

Axfood

Interim Report
1 Jan. – 31 March 2016

Continued growth with maintained profitability

First quarter summary

- Consolidated sales amounted to SEK 10,395 m (9,566), an increase of 8.7%.
 - Retail sales for Group-owned stores increased by 7.9%.
 - Like-for-like sales increased by 5.2%.
- Operating profit for the period was SEK 408 m (329), corresponding to an operating margin of 3.9% (3.4%).
- Profit after financial items for the period was SEK 405 m (328).
- Net profit for the period was SEK 316 m (256), and earnings per share were SEK 1.51 (1.22).
- Axfood expects operating profit for 2016 to exceed the outcome for 2015.

Significant events after the balance sheet date

- No significant events have taken place after the balance sheet date.

Key ratios

SEK m	Q1 2016	Q1 2015	Change	Full year 2015
Net sales	10,395	9,566	8.7%	41,247
Operating profit	408	329	24.0%	1,760
Operating margin, %	3.9	3.4	0.5	4.3
Profit after tax	316	256	23.4%	1,361
Earnings per share, SEK ^{1), 4)}	1.51	1.22	23.8%	6.48
Cash flow from operating activities per share, SEK ⁴⁾	1.9	2.5	-24.0%	11.9
Return on capital employed, % ²⁾	49.8	38.7	11.1	36.5
Return on shareholders' equity, % ²⁾	44.7	35.4	9.3	31.8
Shareholders' equity per share, SEK ^{3), 4)}	14.07	16.24	-13.4%	21.58
Equity ratio, %	33.2	37.2	-4.0	43.0

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 of 2015 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:

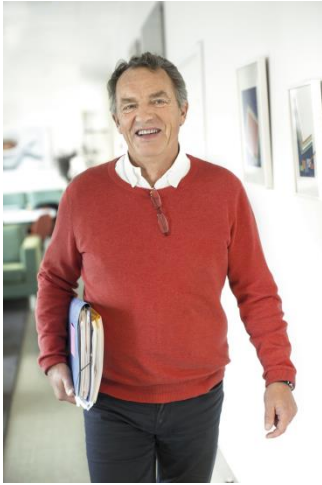
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The information in this interim report is such that Axfood is required to disclose in accordance with the Securities Market Act, the Financial Instruments Trading Act, or requirements of the Stockholm Stock Exchange Issuers Rules. Submitted for publication at 7.30 a.m. (CET) on 20 April 2016.

This interim report is an English translation of the Swedish original. In the event of any discrepancies, the Swedish version shall govern.



CEO's comments



8.7%

Sales growth during the first quarter of 2016.

Continued growth

Axfood continued the growth during the first quarter. All companies contributed to the positive sales performance. We had the right campaign offerings and attracted more customers to our stores and customer programmes. Easter and the leap year day had only a limited impact on sales.

The growth during the quarter entailed that we strengthened our position and gained market shares.

We maintained our profitability and posted the best operating profit ever for the first quarter.

Growth in all companies

Willys reported favourable sales performance both in total and on a like-for-like basis. During the quarter three new stores were established, and the number of customers enrolled in Willys+ increased to 1.9 million. Profitability increased on account of the sales growth.

Hemköp's sales increased, both in total and on a like-for-like basis. The sales performance was strongest for Group-owned stores. Through modernizations and well-run stores, we have attracted more customers as well as more active customers, which led to improved profitability.

Axfood Snabbgross, in the Axfood Närlivs business area, continued to increase its sales. Profitability strengthened despite slightly higher costs in connection with new store establishment.

Sales in the supply-chain company Dagab increased as a result of higher demand from the Group's stores. Good cost control and efficiency improvements also contributed to improved profitability.

Launch of e-commerce to consumers

As previously announced, during the spring we will be launching e-commerce to consumers in Stockholm and Gothenburg. We will be offering both home deliveries and click-and-collect.

Market outlook

Private consumption is expected to continue driving the favourable growth of the Swedish economy.

The wage negotiations conducted during the year for the retail and wholesale trade were concluded with a one-year agreement and resulted in a pay increase that is level with the previous annual increase of just over 2%.

We thereby expect the food retail trade to remain stable in 2016, with a continued high level of competition and food inflation in the range of 1%-2%.

Forecast

We continue to focus on growth with maintained profitability. Our digital ventures will play a key role in our future growth. The launch of e-commerce will have a short-term negative impact on profitability. As is the case for all newly established stores, e-commerce will require three to five years before it is profitable.

Axfood expects operating profit for 2016 to exceed the outcome for 2015.

