

Interim Report Axfood AB (publ)

THIRD QUARTER SUMMARY

- Axfood's consolidated sales for the period July–September totalled SEK 10,412 m (9,756), an increase of 6.7%.
- Retail sales for Group-owned stores increased by 6.2% during the period. Like-for-like sales increased by 4.4% during the period.
- Operating profit for the period was SEK 552 m (453).
- Profit after financial items was SEK 551 m (448) for the period.
- Profit after tax totalled SEK 430 m (349) for the period, and earnings per share were SEK 2.05 (1.66).
- The previous earnings target has been replaced with a forecast for 2015 of an operating profit of around SEK 1,700 m.

IMPORTANT EVENTS DURING THE QUARTER

- The Axfood Sverige segment, which includes all purchasing, inventory and transport operations, changed its name during the quarter to Dagab.

NO SIGNIFICANT EVENTS HAVE TAKEN PLACE AFTER THE BALANCE SHEET DATE

Key ratios

SEK m	Q3 2015	Q3 2014	Change	Nine months 2015	Nine months 2014	Change	Full year 2014
Net sales	10,412	9,756	6.7%	30,456	28,506	6.8%	38,484
Operating profit	552	453	21.9%	1,312	1,075	22.0%	1,447
Operating margin, %	5.3	4.6	0.7	4.3	3.8	0.5	3.8
Profit after financial items	551	448	23.0%	1,308	1,060	23.4%	1,430
Profit after tax	430	349	23.2%	1,020	827	23.3%	1,104
Earnings per share, SEK ^{1, 4}	2.05	1.66	23.5%	4.86	3.91	24.3%	5.22
Cash flow per share, SEK ⁴	2.4	1.4	71.4%	1.6	0.3	433.3%	3.1
Cash flow from operating activities per share, SEK ⁴	3.1	2.7	14.8%	8.5	6.1	39.3%	9.7
Return on capital employed, % ²	37.2	33.6	3.6	37.2	33.6	3.6	32.4
Return on shareholders' equity, % ²	32.5	29.6	2.9	32.5	29.6	2.9	28.1
Shareholders' equity per share, SEK ^{3, 4}	-	-	-	19.88	18.02	10.3%	19.20
Equity ratio, %	-	-	-	41.6	42.2	-0.6	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 Strålman, President and CEO, mobile +46-70-293 16 93
 Karin Hygrel-Jonsson, CFO, mobile +46-70-662 69 70
 Cecilia Ketels, Head of Investor Relations, mobile +46-72-23 606 43

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 21 October 2015.

CEO'S COMMENTS

The third quarter was an outstanding quarter in which we performed beyond expectations. We maintained our high rate of growth from the first half-year with an increase of nearly 7%. We increased considerably better than the market, which means that we have gained market shares. Our sales performance shows that we are meeting customers' demands through attractive offerings and well-run stores at good locations. Higher volume resulted in lower fixed costs per unit, which contributed to very good profitability during the quarter.

Strong sales and good profitability for all segments

Hemköp had good sales during the third quarter. Profitability during 2015 has continued to improve, despite slightly lower performance at the start of the quarter, and the operating margin for the quarter was slightly higher than the 4% target.

Willys had favourable growth in both sales and earnings. The number of customers continues to grow, not least in the Willys+ digital customer programme, where a large share of active members took part in targeted and relevant customer offerings.

The sales growth during the quarter was greatest in Axfood Närlivs and Axfood Snabbgross, which further strengthened their positions in the market through improved customer offerings. Profitability at Axfood Närlivs was also affected by favourable wholesale volume associated with good weather towards the end of the summer.

Dagab (formerly Axfood Sverige) showed sharply higher profitability as a result of the sales performance both at stores and in the wholesale segment. Earnings for Dagab also received a boost from higher sales of private label products. Today private label products account for more than 27% of total sales – an increase of 1.5 percentage points compared with a year ago.

Market outlook

We believe that the market conditions for the food retail trade will remain tough, affected by a number of factors including continued fierce competition, higher payroll taxes for young employees and uncertainty over the outcome of the approaching round of national wage negotiations. The higher payroll taxes affect us negatively, since they pertain to a large share of our employees. Today we estimate the effect for 2015 to be SEK 30 m, with a full-year effect of approximately SEK 130 m. Our estimation is that food inflation for the year will be around 2%. The weak Swedish krona and fruit and vegetable prices will continue to contribute to price increases, while coffee, dairy products and grains will have a downward effect on prices.

Axfood going forward

Axfood has its focus on steady gains in efficiency and a continued high pace of establishment. During the fourth quarter we will be establishing no fewer than six new stores – three Willys, one Axfood Snabbgross, and two Hemköp. One of the Hemköp stores will open in Mall of Scandinavia, in Stockholm, and will be our new flagship store. Parallel with this, we are continuing our digital development with a broadened test of our e-commerce solution. The plan is to gradually implement the service for consumers in Stockholm and Gothenburg during the first half of 2016.

