	-161

#### Sales 2014, pro forma

	Q2	Adjustment	Q2 pro forma	Six months	Adjustment	Six months pro forma
Axfood Närlivs	1,749	-1,081	668	3,170	-1,957	1,213
Dagab	6,681	-6,681	-	12,790	-12,790	-
Axfood Sverige	-	8,948	8,948	-	17,025	17,025
Joint-Group	1,355	-1,186	169	2,618	-2,278	340
<i>Internal sales</i>						
Dagab	-5,399	5,399	-	-10,325	10,325	-
Axfood Sverige	-	-6,560	-6,560	-	-12,541	-12,541
Axfood Närlivs	0	-	0	-1	-	-1
Joint-Group	-1,320	1,161	-159	-2,536	2,216	-320

#### Sales 2014, pro forma

	Q3	Adjustment	Q3 pro forma	Nine months	Adjustment	Nine months pro forma
Axfood Närlivs	1,779	-1,102	677	4,949	-3,059	1,890
Dagab	6,591	-6,591	-	19,381	-19,381	-
Axfood Sverige	-	8,829	8,829	-	25,854	25,854
Joint-Group	1,301	-1,136	165	3,919	-3,414	505
<i>Internal sales</i>						
Dagab	-5,260	5,260	-	-15,585	15,585	-
Axfood Sverige	-	-6,336	-6,336	-	-18,877	-18,877
Axfood Närlivs	-1	-	-1	-2	-	-2
Joint-Group	-1,234	1,076	-158	-3,770	3,292	-478

#### Sales 2014, pro forma

	Q4	Adjustment	Q4 pro forma	Full year	Adjustment	Full year pro forma
Axfood Närlivs	1,648	-1,016	632	6,597	-4,075	2,522
Dagab	6,949	-6,949	-	26,330	-26,330	-
Axfood Sverige	-	9,097	9,097	-	34,951	34,951
Joint-Group	1,306	-1,132	174	5,225	-4,546	679
<i>Internal sales</i>						
Dagab	-5,538	5,538	-	-21,123	21,123	-
Axfood Sverige	-	-6,632	-6,632	-	-25,509	-25,509
Axfood Närlivs	-1	-	-1	-3	-	-3
Joint-Group	-1,256	1,094	-162	-5,026	4,386	-640

#### Operating profit 2014, pro forma

	Q1	Adjustment	Q1 pro forma
Axfood Närlivs	10	-3	7
Dagab	22	-22	-
Axfood Sverige	-	72	72
Joint-Group	9	-47	-38

**Operating profit 2014, proforma**

	Q2	Adjustment	Q2 pro forma	Six months	Adjustment	Six months pro forma
Axfood Närlivs	47	-5	42	57	-8	49
Dagab	48	-48	-	70	-70	-
Axfood Sverige	-	98	98	-	170	170
Joint-Group	13	-45	-32	22	-92	-70

**Operating profit 2014, proforma**

	Q3	Adjustment	Q3 pro forma	Nine months	Adjustment	Nine months pro forma
Axfood Närlivs	54	10	64	111	2	113
Dagab	65	-65	-	135	-135	-
Axfood Sverige	-	105	105	-	275	275
Joint-Group	31	-50	-19	53	-142	-89

**Operating profit 2014, proforma**

	Q4	Adjustment	Q4 pro forma	Full year	Adjustment	Full year pro forma
Axfood Närlivs	28	-3	25	139	-1	138
Dagab	73	-73	-	208	-208	-
Axfood Sverige	-	128	128	-	403	403
Joint-Group	-20	-52	-72	33	-194	-161