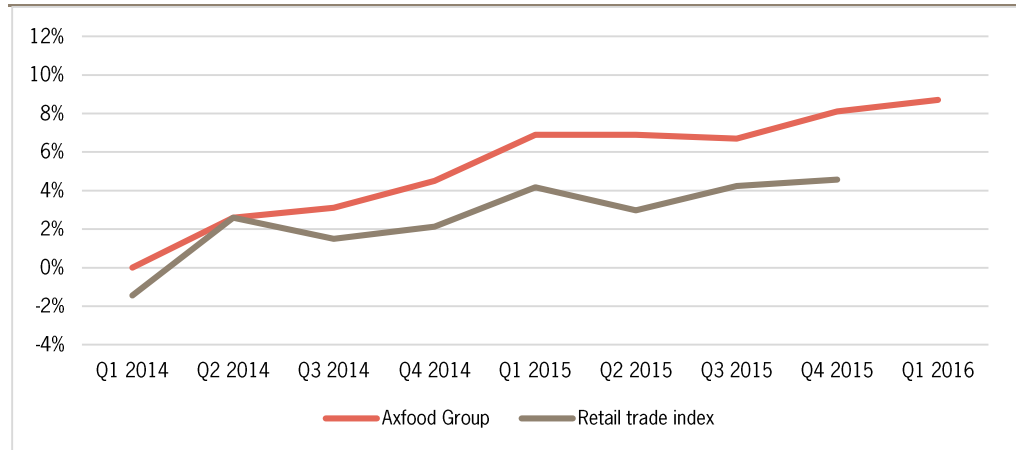
Total capital expenditures are expected to amount to SEK 700-800 m in 2016.

Anders Strålman
President and CEO, Axfood AB

The Swedish food retail market

According to Statistics Sweden's retail trade index for February, accumulated sales for the food retail segment (excl. alcoholic beverages) have grown by 4.8% since the start of the year in current prices. In fixed prices, adjusted for price and calendar effects, volume increased by 1.5%.

Axfood's sales growth¹⁾ compared with the food retail market²⁾



¹⁾ Axfood's consolidated wholesale and retail sales.

²⁾ Sales for the Swedish food retail market excl. alcoholic beverages, based on the HUI/SCB retail trade index. Preliminary data may need to be revised in accordance with HUI/SCB's revision policy.

Sales – Axfood Group

27.3%

Private label products' share of total sales at the end of the first quarter 2016.

First quarter

Consolidated wholesale and retail sales for the Axfood Group totalled SEK 10,395 m (9,566) during the first quarter, an increase of 8.7%. Store sales for the Axfood Group (wholly owned stores and Hemköp franchises) totalled SEK 8,726 m (8,153), an increase of 7.0%. Sales for Group-owned retail operations increased by 7.9% during the first quarter, with a 5.2% rise in like-for-like sales. Figures for the first quarter of 2016 included total Easter holiday sales, but this is estimated to have affected sales positively by only approximately 0.5%. New customers and increased activity in the customer programmes are the main explanations for the favourable like-for-like sales performance.

Axfood's private label share was 27.3% (27.1%) at the end of the quarter.

Net sales per operating segment

SEK m	Q1 2016	Q1 2015	% ¹⁾	Full year 2015
Willys	5,643	5,261	7.3	22,320
Hemköp	1,545	1,401	10.3	5,883
Axfood Närlivs	634	595	6.6	2,734
Dagab ²⁾	10,112	9,265	9.1	39,756
Joint-Group ³⁾	176	166	6.0	672
<i>Internal sales between segments that are eliminated</i>				
Dagab ²⁾	-7,551	-6,967	8.4	-29,487
Axfood Närlivs	0	-1	-100.0	-4
Joint-Group	-164	-154	6.5	-627
Total	10,395	9,566	8.7	41,247

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

²⁾ During the third quarter of 2015 Axfood Sverige changed its name to Dagab.

³⁾ 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	Q1 2016	% ¹⁾	Like-for-like sales, % ¹⁾
Willys	5,643	7.3	4.9
Hemköp, Group-owned	1,519	10.2	6.2
Hemköp franchises	1,564	3.3	4.9
Hemköp total	3,083	6.6	5.5
Group-owned retail operations	7,162	7.9	5.2
Axfood Group, total	8,726	7.0	5.1

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

Change in store structure

Number of stores	Dec. 2015	New establishment	Acquisitions	Sales/ closures	Conversions to/from	March 2016
Willys ¹⁾	194	3				197
Hemköp	68			-1		67
Total, Group-owned	262	3		-1		264
Hemköp franchises	111		1			112
Axfood Group, total	373	3	1	-1		376
¹⁾ Of which, Willys Hemma	50					50

Earnings, Axfood Group

First quarter

Operating profit for the first quarter totalled SEK 408 m (329). The operating margin was 3.9% (3.4%). All companies showed strong earnings driven primarily by high sales growth. Dagab showed the largest change in operating profit compared with a year ago, driven by volume growth in the Group's stores and the ability to handle larger volumes with existing capacity. Profit after financial items was SEK 405 m (328). Profit after tax was SEK 316 m (256).