In view of our earnings performance during the first nine months, we are revising our target for 2015. The previous target has been replaced with a forecast for 2015 of an operating profit of around SEK 1,700 m.

Anders Strålman
President and CEO, Axfood AB

SALES, AXFOOD GROUP

Third quarter

Consolidated wholesale and retail sales for the Axfood Group totalled SEK 10,412 m (9,756) during the third quarter, an increase of 6.7%. Store sales for the Axfood Group (wholly owned stores and Hemköp franchises) totalled SEK 8,493 m (8,051), an increase of 5.5%. Sales for Group-owned retail operations increased by 6.2% during the third quarter, with a 4.4% 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 27.2% (25.7%) as of September.

THE SWEDISH FOOD RETAIL MARKET

According to Statistics Sweden's retail trade index for August, accumulated sales for the food retail segment have grown 2.7% since the start of the year in current prices. In fixed prices, adjusted for price and calendar effects, volume has increased by 0.2%

Net sales per operating segment

SEK m	Q3 2015	Q3 2014	Nine months 2015	Nine months 2014	Full year 2014
Willys	5,560	5,243	16,512	15,558	20,974
Hemköp	1,426	1,337	4,297	4,056	5,510
Axfood Närlivs	734	677	2,046	1,890	2,522
Dagab ²	10,044	8,829	29,367	25,854	34,951
Joint-Group ¹	165	165	499	505	679
<i>Internal sales</i>					
Dagab ²	-7,363	-6,336	-21,798	-18,877	-25,509
Axfood Närlivs	0	-1	-2	-2	-3
Joint-Group	-154	-158	-465	-478	-640
Total	10,412	9,756	30,456	28,506	38,484

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

² During the third quarter Axfood Sverige changed its name to Dagab.

Store sales, Group-owned and franchise stores

SEK m	Q3 2015	% ¹⁾	Like-for-like sales, % ¹⁾	Nine months 2015	% ¹⁾	Like-for-like sales, % ¹⁾
Willys	5,560	6.0	4.4	16,512	6.1	4.1
Hemköp, Group-owned	1,404	6.7	4.6	4,230	5.9	4.5
Hemköp franchises	1,529	2.5	3.5	4,610	3.4	3.6
Hemköp total	2,933	4.5	4.0	8,840	4.6	4.1
Group-owned retail operations	6,964	6.2	4.4	20,742	6.1	4.2
Axfood Group, total	8,493	5.5	4.2	25,352	5.6	4.1

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

Change in store structure, nine months 2015

	Dec. 2014	New establishment	Acquisitions	Sales/closures	Conversions to/from	Sept. 2015
Willys ¹⁾	191	2		-2		191
Hemköp	68	1	2	-5		66
Total, Group-owned	259	3	2	-7		257
Hemköp franchises	111		2	-2		111
¹⁾ Of which, Willys Hemma	52			-2		50

EARNINGS, AXFOOD GROUP

Third quarter

Operating profit for the third quarter totalled SEK 552 m (453). The operating margin was 5.3% (4.6%). All segments showed strong earnings driven mainly by high sales growth. Net financial items improved as a result of the good cash flow, to SEK -1 m (-5). Profit after financial items was SEK 551 m (448). The margin after financial items was 5.3% (4.6%). Profit after tax was SEK 430 m (349).

Operating profit for the period, broken down by operating segment

SEK m	Q3 2015	Q3 2014	Nine months 2015	Nine months 2014	Full year 2014
Willys	275	243	674	634	870
Hemköp	58	60	164	142	197
Axfood Närlivs	74	64	152	113	138
Dagab ¹	177	105	434	275	403
Joint-Group ²	-32	-19	-112	-89	-161
Operating profit for the period, total³	552	453	1,312	1,075	1,447

¹ During the third quarter Axfood Sverige changed its name to Dagab.

² Includes head office support functions, such as the Executive Committee, Finance/Accounting, Communications, Business Development, HR and IT.

³ Net financial items are not distributed per operating segment. Axfood has no significant transactions with related parties other than transactions with subsidiaries.