**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 quoted 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.

<b>Group, 30/6/2015</b>	<b>Financial assets and liabilities</b>			
	<b>Carrying amount</b>	<b>Fair value</b>	<b>Non-financial assets and liabilities</b>	<b>Total, statement of financial position</b>
<b>SEK m</b>				
Financial assets	71	71	27	98
Accounts receivable – trade	901	901	-	901
Cash and bank balances	936	936	-	936
<b>Total assets</b>	<b>1,908</b>	<b>1,908</b>	<b>27</b>	<b>1,935</b>
Non-current interest-bearing liabilities	40	40	448	488
Current interest-bearing liabilities	41	41	-	41
Other current liabilities	2	2	2,081	2,083
Accounts payable – trade	2,851	2,851	-	2,851
<b>Total liabilities</b>	<b>2,934</b>	<b>2,934</b>	<b>2,529</b>	<b>5,463</b>

<b>Parent Company, 30/6/2015</b>	<b>Financial assets and liabilities</b>			
	<b>Carrying amount</b>	<b>Fair value</b>	<b>Non-financial assets and liabilities</b>	<b>Total, statement of financial position</b>
<b>SEK m</b>				
Financial assets	6	9	-	6
Receivable from Group companies	911	911	-	911
Cash and bank balances	733	733	-	733
<b>Total assets</b>	<b>1,650</b>	<b>1,653</b>	<b>-</b>	<b>1,650</b>
Accounts payable – trade	22	22	-	22
Liabilities to Group companies	763	763	-	763
<b>Total liabilities</b>	<b>785</b>	<b>785</b>	<b>-</b>	<b>785</b>

### 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 2015 was 0.25%.

### SIGNIFICANT RISKS AND UNCERTAINTIES

In the course of their 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 Stockholm, Gothenburg 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 2014 Annual Report.

### SEASONAL EFFECTS

Axfood has no significant seasonal variations.

### PARENT COMPANY

Other operating revenue for the Parent Company during the period January–June amounted to SEK 105 m (87). After selling and administrative expenses, totalling SEK 151 m (154), and net financial items totalling SEK 1 m (4), profit after financial items was SEK -45 m (-63). Capital expenditures during the period totalled SEK 4 m (14).

The Parent Company had an interest-bearing net debt receivable of SEK 871 m at the end of the period, compared with SEK 377 m as per December 2014. 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 in 2015 and later**

A few new or amended IFRSs and interpretations take effect in 2015. IFRIC 21 – Levies is already applied, while other amendments have not entailed any effect for Axfood. 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 2015 is to exceed the level of profit achieved in 2014.

### **NEXT REPORT**

The interim report for the period January–September 2015 will be presented on 21 October 2015.

### **PRESS RELEASES DURING THE SECOND QUARTER**

- 13 April 2015 Information on previously communicated stock split
- 22 April 2015 Axfood to test e-commerce with consumers
- 30 April 2015 Number of shares in Axfood
- 6 May 2015 Hemköp opens organic store
- 18 May 2015 Cecilia Ketels new Head of IR at Axfood
- 22 May 2015 Axfood supports new plan of action – Swedish labelling a way out of milk crisis
- 9 June 2015 Axfood first to introduce deposits on fruit juice bottles
- 29 June 2015 Axfood and Reitan extend existing cooperation
- 29 June 2015 Axfood and EMAB extend existing cooperation