Operating profit per

SEK m	Q1 2016	Q1 2015	% ¹⁾	Full year 2015
Willys	195	172	13.4	896
Hemköp	59	50	18.0	221
Axfood Närlivs	22	19	15.8	200
Dagab ²⁾	168	125	34.4	600
Joint-Group ³⁾	-36	-37	2.7	-157
Operating profit for the period	408	329	24.0	1,760
Net financial items ⁴⁾	-3	-1	-200.0	-11
Profit for the period after financial items	405	328	23.5	1,749

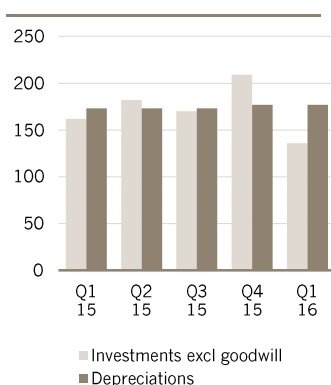
¹⁾Percentage change compared with the corresponding period a year ago.

²⁾ During the third quarter of 2015 Axfood Sverige changed its name to Dagab.

³⁾ Includes head office support functions, such as the Executive Committee, Finance/Accounting, Communications, Business Development, HR and IT.

⁴⁾ Net financial items are not distributed per operating segment. Axfood has no significant transactions with related parties other than transactions with subsidiaries.

Capital expenditures,
depreciation/amortization,
SEK m

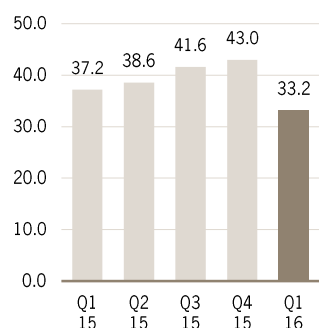


Capital expenditures

Total capital expenditures during the quarter amounted to SEK 136 m (164), of which SEK – m (2) pertained to acquisitions of businesses, while SEK 92 m (99) pertained to investments in non-current assets in retail operations, SEK 6 m (7) to investments in non-current assets in wholesale operations, and SEK 37 m (54) pertained to IT.

No acquisitions were made during the first quarter of 2016.

Equity ratio, %



Financial position and cash flow

Cash flow from operating activities before paid tax was SEK 528 m (567) during the quarter. Paid tax amounted to SEK -124 m (-49). Payment of the shareholder dividend affected cash flow by SEK -1,889 m (-899), and net capital expenditures affected cash flow by SEK -122 m (-176).

Cash and cash equivalents held by the Group amounted to SEK 326 m, compared with SEK 1,933 m in December 2015. Interest-bearing liabilities and provisions totalled SEK 507 m, compared with SEK 504 m in December 2015. Interest-bearing net debt was SEK 161 m at the end of the period, compared with an interest-bearing net debt receivable of SEK 1,449 m in December 2015.

The equity ratio was 33.2%, compared with 43.0% in December 2015.

Earnings per operating segment

Willys

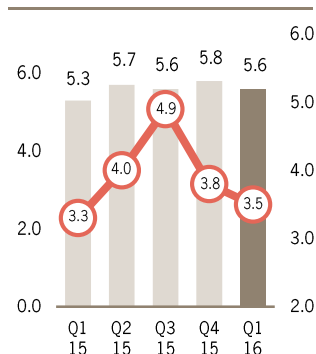
First quarter

Axfood reported favourable sales growth of 7.3% compared with the first quarter a year ago. Sales totalled SEK 5,643 m (5,261), with a slight, positive effect from Easter, but mostly from greater activity in Willys+. At the end of March, a total of 1.9 million customers were enrolled in Willys+. Like-for-like sales rose 4.9%.

Operating profit totalled SEK 195 m (172), an increase of 13.4% despite slightly higher personnel costs as a result of a cut in the reduction in payroll taxes for young employees, resulting in an operating margin of 3.5% (3.3%).

Three new Willys stores were established during the first quarter: the first store in Vinsta/Stockholm, and second stores in Kungsbacka and Umeå. Willys' private label share was 29.6% (29.3%) at the end of the quarter.