CAPITAL EXPENDITURES

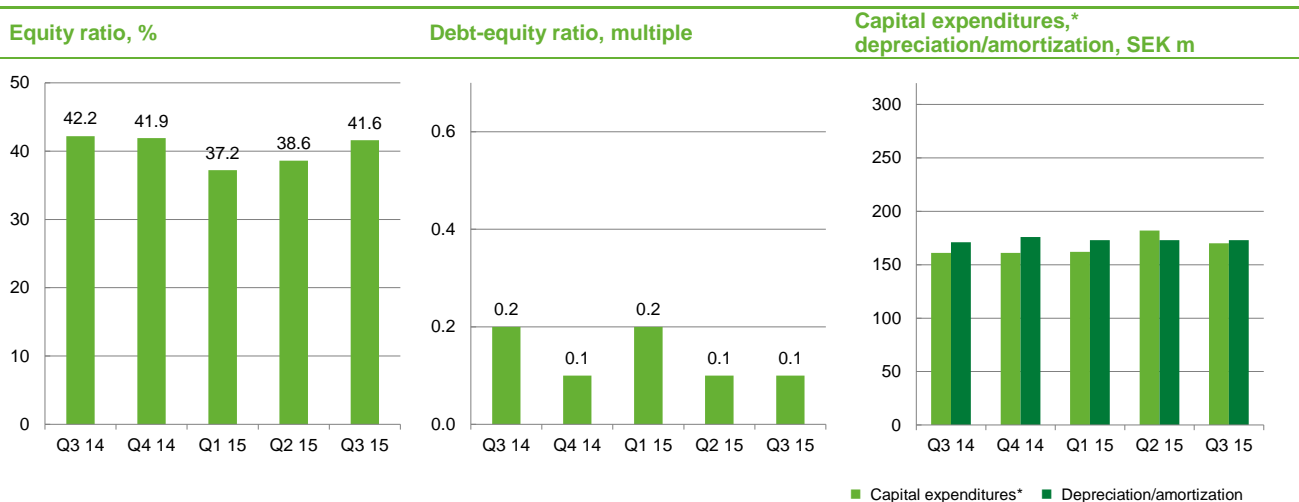
Total capital expenditures during the period January–September amounted to SEK 555 m (474), of which SEK 44 m (14) pertained to acquisitions of businesses, while SEK 299 m (257) pertained to investments in non-current assets in retail operations, SEK 34 m (41) to investments in non-current assets in wholesale operations, and SEK 69 m (25) 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 the 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 2,025 m (1,483) during the period. Paid tax amounted to SEK -232 m (-195). Cash and cash equivalents held by the Group amounted to SEK 1,436 m, compared with SEK 1,109 m in December 2014. Interest-bearing liabilities and provisions totalled SEK 530 m at the end of the period, compared with SEK 585 m in December 2014. The interest-bearing net debt receivable was SEK 926 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 -546 m (-431).

The equity ratio was 41.6%, compared with 41.9% in December 2014.



EARNINGS PER OPERATING SEGMENT

Willys

Third quarter

Willys reported favourable sales growth and good profitability. Sales totalled SEK 5,560 m (5,243), an increase of 6.0% compared with the same period a year ago. Like-for-like sales rose 4.4%. Operating profit totalled SEK 275 m (243), driven by strong sales. The operating margin was 4.9% (4.6%).

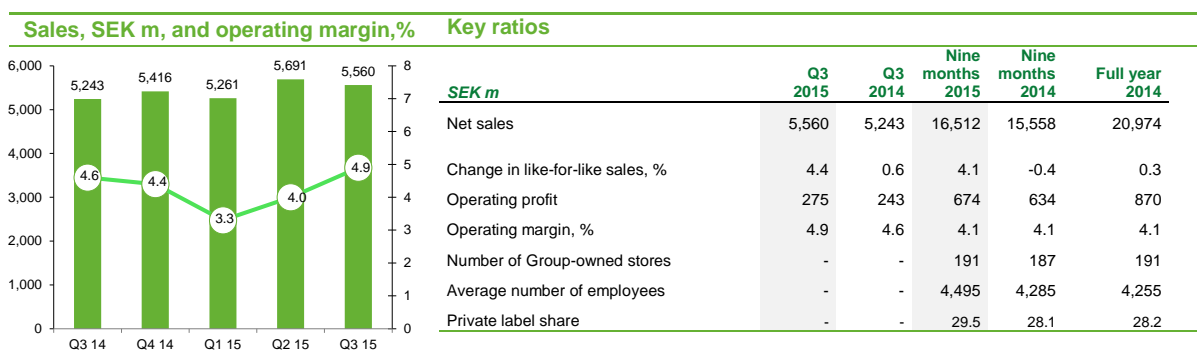
Willys' private label share was 29.5% as of September (28.1%).

The focus going forward is on 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. During the fourth quarter of 2015 three new Willys stores will be established. In Uppsala, the fifth Willys store will be established, in Stenhagen. In addition, new Willys stores are slated to open in Landskrona and Väla outside of Helsingborg.

Nine months

Willys' sales during the period January–September totalled SEK 16,512 m (15,558), an increase of 6.1% compared with the same period a year ago. Like-for-like sales rose 4.1%. Operating profit totalled SEK 674 m (634), and the operating margin was 4.1% (4.1%).