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 2015

Fredrik Persson  
*Chairman*

Lars Olofsson  
*Vice Chairman*

Antonia Ax:son Johnson

Caroline Berg

Peggy Bruzelius

Ann Carlsson

Odd Reitan

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 2015	Q2 2014	Six months 2015	Six months 2014	Full year 2014
Net sales	10,478	9,804	20,044	18,750	38,484
Cost of goods sold	-8,987	-8,462	-17,222	-16,210	-33,164
Gross profit	1,491	1,342	2,822	2,540	5,320
Selling/administrative expenses, etc.	-1,060	-966	-2,062	-1,918	-3,873
Operating profit	431	376	760	622	1,447
Net financial items	-2	-6	-3	-10	-17
Profit before tax	429	370	757	612	1,430
Tax	-95	-81	-167	-134	-326
<b>Profit for the period</b>	<b>334</b>	<b>289</b>	<b>590</b>	<b>478</b>	<b>1,104</b>
<b>Other comprehensive income</b>					
<i>Items that cannot be reclassified to profit or loss for the period</i>					
Revaluation of defined benefit pension plans	6	-14	-9	-19	-64
Tax attributable to items that cannot be reclassified to profit or loss for the period	-1	3	2	4	14
<i>Items that have been reclassified or can be reclassified to profit or loss for the period</i>					
Translation differences in calculation of foreign operations	0	0	0	0	1
Change in fair value of forward exchange contracts	-3	1	-3	2	3
Tax attributable to items that have been reclassified or can be reclassified to profit or loss for the period	1	0	1	0	-1
<b>Other comprehensive income for the period</b>	<b>3</b>	<b>-10</b>	<b>-9</b>	<b>-13</b>	<b>-47</b>
<b>Total comprehensive income for the period</b>	<b>337</b>	<b>279</b>	<b>581</b>	<b>465</b>	<b>1,057</b>
Operating profit includes depreciation/amortization of	173	172	346	346	693
Earnings per share, SEK <sup>1</sup>	1.59	1.36	2.81	2.25	5.22
Profit for the period attributable to					
Owners of the parent	334	286	590	473	1,095
Non-controlling interests	0	3	0	5	9
Total comprehensive income for the period attributable to					
Owners of the parent	337	276	581	460	1,048
Non-controlling interests	0	3	0	5	9

1) During the second quarter Ax food carried out a 4:1 stock split. The number of shares after the split is 209,870,712. The comparison figures have been adjusted.

**Condensed statement of financial position, Group**

<i>SEK m</i>	30/6/2015	30/6/2014	31/12/2014
<b>Assets</b>			
Goodwill	1,860	1,801	1,819
Other intangible non-current assets	691	789	717
Financial assets	98	83	80
Property, plant and equipment	1,896	1,893	1,894
Deferred tax assets	61	39	54
<b>Total non-current assets</b>	<b>4,606</b>	<b>4,605</b>	<b>4,564</b>
Inventories	2,068	1,871	2,100
Accounts receivable – trade	901	1,070	859
Other current assets	1,203	1,110	1,060
Cash and bank balances	936	224	1,109
<b>Total current assets</b>	<b>5,108</b>	<b>4,275</b>	<b>5,128</b>
<b>Total assets</b>	<b>9,714</b>	<b>8,880</b>	<b>9,692</b>
<b>Shareholders' equity and liabilities</b>			
Equity attributable to owners of the parent	3,746	3,441	4,029
Equity attributable to non-controlling interests	1	32	36
<b>Total shareholders' equity</b>	<b>3,747</b>	<b>3,473</b>	<b>4,065</b>
Non-current interest-bearing liabilities	488	483	488
Noninterest-bearing non-current liabilities	504	409	503
<b>Total non-current liabilities</b>	<b>992</b>	<b>892</b>	<b>991</b>
Current interest-bearing liabilities	41	181	97
Accounts payable – trade	2,851	2,413	2,558
Other current noninterest-bearing liabilities	2,083	1,921	1,981
<b>Total current liabilities</b>	<b>4,975</b>	<b>4,515</b>	<b>4,636</b>
<b>Total shareholders' equity and liabilities</b>	<b>9,714</b>	<b>8,880</b>	<b>9,692</b>
<b>Pledged assets</b>	<b>0</b>	<b>32</b>	<b>32</b>
<b>Contingent liabilities</b>	<b>21</b>	<b>27</b>	<b>22</b>