Sales, SEK bn, and operating margin, %



SEK m	Q1 2016	Q1 2015	Change	Full year 2015
Net sales	5,643	5,261	7.3%	22,320
Change in like-for-like sales, %	4.9	4.3	0.6	4.4
Operating profit	195	172	13.4%	896
Operating margin, %	3.5	3.3	0.2	4.0
Number of Group-owned stores	197	191	6	194
Average number of employees	4,367	4,125	5.9%	4,464
Private label share, %	29.6	29.3	0.3	29.1

Hemköp

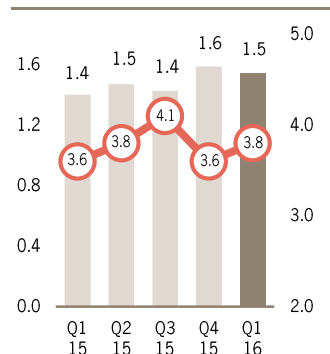
First quarter

Hemköp continued its strong sales performance during the first quarter, in total and above all on a like-for-like basis. Sales were driven by a greater number of customers and a larger average spend. Sales for Group-owned stores totalled SEK 1,519 m (1,378), an increase of 10.2%. Like-for-like sales for Group-owned stores rose 6.2% during the period. Sales for franchise stores totalled SEK 1,564 m (1,514), an increase of 3.3%, while like-for-like sales for franchise stores rose 4.9%. Interest in and activities in Hemköp's customer programme grew during the quarter.

Operating profit for the first quarter totalled SEK 59 m (50), with an operating margin of 3.8% (3.6%). The healthy profit margin can be credited primarily to the favourable sales growth and stable cost development, apart from the slightly higher payroll tax for young employees.

During the first quarter, the number of Group-owned stores decreased to 67, and the number of franchise stores increased to 112, as the first "91/9" store was transferred to the franchisee's ownership, with Axfood thereafter owning only 1%. During the quarter, Axfood signed agreements with five stores that will change over to the "91/9" model, which means that Axfood will own 91% of the companies for at least the next two years. Hemköp's private label share was 21.9% (21.6%) as of March.

Sales, SEK bn, and operating margin, %



SEK m	Q1 2016	Q1 2015	Change	Full year
Net sales	1,545	1,401	10.3%	5,883
Change in like-for-like sales, %	6.2	4.2	2.0	5.0
Operating profit	59	50	18.0%	221
Operating margin, %	3.8	3.6	0.2	3.8
Number of Group-owned stores	67	66	1	68
Average number of employees	1,725	1,620	6.5%	1,745
Private label share, %	21.9	21.6	0.3	21.4

Axfood Närlivs

First quarter

Axfood Närlivs experienced continued favourable growth during the first quarter of 2016. Sales during the period totalled SEK 634 m (595), an increase of 6.6%. The sales increase can be credited to new café and restaurant customers and a higher average spend.

Operating profit for the first quarter totalled SEK 22 m (19), and the operating margin was 3.5% (3.2%). The improved profitability is mainly attributable to the favourable sales performance for both Axfood Snabbgross and the wholesale business as well as stable overheads despite slightly higher costs associated with new store establishments. During the quarter a new Axfood Snabbgross store was established in Umeå.

Sales, SEK bn, and operating margin, %



SEK m	Q1 2016	Q1 2015	Change	Full year
Net sales	634	595	6.6%	2,734
Operating profit	22	19	15.8%	200
Operating margin, %	3.5	3.2	0.3	7.3
Axfood Snabbgross, no. stores	22	20	2	21
Average number of employees	430	416	3.4%	451

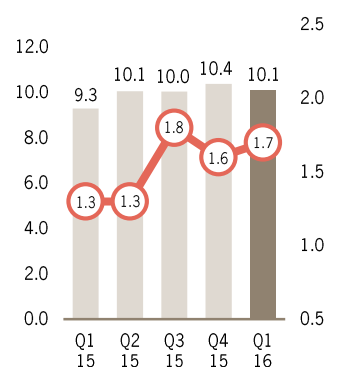
Dagab

First quarter

The supply-chain company Dagab's sales growth remained very strong, driven by the favourable sales performance in the store chains, but also by good demand from convenience retailers. Sales totalled SEK 10,112 m (9,265), an increase of 9.1%.

Operating profit totalled SEK 168 m (125), and the operating margin was 1.7% (1.3%). The increase is mainly attributable to volume growth, where greater volumes were handled cost effectively.

Sales, SEK bn, and operating margin, %



SEK m	Q1 2016	Q1 2015	Change	Full year
Net sales	10,112	9,265	9.1%	39,756
Distributed sales	6,532	5,979	9.2%	25,995
Operating profit	168	125	34.4%	600
Operating margin, %	1.7	1.3	0.4	1.5
Average number of employees	1,726	1,648	4.7%	1,809
Delivery reliability	96.0	96.9	-0.9	96.9

Parent Company

Other operating revenue for the Parent Company during the period January–March amounted to SEK 56 m (50). After selling and administrative expenses of SEK 75 m (69) and net financial items of SEK 1 m (2), profit after financial items was SEK -18 m (-17). Capital expenditures totalled SEK 1 m (2) during the period.

The Parent Company had an interest-bearing net debt receivable of SEK 475 m at the end of the period, compared with SEK 716 m as per December 2015. The Parent Company has no significant transactions with related parties, other than transactions with subsidiaries.