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



Hemköp

Third quarter

Sales 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 1,404 m (1,316), an increase of 6.7%. Like-for-like sales for Group-owned stores rose 4.6% during the quarter. Sales for franchise stores totalled SEK 1,529 m (1,492), an increase of 2.5%, while like-for-like sales for franchise stores rose 3.5%.

Hemköp's private label share was 21.6% (19.8%) as of September.

Operating profit for the third quarter totalled SEK 58 m (60) and was hurt by slightly poorer performance at the start of the quarter. The operating margin for the quarter was 4.1% (4.5%).

Two new Hemköp stores will be established during the fourth quarter: in Skövde and in Mall of Scandinavia outside Stockholm.

Nine months

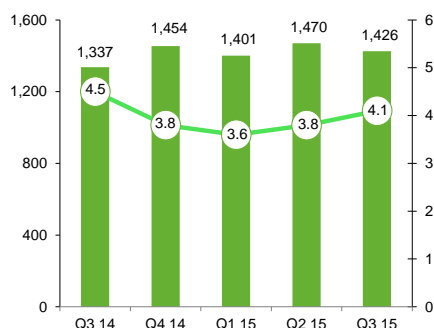
Sales for Group-owned stores totalled SEK 4,230 m (3,993), an increase of 5.9%. Like-for-like sales for Group-owned stores rose 4.5% during the period.

Sales for franchise stores totalled SEK 4,610 m (4,460), an increase of 3.4%, with a 3.6% rise in like-for-like sales.

Operating profit for the period January–September totalled SEK 164 m (142). The operating margin for the period was 3.8% (3.5%).

Three stores were established/acquired during the period, and five stores were closed or sold. In addition, two franchise stores were acquired and two were sold during the period. Hemköp had 177 stores at the end of the period, of which 66 were Group-owned.

Sales, SEK m, and operating margin, %



Key ratios

SEK m	Q3 2015	Q3 2014	Nine months 2015	Nine months 2014	Full year 2014
Net sales	1,426	1,337	4,297	4,056	5,510
Change in like-for-like sales, %	4.6	2.5	4.5	1.9	2.3
Operating profit	58	60	164	142	197
Operating margin, %	4.1	4.5	3.8	3.5	3.6
Number of Group-owned stores	-	-	66	67	68
Average number of employees	-	-	1,742	1,740	1,683
Private label share	-	-	21.6	19.8	20.3

Axfood Närlivs

Third quarter

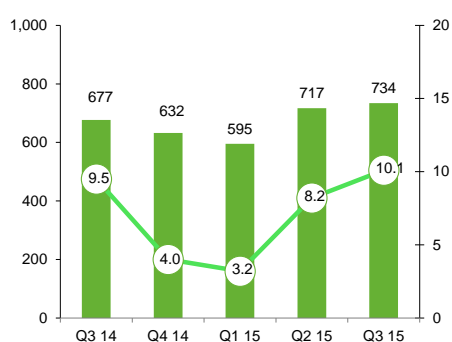
Axfood Närlivs had good sales growth, with higher market shares and favourable earnings. Sales for the period totalled SEK 734 m (677), an increase of 8.4%. The sales growth can be credited to higher demand from café and restaurant customers in connection with good weather towards the end of the summer. Operating profit totalled SEK 74 m (64) for the third quarter, and the operating margin was 10.1% (9.5%). The profitability performance is mainly attributable to good sales growth for Axfood Snabbgross. Profitability in wholesaling, the results of which are reported in Dagab, also made a positive contribution through strong sales, larger average orders and subsequently lower logistics costs.

During the fourth quarter of 2015 a new Axfood Snabbgross unit will open in Gärdet, in Stockholm.

Nine months

Sales for Axfood Närlivs during the period January–September totalled SEK 2,046 m (1,890), an increase of 8.3%. Operating profit for the period totalled SEK 152 m (113), and the operating margin was 7.4% (6.0%).

Sales, SEK m, and operating margin, %



Key ratios

SEK m	Q3 2015	Q3 2014	Nine months 2015	Nine months 2014	Full year 2014
Net sales	734	677	2,046	1,890	2,522
Operating profit	74	64	152	113	138
Operating margin, %	10.1	9.5	7.4	6.0	5.5
Axfood Snabbgross, no. stores	-	-	20	20	20
Average number of employees	-	-	454	410	434

Dagab

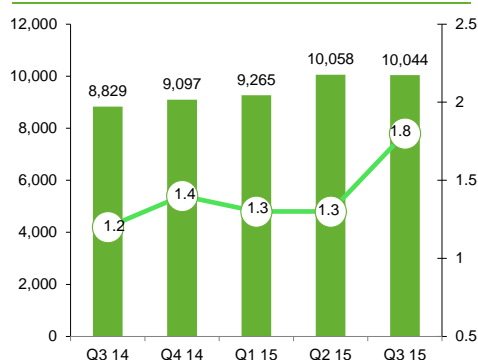
Third quarter

Dagab, which is reported as a new segment as from 2015, comprises Axfood's entire purchasing, inventory and transport operations. During the third quarter Axfood Sverige changed its name to Dagab. Sales totalled SEK 10,044 m (8,829). Operating profit totalled SEK 177 m (105), and the operating margin was 1.8% (1.2%). Dagab's sales improved sharply as a result of the favourable sales performance for the Group's other segments combined with high efficiency and good cost control.