**Condensed statement of cash flows, Group**

<i>SEK m</i>	Six months 2015	Six months 2014	Full year 2014
<b>Operating activities</b>			
Cash flow from operating activities before changes in working capital, before paid tax	1,081	944	2,150
Paid tax	-119	-131	-217
Changes in working capital	183	-94	96
<i>Cash flow from operating activities</i>	<i>1,145</i>	<i>719</i>	<i>2,029</i>
<b>Investing activities</b>			
Acquisitions of operations, net	-73	-2	-17
Acquisitions of non-current assets, net	-305	-252	-543
Change in financial non-current assets, net	-20	-23	-22
<i>Cash flow from investing activities</i>	<i>-398</i>	<i>-277</i>	<i>-582</i>
<b>Financing activities</b>			
Change in interest-bearing liabilities	-21	119	-1
Dividend payout	-899	-794	-794
<i>Cash flow from financing activities</i>	<i>-920</i>	<i>-675</i>	<i>-795</i>
<b>Cash flow for the period</b>	<b>-173</b>	<b>-233</b>	<b>652</b>



**Condensed statement of changes in equity, Group**

SEK m	30/6/2015	30/6/2014	31/12/2014
Amount at start of year	4,065	3,802	3,802
Total comprehensive income for the period	581	465	1,057
Dividend to shareholders	-899	-794	-794
<b>Amount at end of period</b>	<b>3,747</b>	<b>3,473</b>	<b>4,065</b>

**Key ratios and other data, Group**

	Six months 2015	Six months 2014	Full year 2014
Operating margin, %	3.8	3.3	3.8
Margin after financial items, %	3.8	3.3	3.7
Equity ratio, %	38.6	39.1	41.9
Net debt-equity ratio (+)/Net debt receivable ratio (-), multiple	-0.1	0.1	-0.1
Debt-equity ratio, multiple	0.1	0.2	0.1
Interest coverage, multiple	127.2	44.7	60.6
Capital employed, SEK m	4,276	4,137	4,650
Return on capital employed, %	37.8	32.6	32.4
Return on shareholders' equity, %	33.7	30.6	28.1
Capital expenditures, SEK m	385	303	643
Earnings per share, SEK <sup>1, 5</sup>	2.81	2.25	5.22
Dividend per share, SEK <sup>5</sup>	-	-	4.25
Shareholders' equity per share, SEK <sup>1, 2, 5</sup>	17.85	16.40	19.20
Cash flow per share, SEK <sup>1, 5</sup>	-0.8	-1.1	3.1
Number of shares outstanding <sup>1, 5</sup>	209,870,712	52,467,678	52,467,678
Average number of employees	8,304	8,102	8,481
Work attendance rate, %	93.7	94.4	94.6
CO <sub>2</sub> , kg/tonne goods <sup>3</sup>	18.5	21.3	20.0
Electricity consumption, kWh/m <sup>2</sup> (stores and warehouses) <sup>4</sup>	338.3	355.1	368.7

**Quarterly overview**

	Q3 13	Q4 13	Q1 14	Q2 14	Q3 14	Q4 14	Q1 15	Q2 15
Sales	9,465	9,550	8,946	9,804	9,756	9,978	9,566	10,478
Operating profit	382	340	246	376	453	372	329	431
Operating margin, %	4.0	3.6	2.7	3.8	4.6	3.7	3.4	4.1
Earnings per share, SEK <sup>1, 5</sup>	1.40	1.20	0.89	1.36	1.66	1.31	1.22	1.59
Shareholders' equity per share, SEK <sup>1, 5</sup>	16.65	17.95	15.08	16.40	18.02	19.20	16.24	17.85
Return on shareholders' equity, %	28.4	27.5	32.0	30.6	29.6	28.1	35.4	33.7
Cash flow from operating activities per share, SEK <sup>5</sup>	1.4	2.3	2.0	1.5	2.7	3.5	2.5	3.0
Capital expenditures	153	255	163	140	171	169	164	221

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) Moving 12-month figures. Pertains to total volume for transports from warehouses to stores with own delivery vehicles.

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

5) During the second quarter Axfood carried out a 4:1 stock split. The number of shares after the split is 209,870,712. The comparison figures have been adjusted.