Sustainable development

Key ratios – Group

	Q1 2016	Q1 2015	Full year 2015
Organic products as % of total food sales			
Axfood	7.1	5.8	5.9
Willys	6.3	5.0	5.2
Hemköp	9.7	8.0	8.1
KRAV-certified meat as % of total meat sales			
Axfood	4.0	3.1	3.5
Willys	3.3	2.9	3.1
Hemköp	6.8	4.9	5.8
Combustible waste ¹⁾ (tonnes) – share of net sales, %			
Willys	46	n.a.	46
Hemköp	n.a.	n.a.	n.a.
Axfood Snabbgross	27	n.a.	27
Private label product recalls from stores	6	6	26
Other product recalls from stores	17	27	96
Number of social audits ²⁾	6	1	48
Electricity consumption, kWh/m ² (stores and warehouses) ³⁾	330.9	345.9	331.6
Electricity consumption (kWh) as share of net sales (SEK), % ⁴⁾	0.65	n.a.	0.63
CO ₂ emissions, kg/tonne goods ⁵⁾	14.9	19.1	16.9
Work attendance rate, %	93.3	93.4	94.0

¹⁾ Moving 12-month figures, with 1 quarter delay.

²⁾ Both under own management and via the organization Business Social Compliance Initiative (BSCI).

³⁾ Moving 12-month figures. Pertains to Group-owned stores and warehouses.

⁴⁾ Inflation-adjusted net sales.

⁵⁾ Moving 12-month figures. Pertains to total volume for transports from warehouses to stores using own delivery fleet.

Sales of organic products

Axfood's customers continue to seek out organic alternatives. Organic products as a share of total sales amounted to 7.1% (5.8%) at the end of March 2016. Organic sales increased during the quarter by 32 percent compared with March 2015. In February Axfood launched a line of organic sausages under the Garant private label consisting of 50% vegetarian ingredients. A survey conducted by TNS Sifo on behalf of Axfood has shown that 5% of Swedes today are vegetarians, while 36% of respondents said that they eat vegetarian meals once or twice a week, mainly for environmental and health reasons.

Only Fairtrade Certified roses at Hemköp

Starting in February Hemköp sells only Fairtrade Certified roses at all of its stores in Sweden. Fairtrade is an independent certification that creates conditions for growers and workers in countries with widespread poverty to improve their work and living conditions, and to end child labour. Hemköp's roses come from Fairtrade Certified growers in East Africa.

Reduced food waste through donations

Even though Axfood has extensive food handling routines and smart ordering systems, food waste occurs. In 2016 Axfood's store chains will expand their partnerships with non-profit organizations in an effort to sell food that would otherwise be wasted. Willys has set a goal to cut its food waste in half. Today some 25 Willys stores already work with aid organizations, and the plan is to have roughly 50 stores with established partnerships by year-end. Hemköp is working through several local initiatives, and five of Axfood's seven distribution centres currently work in partnerships with charity organizations.

In 2015 Axfood – together with Stockholms Stadsmission – established Matmissionen, the Nordic countries' first social supermarket. In March 2016 the store burned down, which stopped all activity for the 1,200 financially disadvantaged people who had been granted membership to shop at the store and for the 15 employees who were receiving occupational training at the store. The fire is believed to have been intentionally set. Despite this interruption in operations, support continues from all partners, and the ambition is to re-open Matmissionen as soon as possible.

Swedish labelling

April the 20th marked the launch date for products bearing the industry-wide country of origin label for food made in Sweden. Axfood was one of the initiative-takers behind the new Swedish label and will launch about some one hundred Garant products bearing the “Product of Sweden” label in 2016. First out will be milk from Garant, which is being launched today, 20 April. About half of the Garant dairy assortment will be furnished with the Product of Sweden label during the year. The uniform blue and yellow label will make it easier for consumers to identify products sourced in Sweden in stores and that offer Swedish value-added, including high food safety, good animal care, tough environmental standards and low use of antibiotics.

Recycling and combustible waste

As part of efforts to contribute to closed-loop economies, Axfood puts great emphasis on recycling and sorting of eight different fractions. Sorting is even more important in stores than in warehousing on account of the smaller product units in stores. Measured by volume, corrugated board and soft plastics are the dominant material fractions that are recycled. Material fractions that cannot be recycled are sent off for incineration. The weight of combustible material in relation to net sales indicates the extent to which Axfood sorts its waste. A low share of combustible material entails that a high share of material is sorted and recycled. Axfood strives to ensure that as little material possible ends up in the combustible fraction. Starting with this interim report, Axfood will report combustible material in relation to net sales as a key ratio for the store chains, but with a quarterly delay. The key ratio is already being reported for Willys and Axfood Snabbgross.