Nine months

Dagab's sales during the period January–September totalled SEK 29,367 m (25,854). Operating profit for the period totalled SEK 434 m (275), and the operating margin was 1.5% (1.1%).

Sales, SEK m, and operating margin, %



Key ratios

SEK m	Q3 2015	Q3 2014	Nine months 2015	Nine months 2014	Full year 2014
Net sales	10,044	8,829	29,367	25,854	34,951
Distributed sales	6,539	5,574	19,065	16,319	22,147
Operating profit	177	105	434	275	403
Operating margin, %	1.8	1.2	1.5	1.1	1.2
Average number of employees	-	-	1,789	1,771	1,798
Delivery reliability	96.9	95.9	96.9	95.9	95.9

SUSTAINABLE DEVELOPMENT

Sales of organic products

The broad interest in organic foods has continued in 2015, and sales of vegetarian products have risen significantly. During the period January–September, sales of organic foods grew 45% compared with the same period a year ago, and organic products as a share of total sales amounted to 5.8% as per the end of September 2015. In response to growing demand for organic products and a limited offering in the market, in its private label offering Axfood has developed a growing assortment of organic products – including products that no other supplier offers. During the third quarter a total of 17 Garant products were launched, including Keyhole-labelled organic granola and a range of frozen, organic vegetarian products that are entirely new for the Swedish market.

Recycling

Axfood's stores and warehouses work extensively with sorting. Another way to improve material recycling is to stimulate consumers' involvement in recycling. Deposit systems are a tried and tested way of achieving a high rate of recycling for packaging made of a single material. In Sweden it is obligatory to charge deposits for ready-to-drink beverages in metal and plastic containers, except for milk and juice. Axfood is the first supplier in Sweden to introduce, on its own initiative, deposits for concentrated juice in plastic bottles, even though the juice is not ready to drink. Hopes are that this initiative will lead to more packages being included in the Swedish deposit system.

Source labelling

One of Axfood's sustainability goals is that private label products will be labelled with information about the country of origin for the main ingredients by 2015 at the latest. For products containing meat, this goal was achieved already in 2014, and work is now under way to state any animal welfare certifications for products with meat ingredients.

In cooperation with the Swedish food retailers trade organization Svensk Dagligvaruhandel, the Swedish Food Federation and the Federation of Swedish Farmers, Axfood has been a driving force in the work on devising a uniform labelling system for Swedish products. During the quarter, criteria were adopted for what products can be approved as being Swedish. Among other things, all steps in production, including processing and packaging, must be handled in Sweden in order for a product to be certified as being Swedish. The plan is to introduce Swedish product labelling in stores during the first half of 2016.

Reduced climate impact

Axfood has a long-term goal to reduce the climate impact of its operations by 75% by 2020 (base year 2009). Together with other initiatives, Axfood has the ambition to gradually expand its supply of solar energy. Previously, a solar panel system was installed at the Group's freezer warehouse in Gothenburg, and during the third quarter, solar panels were installed at the Group's first store, Willys Länna, in Huddinge. Over time the intention is to furnish additional stores with solar panels in order to achieve more environment-friendly operations.

Developed work with social responsibility among suppliers

During the quarter Axfood introduced more stringent routines for purchases of private label products in risk countries in an effort to more strictly control selection of suppliers based on sustainability aspects. To assess how existing suppliers adhere to Axfood's Code of Conduct and other standards, Axfood conducts social audits of selected suppliers. From January to September a total of 31 social audits were carried out, both by Axfood and through the Business Social Compliance Initiative (BSCI) organization. This is roughly twice as many as in all of 2014.

Axfood's view of the work on improving social conditions for suppliers is that it is not enough to perform controls and monitoring. It is also important to carry on a dialogue and train suppliers, and to collaborate

with local organizations. During the quarter, in a pilot project conducted together with a partner, Axfood implemented a digital training tool at four suppliers in China. The training was conducted at all levels at the suppliers and focused on working conditions, work environment and human rights. In addition, 13 suppliers in Turkey, Thailand and China participated in BSCI training, and three suppliers began work in a pilot project focusing on complaint routines and guest workers in Thailand and China.