## FINANCIAL STATEMENTS, PARENT COMPANY

### Condensed income statement, Parent Company

SEK m	Q2 2015	Q2 2014	Six months 2015	Six months 2014	Full year 2014
Net sales	-	-	-	-	-
Selling/administrative expenses, etc.	-27	-32	-46	-67	-143
<i>Operating profit</i>	-27	-32	-46	-67	-143
Other net financial items	-1	2	1	4	15
<i>Profit after financial items</i>	-28	-30	-45	-63	-128
Appropriations, net	-	-	-	-	1,189
<i>Profit before tax</i>	-28	-30	-45	-63	1,061
Tax	6	7	10	14	-235
<b>Net profit for the period</b>	<b>-22</b>	<b>-23</b>	<b>-35</b>	<b>-49</b>	<b>826</b>
Operating profit includes depreciation/amortization totalling	2	3	5	5	10

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

### Condensed balance sheet, Parent Company

SEK m	30/6/2015	30/6/2014	31/12/2014
<b>Assets</b>			
Property, plant and equipment	33	41	38
Participations in Group companies	3,136	3,418	3,136
Other financial non-current assets	6	6	6
Deferred tax assets	5	6	5
<b>Total non-current assets</b>	<b>3,180</b>	<b>3,471</b>	<b>3,185</b>
Receivables from Group companies <sup>1</sup>	911	894	2,409
Other current assets	157	145	12
Cash and bank balances	733	-	760
<b>Total current assets</b>	<b>1,801</b>	<b>1,039</b>	<b>3,181</b>
<b>Total assets</b>	<b>4,981</b>	<b>4,510</b>	<b>6,366</b>
<b>Shareholders' equity and liabilities</b>			
Restricted shareholders' equity	287	287	287
Unrestricted shareholders' equity	2,580	2,632	3,507
<b>Total shareholders' equity</b>	<b>2,867</b>	<b>2,919</b>	<b>3,794</b>
<b>Untaxed reserves</b>	<b>1,226</b>	<b>867</b>	<b>1,226</b>
Non-current interest-bearing liabilities	21	24	22
Noninterest-bearing non-current liabilities	1	1	1
<b>Total non-current liabilities</b>	<b>22</b>	<b>25</b>	<b>23</b>
Current interest-bearing liabilities	-	109	-
Liabilities to Group companies <sup>2</sup>	763	548	1,218
Accounts payable – trade	22	14	12
Other current noninterest-bearing liabilities	81	28	93
<b>Total current liabilities</b>	<b>866</b>	<b>699</b>	<b>1,323</b>
<b>Total shareholders' equity and liabilities</b>	<b>4,981</b>	<b>4,510</b>	<b>6,366</b>
<b>Pledged assets</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Contingent liabilities</b>	<b>313</b>	<b>329</b>	<b>312</b>
1) Of which, interest-bearing receivables	901	894	824
2) Of which, interest-bearing liabilities	763	542	1,185

## FINANCIAL DEFINITIONS

**Average number of employees:** Total number of hours worked divided by the number of annual full-time equivalents (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/receivable 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:** A type of biodiesel 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.



Axfood AB, SE-107 69 Stockholm  
Norra Stationsgatan 80 C  
Tel. +46-8-553 990 00  
info@axfood.se, axfood.se  
reg. no. 556542-0824

## ABOUT AXFOOD

Axfood conducts food retail and wholesale business in Sweden. Retail business is conducted through the wholly owned store chains Willys and Hemköp, comprising 258 stores in all. In addition, Axfood collaborates with a large number of proprietor-run stores that are tied to Axfood through agreements. These include stores within the Hemköp chain as well as stores run under the Handlar'n and Tempo brands. In all, Axfood collaborates with approximately 820 proprietor-run stores. Wholesaling is conducted through Axfood Sverige. B2B sales are conducted through Axfood Närlivs and the wholly owned Axfood Snabbgross chain. 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