Reducing carbon emissions with HVO biofuel

During the first quarter some twenty Axfood delivery trucks were operated using 100% HVO biofuel. HVO is a synthetic diesel fuel made of vegetable oil and animal fats that does not require any technical adaptation of the vehicles and produces less CO₂ emissions. A total of 123 Volvo, Scania and Mercedes trucks are approved for use with 100% HVO, which accounts for more than 90% of Axfood’s vehicle fleet. Axfood’s use of the fuel is limited mainly by the number of filling stations that offer 100% HVO. Using 100% HVO results in 88% lower carbon emissions than fossil-based diesel fuel.

Remedying unsatisfactory conditions for rice farmers in Pakistan

In previous risk analyses Axfood has identified social and environmental risks associated with rice production in Pakistan. Instead of breaking off trade, Axfood’s policy is to stay in place as far as possible in an effort to improve the conditions. To find out more about the working and living conditions, Axfood – together with the international organization Oxfam – conducted a pilot project for rice farming in the State of Punjab. A number of important findings were discovered, including that the rice growers are highly exploited and often wind up in debt to middlemen, that rice growers’ children have little opportunities for school, and that there is a lack of knowledge about and controls on the use of pesticides. In collaboration with other buyers, Axfood can help improve the conditions for rice growers and work towards putting an end to the human rights violations. Axfood is continuing its work with the recommended actions from the pilot project.

Forecast and market outlook 2016

- Axfood expects operating profit for 2016 to exceed the outcome for 2015.
- Axfood’s capital expenditures are expected to total SEK 700-800 m in 2016.
- Axfood expects food inflation in Sweden to be in the range of 1%–2% in 2016.

This interim report has not been reviewed by the Company’s auditors.

Stockholm, 20 April 2016

Anders Strålmán
President and CEO

Future reports

The interim report for the period January–June 2016 will be presented on 15 July 2016.

The interim report for the period January–September 2016 will be presented on 20 October 2016.

The year-end report for 2016 will be presented on 6 February 2017.

Press releases during the first quarter

16 March 2016 Resolutions made at Axfood's AGM

2 March 2016 Axfood Snabbgross opens store in Umeå

10 February 2016 Notice of Annual General Meeting

10 February 2016 Nominating Committee's recommendation for Board of Directors of Axfood Aktiebolag (publ)

Financial statements – Group

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

SEK m	Q1 2016	Q1 2015	Full year 2015
Net sales	10,395	9,566	41,247
Cost of goods sold	-8,901	-8,235	-35,352
Gross profit	1,494	1,331	5,895
Selling/administrative expenses, etc.	-1,086	-1,002	-4,135
Operating profit	408	329	1,760
Net financial items	-3	-1	-11
Profit after financial items	405	328	1,749
Tax	-89	-72	-388
Profit for the period	316	256	1,361
Other comprehensive income			
<i>Items that cannot be reclassified to profit or loss for the period</i>			
Revaluation of defined benefit pension plans	-7	-15	8
Tax attributable to items that cannot be reclassified to profit or loss for the period	2	3	-2
<i>Items that will be reclassified to profit or loss for the period</i>			
Translation differences in calculation of foreign operations	0	0	0
Change in fair value of forward exchange contracts	0	0	-5
Change in fair value of available-for-sale financial assets	-	-	3
Tax attributable to items that have been reclassified or can be reclassified to profit or loss for the period	0	0	0
Other comprehensive income for the period	-5	-12	4
Total comprehensive income for the period	311	244	1,365
Operating profit includes depreciation/amortization of	177	173	696
Earnings per share, SEK ^{1) 2)}	1.51	1.22	6.48
Profit for the period attributable to			
Owners of the parent	316	256	1,361
Non-controlling interests	0	0	0
Total comprehensive income for the period attributable to			
Owners of the parent	311	244	1,365
Non-controlling interests	0	0	0

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

²⁾ During the second quarter of 2015 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

SEK m	31/3/2016	31/3/2015	31/12/2015
Assets			
Goodwill	1,860	1,821	1,860
Other intangible non-current assets	657	701	668
Property, plant and equipment	1,891	1,887	1,930
Financial assets	92	79	95
Deferred tax assets	61	62	60
Total non-current assets	4,561	4,550	4,613
Inventories	2,025	2,052	2,035
Accounts receivable – trade	878	898	852
Other current assets	1,113	1,139	1,104
Cash and bank balances	326	531	1,933
Total current assets	4,342	4,620	5,924
Total assets	8,903	9,170	10,537
Shareholders' equity and liabilities			
Equity attributable to owners of the parent	2,952	3,409	4,530
Equity attributable to non-controlling interests	1	1	1
Total shareholders' equity	2,953	3,410	4,531
Non-current interest-bearing liabilities	467	494	464
Deferred tax liabilities	570	469	569
Other noninterest-bearing non-current liabilities	32	35	30
Total non-current liabilities	1,069	998	1,063
Current interest-bearing liabilities	40	41	40
Accounts payable – trade	2,723	2,702	2,782
Other current noninterest-bearing liabilities	2,118	2,019	2,121
Total current liabilities	4,881	4,762	4,943
Total shareholders' equity and liabilities	8,903	9,170	10,537
Pledged assets	0	0	0
Contingent liabilities	14	21	14