Support for Swedish dairy farmers

Far too many Swedish dairy farmers are shutting down their operations. To give politicians in Sweden time for consideration and to ensure profitability of Swedish dairy and meat production, during the quarter Axfood increased and earmarked an extra SEK 1 per litre in payment to the farmers who supply Garant fresh milk. The extra payment will be paid out over a three-month period and does not affect the price paid by consumers.

A step in diversity work – internships for refugees

Axfood with Willys, Hemköp, Axfood Närlivs and Dagab will be offering jobs or internships to at least 100 newly arrived refugees during the next three years. In doing so, Axfood has taken a step as part of the Swedish Public Employment Service's and the government's "100-klubben", which aims to create better prospects for newly arrived refugees in Sweden.

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. This means that sales in Axfood's total wholesaling operation are reported in Dagab. 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.

During the third quarter, Axfood Sverige changed its name to Dagab.

Sales 2014, pro forma

	Q1	Adjustment	Q1 pro forma
Axfood Närlivs	1,421	-876	545
Dagab	6,109	1,968	8,077
Joint-Group	1,263	-1,092	171
<i>Internal sales</i>			
Dagab	-4,926	-1,055	-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	2,267	8,948	12,790	4,235	17,025
Joint-Group	1,355	-1,186	169	2,618	-2,278	340
<i>Internal sales</i>						
Dagab	-5,399	-1,161	-6,560	-10,325	-2,216	-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	2,238	8,829	19,381	6,473	25,854
Joint-Group	1,301	-1,136	165	3,919	-3,414	505
<i>Internal sales</i>						
Dagab	-5,260	-1,076	-6,336	-15,585	-3,292	-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	2 148	9 097	26 330	8 621	34 951
Joint-Group	1 306	-1 132	174	5 225	-4 546	679
<i>Internal sales</i>						
Dagab	-5 538	-1 094	-6 632	-21 123	-4 386	-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	50	72
Joint-Group	9	-47	-38

Operating profit 2014, pro forma

	Q2	Adjustment	Q2 pro forma	Six months	Adjustment	Six months pro forma
Axfood Närlivs	47	-5	42	57	-8	49
Dagab	48	50	98	70	100	170
Joint-Group	13	-45	-32	22	-92	-70

Operating profit 2014, pro forma

	Q3	Adjustment	Q3 pro forma	Nine months	Adjustment	Nine months pro forma
Axfood Närlivs	54	10	64	111	2	113
Dagab	65	40	105	135	140	275
Joint-Group	31	-50	-19	53	-142	-89

Operating profit 2014, pro forma

	Q4	Adjustment	Q4 pro forma	Full year	Adjustment	Full year pro forma
Axfood Närlivs	28	-3	25	139	-1	138
Dagab	73	55	128	208	195	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.

Group, 30/9/2015	Financial assets and liabilities		Non-financial assets and liabilities	Total, statement of financial position
	Carrying amount	Fair value		
<i>SEK m</i>				
Financial assets	71	71	26	97
Accounts receivable – trade	911	911	-	911
Cash and bank balances	1,436	1,436	-	1,436
Total assets	2,418	2,418	26	2,444
Non-current interest-bearing liabilities	41	41	449	490
Current interest-bearing liabilities	40	40	-	40
Accounts payable – trade	2,769	2,769	-	2,769
Total liabilities	2,850	2,850	449	3,299

Parent Company, 30/9/2015	Financial assets and liabilities		Non-financial assets and liabilities	Total, condensed balance sheet
	Carrying amount	Fair value		
<i>SEK m</i>				
Financial assets	6	9	-	6
Receivable from Group companies	871	871	-	871
Cash and bank balances	1,217	1,217	-	1,217
Total assets	2,094	2,097	-	2,094
Accounts payable – trade	7	7	-	7
Liabilities to Group companies	1,274	1,274	-	1,274
Total liabilities	1,281	1,281	-	1,281

Disclosures about fair value of financial instruments

The carrying amount of interest-bearing assets and liabilities in the statement of financial position may 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 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–September amounted to SEK 152 m (129). After selling and administrative expenses, totalling SEK 216 m (229), and net financial items totalling SEK 2 m (13), profit after financial items was SEK -62 m (-87). Capital expenditures during the period totalled SEK 6 m (15).

The Parent Company had an interest-bearing net debt receivable of SEK 791 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

The previous earnings target¹ has been replaced with a forecast for 2015 of an operating profit of around SEK 1,700 m.

NEXT REPORT

The year-end report for 2015 will be presented on 5 February 2016.

NOMINATING COMMITTEE

Shareholders who wish to submit nominations to the Nominating Committee ahead of Axfood's Annual General Meeting on 16 March 2016 may do so by e-mail at: valberedning@axfood.se by 30 December 2015 at the latest.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held in Stockholm at 5 p.m. on 16 March 2016. The 2015 Annual Report will be published on 22 February 2016 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 auditors' review report can be found on page 14.