Condensed statement of cash flows – Group

SEK m	Q1 2016	Q1 2015	Full year 2015
Operating activities			
Cash flow from operating activities before changes in working capital, before paid tax	581	491	2,408
Paid tax	-124	-49	-270
Changes in working capital	-53	76	357
<i>Cash flow from operating activities</i>	<i>404</i>	<i>518</i>	<i>2,495</i>
Investing activities			
Sales of operations	1	-32	-82
Change in non-current assets, net	-123	-144	-649
Change in financial non-current assets, net	0	-	-20
<i>Cash flow from investing activities</i>	<i>-122</i>	<i>-176</i>	<i>-751</i>
Financing activities			
Change in interest-bearing liabilities	-	-21	-21
Dividend payout	-1,889	-899	-899
<i>Cash flow from financing activities</i>	<i>-1,889</i>	<i>-920</i>	<i>-920</i>
Cash flow for the period	-1,607	-578	824

Condensed statement of changes in equity – Group

SEK m	31/3/2016	31/3/2015	31/12/2015
Amount at start of year	4,531	4,065	4,065
Total comprehensive income for the period	311	244	1,365
Dividend to shareholders	-1,889	-899	-899
Amount at end of period ¹⁾	2,953	3,410	4,531

¹⁾ Of shareholders' equity, SEK 2,952 m (3,409) is attributable to owners of the parent and SEK 1 m (1) to non-controlling interests.

Key ratios and other data – Group

	Q1 2016	Q1 2015	Full year 2015
Operating margin, %	3.9	3.4	4.3
Margin after financial items, %	3.9	3.4	4.2
Equity ratio, %	33.2	37.2	43.0
Net debt-equity ratio (+)/Net debt receivable ratio (-), multiple	0.1	0.0	-0.3
Debt-equity ratio, multiple	0.2	0.2	0.1
Interest coverage, multiple	102.3	110.3	103.9
Capital employed, SEK m	3,460	3,945	5,035
Return on capital employed, %	49.8	38.7	36.5
Return on shareholders' equity, %	44.7	35.4	31.8
Average number of employees	8,583	8,117	8,803
Capital expenditures, SEK m	136	164	764
Number of shares outstanding ^{1), 3)}	209,870,712	52,467,678	209,870,712
Key data per share			
Earnings per share, SEK ^{1), 3)}	1.51	1.22	6.48
Ordinary dividend per share, SEK ³⁾	-	-	5.00
Extra dividend per share, SEK	-	-	4.00
Shareholders' equity per share, SEK ^{1), 2), 3)}	14.07	16.24	21.58
Cash flow per share, SEK ^{1), 3)}	-7.7	-2.8	3.9

Quarterly overview

	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016
Sales	9,804	9,756	9,978	9,566	10,478	10,412	10,791	10,395
Operating profit	376	453	372	329	431	552	448	408
Operating margin, %	3.8	4.6	3.7	3.4	4.1	5.3	4.2	3.9
Earnings per share, SEK ^{1), 3)}	1.36	1.66	1.31	1.22	1.59	2.05	1.63	1.51
Shareholders' equity per share, SEK ^{1), 2), 3)}	16.40	18.02	19.20	16.24	17.85	19.88	21.58	14.07
Return on shareholders' equity, %	30.6	29.6	28.1	35.4	33.7	32.5	31.8	44.7
Cash flow from operating activities per share, SEK ³⁾	1.5	2.7	3.5	2.5	3.0	3.1	3.3	1.9
Capital expenditures	140	171	169	164	221	170	209	136

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⁾ During the second quarter of 2015 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	Q1 2016	Q1 2015	Full year 2015
Net sales	0	-	-
Selling/administrative expenses, etc.	-19	-19	-87
<i>Operating profit</i>	-19	-19	-87
Other net financial items	1	2	3
<i>Profit after financial items</i>	-18	-17	-84
Appropriations, net	-	-	1,358
<i>Profit before tax</i>	-18	-17	1,274
Tax	4	4	-282
Net profit for the period	-14	-13	992
Operating profit includes depreciation/amortization totalling	3	3	10