Stockholm, 21 October 2015

Anders Strålmán
President and CEO

PRESS RELEASES DURING THE THIRD QUARTER

- 27 August 2015 Axfood Sverige is now called Dagab
- 4 September 2015 Hemköp supports SOS Children's Villages' efforts for unaccompanied refugee children
- 4 September 2015 Willys supports Save the Children's efforts for refugee children
- 10 September 2015 SEK 1 more per litre for dairy farmers
- 14 September 2015 Deposits also for concentrated juice bottles
- 29 September 2015 Nominating Committee

¹ Previous wording: "Axfood's goal for 2015 is to exceed the level of profit achieved in 2014."

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 2015. 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 2015
KPMG AB

George Pettersson
Authorized Public Accountant

FINANCIAL STATEMENTS, GROUP

Condensed statement of profit or loss and other comprehensive income, Group					
SEK m	Q3 2015	Q3 2014	Nine months 2015	Nine months 2014	Full year 2014
Net sales	10,412	9,756	30,456	28,506	38,484
Cost of goods sold	-8,884	-8,373	-26,106	-24,583	-33,164
<i>Gross profit</i>	1,528	1,383	4,350	3,923	5,320
Selling/administrative expenses, etc.	-976	-930	-3,038	-2,848	-3,873
<i>Operating profit</i>	552	453	1,312	1,075	1,447
Net financial items	-1	-5	-4	-15	-17
<i>Profit before tax</i>	551	448	1,308	1,060	1,430
Tax	-121	-99	-288	-233	-326
Profit for the period	430	349	1,020	827	1,104
Other comprehensive income					
<i>Items that cannot be reclassified to profit or loss for the period</i>					
Revaluation of defined benefit pension plans	-5	-10	-14	-29	-64
Tax attributable to items that cannot be reclassified to profit or loss for the period	1	2	3	6	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	2	0	-1	2	3
Tax attributable to items that have been reclassified or can be reclassified to profit or loss for the period	-1	0	0	0	-1
Other comprehensive income for the period	-3	-8	-12	-21	-47
Total comprehensive income for the period	427	341	1,008	806	1,057
Operating profit includes depreciation/amortization of	173	171	519	517	693
Earnings per share, SEK ¹	2.05	1.66	4.86	3.91	5.22
Profit for the period attributable to					
Owners of the parent	430	348	1,020	821	1,095
Non-controlling interests	0	1	0	6	9
Total comprehensive income for the period attributable to					
Owners of the parent	427	340	1,008	800	1,048
Non-controlling interests	0	1	0	6	9

1) 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.

Condensed statement of financial position, Group

<i>SEK m</i>	30/9/2015	30/9/2014	31/12/2014
Assets			
Goodwill	1,860	1,811	1,819
Other intangible non-current assets	679	759	717
Property, plant and equipment	1,895	1,885	1,894
Financial assets	97	79	80
Deferred tax assets	62	43	54
Total non-current assets	4,593	4,577	4,564
Inventories	2,020	1,858	2,100
Accounts receivable – trade	911	963	859
Other current assets	1,065	1,117	1,060
Cash and bank balances	1,436	524	1,109
Total current assets	5,432	4,462	5,128
Total assets	10,025	9,039	9,692
Shareholders' equity and liabilities			
Equity attributable to owners of the parent	4,173	3,781	4,029
Equity attributable to non-controlling interests	1	33	36
Total shareholders' equity	4,174	3,814	4,065
Non-current interest-bearing liabilities	490	467	488
Deferred tax liabilities	470	381	470
Other noninterest-bearing non-current liabilities	35	25	33
Total non-current liabilities	995	873	991
Current interest-bearing liabilities	40	99	97
Accounts payable – trade	2,769	2,498	2,558
Other current noninterest-bearing liabilities	2,047	1,755	1,981
Total current liabilities	4,856	4,352	4,636
Total shareholders' equity and liabilities	10,025	9,039	9,692
Pledged assets	0	32	32
Contingent liabilities	20	23	22

Condensed statement of cash flows, Group

<i>SEK m</i>	Nine months 2015	Nine months 2014	Full year 2014
Operating activities			
Cash flow from operating activities before changes in working capital, before paid tax	1,794	1,598	2,150
Paid tax	-232	-195	-217
Changes in working capital	231	-115	96
<i>Cash flow from operating activities</i>	1,793	1,288	2,029
Investing activities			
Acquisitions of operations, net	-73	-12	-17
Acquisitions of non-current assets, net	-453	-396	-543
Change in financial non-current assets, net	-20	-23	-22
<i>Cash flow from investing activities</i>	-546	-431	-582
Financing activities			
Change in interest-bearing liabilities	-21	4	-1
Dividend payout	-899	-794	-794
<i>Cash flow from financing activities</i>	-920	-790	-795
Cash flow for the period	327	67	652