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

Condensed balance sheet – Parent Company

SEK m	31/3/2016	31/3/2015	31/12/2015
Assets			
Property, plant and equipment	28	35	30
Participations in Group companies	3,136	3,136	3,136
Other financial non-current assets	6	7	6
Deferred tax assets	5	5	5
Total non-current assets	3,175	3,183	3,177
Receivables from Group companies ¹⁾	935	1,172	2,681
Other current assets	53	100	15
Cash and bank balances	81	287	1,489
Total current assets	1,069	1,559	4,185
Total assets	4,244	4,742	7,362
Shareholders' equity and liabilities			
Restricted shareholders' equity	287	287	287
Unrestricted shareholders' equity	1,704	2,602	3,607
Total shareholders' equity	1,991	2,889	3,894
Untaxed reserves	1,653	1,226	1,653
Non-current interest-bearing liabilities	20	22	20
Noninterest-bearing non-current liabilities	1	1	1
Total non-current liabilities	21	23	21
Accounts payable – trade	9	9	11
Liabilities to Group companies ²⁾	518	509	1,648
Other current noninterest-bearing liabilities	52	86	135
Total current liabilities	579	604	1,794
Total shareholders' equity and liabilities	4,244	4,742	7,362
Contingent liabilities	313	313	313
¹⁾ Of which, interest-bearing receivables	932	1,162	875
²⁾ Of which, interest-bearing liabilities	518	509	1,628

Notes

Note 1 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.

Preparation of the financial statements in accordance with IFRS requires the Board and Executive Committee to 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 effective in 2016 and forward

New or amended standards and interpretations take effect in 2016 and forward have not been prospectively applied in the preparation of these financial statements. New or amended policies that take effect as from the 2017 financial year and forward are not planned to be applied prospectively. To the extent that anticipated effects on the financial statements of application of new or amended standards and interpretations are not described below, Axfood has concluded that they will not have any material effect on the consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers, the new revenue standard, and IFRS 9, which replaces IAS 39 Financial Instruments, are standards that take effect in 2018. IFRS 16 Leases, the new leasing standard, takes effect in 2019. Company management is currently studying the implications of the new standards.

Note 2 Operating segments

Axfood's operating segments have been determined based on the information considered by the Group's Executive Committee and which is used to evaluate the result of operations and allocate resources to the segments. The Executive Committee monitors sales and operating profit for each of the business areas, which make up the Group's operating segments. The operating segments that have been identified are: Willys, Hemköp, Dagab, Närlivs and Joint-Group. For information about Axfood's operating segments, see pages 3–7 of this interim report. For a more detailed description of the segments, please refer to the 2015 Annual Report.

Note 3 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 2015 Annual Report.

Note 4 Seasonal effects

Axfood's sales are affected to some degree by seasonal variations. Sales increase in the quarter in which Easter falls, which is either the first or second quarter. Sales also increase ahead of Midsummer during the second quarter, as well as ahead of major holiday season during the fourth quarter.

Note 5 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, 31/3/2016

Financial assets and liabilities

SEK m	Carrying amount	Fair value	Non-financial assets and liabilities	Total, statement of financial position
Financial assets	74	74	18	92
Accounts receivable – trade	878	878	-	878
Cash and bank balances	326	326	-	326
Total assets	1,278	1,278	18	1,296
Non-current interest-bearing liabilities	36	36	431	467
Current interest-bearing liabilities	40	40	-	40
Other current noninterest-bearing liabilities	4	4	2,114	2,118
Accounts payable – trade	2,723	2,723	-	2,723
Total liabilities	2,803	2,803	2,545	5,348

Parent Company, 31/3/2016

Financial assets and liabilities

SEK m	Carrying amount	Fair value	Non-financial assets and liabilities	Total, condensed balance sheet
Financial assets	6	12	-	6
Receivable from Group companies	935	935	-	935
Cash and bank balances	81	81	-	81
Total assets	1,022	1,028	-	1,022
Accounts payable – trade	9	9	-	9
Liabilities to Group companies	518	518	-	518
Total liabilities	527	527	-	527

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 31 March 2016 was 0.25%.

Financial definitions

Average number of employees during the year: 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 from operating activities per share: Cash flow from operating activities for the year divided by the weighted average number of shares.

Cash flow per share: Cash flow for the year divided by the 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 year.

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 year.

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

Axfood Group: Group-owned stores and Hemköp's franchises.

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.

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

About Axfood

At Axfood we work with passion for food and people. Our strength is in developing and driving successful grocery formats in the Swedish market with responsibility for the environment and sustainable development. Axfood includes the Willys and Hemköp chains as well as the Tempo, Handlar'n and Direkten formats, which are proprietor-owned and organized within Axfood Närlivs. Axfood has 264 Group-owned stores. In all, Axfood collaborates with approximately 820 proprietor-run stores. B2B sales are handled through the Axfood Snabbgross chain, and wholesaling is conducted through Dagab. Axfood has an approximate 20% share of the food retail market in Sweden. Axfood is listed on Nasdaq Stockholm, and the principal owner is Axel Johnson AB.

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

The logo for Axfood, featuring the word "axfood" in a lowercase, sans-serif font. The letters "a", "x", and "o" are black, while the "f" is red and the second "o" is green.

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