Condensed statement of changes in equity, Group

SEK m	30/9/2015	30/9/2014	31/12/2014
Amount at start of year	4,065	3,802	3,802
Total comprehensive income for the period	1,008	806	1,057
Dividend to shareholders	-899	-794	-794
Amount at end of period	4,174	3,814	4,065

Key ratios and other data, Group

	Nine months 2015	Nine months 2014	Full year 2014
Operating margin, %	4.3	3.8	3.8
Margin after financial items, %	4.3	3.7	3.7
Equity ratio, %	41.6	42.2	41.9
Net debt-equity ratio (+)/Net debt receivable ratio (-), multiple	-0.2	0.0	-0.1
Debt-equity ratio, multiple	0.1	0.2	0.1
Interest coverage, multiple	164.5	54.0	60.6
Capital employed, SEK m	4,704	4,380	4,650
Return on capital employed, %	37.2	33.6	32.4
Return on shareholders' equity, %	32.5	29.6	28.1
Capital expenditures, SEK m	555	474	643
Earnings per share, SEK ^{1,5}	4.86	3.91	5.22
Dividend per share, SEK ⁵	-	-	4.25
Shareholders' equity per share, SEK ^{1,2,5}	19.88	18.02	19.20
Cash flow per share, SEK ^{1,5}	1.6	0.3	3.1
Number of shares outstanding ^{1,5}	209,870,712	52,467,678	52,467,678
Average number of employees	8,801	8,510	8,481
Work attendance rate, %	93.9	94.8	94.6
CO ₂ , kg/tonne goods ³	17.8	20.9	20.0
Electricity consumption, kWh/m ² (stores and warehouses) ⁴	336.2	348.5	368.7

Quarterly overview

	Q4 13	Q1 14	Q2 14	Q3 14	Q4 14	Q1 15	Q2 15	Q3 15
Sales	9,550	8,946	9,804	9,756	9,978	9,566	10,478	10,412
Operating profit	340	246	376	453	372	329	431	552
Operating margin, %	3.6	2.7	3.8	4.6	3.7	3.4	4.1	5.3
Earnings per share, SEK ^{1,5}	1.20	0.89	1.36	1.66	1.31	1.22	1.59	2.05
Shareholders' equity per share, SEK ^{1,5}	17.95	15.08	16.40	18.02	19.20	16.24	17.85	19.88
Return on shareholders' equity, %	27.5	32.0	30.6	29.6	28.1	35.4	33.7	32.5
Cash flow from operating activities per share, SEK ⁵	2.3	2.0	1.5	2.7	3.5	2.5	3.0	3.1
Capital expenditures	255	163	140	171	169	164	221	170

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

<i>SEK m</i>	Q3 2015	Q3 2014	Nine months 2015	Nine months 2014	Full year 2014
Net sales	-	-	-	-	-
Selling/administrative expenses, etc.	-18	-33	-64	-100	-143
<i>Operating profit</i>	-18	-33	-64	-100	-143
Other net financial items	1	9	2	13	15
<i>Profit after financial items</i>	-17	-24	-62	-87	-128
Appropriations, net	-	-	-	-	1,189
<i>Profit before tax</i>	-17	-24	-62	-87	1,061
Tax	4	6	14	20	-235
Net profit for the period	-13	-18	-48	-67	826
Operating profit includes depreciation/amortization totalling	2	2	7	7	10

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

Condensed balance sheet, Parent Company

<i>SEK m</i>	30/9/2015	30/9/2014	31/12/2014
Assets			
Property, plant and equipment	32	39	38
Participations in Group companies	3,136	3,266	3,136
Other financial non-current assets	6	6	6
Deferred tax assets	5	5	5
Total non-current assets	3,179	3,316	3,185
Receivables from Group companies ¹	871	836	2,409
Other current assets	161	205	12
Cash and bank balances	1,217	339	760
Total current assets	2,249	1,380	3,181
Total assets	5,428	4,696	6,366
Shareholders' equity and liabilities			
Restricted shareholders' equity	287	287	287
Unrestricted shareholders' equity	2,567	2,614	3,507
Total shareholders' equity	2,854	2,901	3,794
Untaxed reserves	1,226	867	1,226
Non-current interest-bearing liabilities	20	23	22
Noninterest-bearing non-current liabilities	1	1	1
Total non-current liabilities	21	24	23
Accounts payable – trade	7	14	12
Liabilities to Group companies ²	1,274	857	1,218
Other current noninterest-bearing liabilities	46	33	93
Total current liabilities	1,327	904	1,323
Total shareholders' equity and liabilities	5,428	4,696	6,366
Contingent liabilities	322	316	312
1) Of which, interest-bearing receivables	868	826	824
2) Of which, interest-bearing liabilities	1,274	857	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 257 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 Dagab. 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