

# Axfood

Interim Report  
1 Jan.–30 June 2016

## Continued good growth with exceptional profitability

### Second quarter summary

- Consolidated net sales amounted to SEK 10,991 m (10,478), an increase of 4.9%.
  - Retail sales for Group-owned stores increased by 3.1%.
  - Like-for-like sales for Group-owned stores increased by 0.9%.
- Operating profit for the period was SEK 494 m (431), corresponding to an operating margin of 4.5% (4.1%).
- Profit after financial items was SEK 493 m (429) for the period.
- Net profit for the period was SEK 384 m (334), and earnings per share were SEK 1.83 (1.59).
- Axfood expects operating profit for 2016 to exceed profit for 2015.

### Summary of interim period January–June

- Consolidated net sales amounted to SEK 21,386 m (20,044), an increase of 6.7%.
  - Retail sales for Group-owned stores increased by 5.4%.
  - Like-for-like sales for Group-owned stores increased by 3.0%.
- Operating profit for the period was SEK 902 m (760), corresponding to an operating margin of 4.2% (3.8%).
- Profit after financial items was SEK 898 m for the period (757).
- Net profit for the period was SEK 700 m (590), and earnings per share were SEK 3.34 (2.81).

### Significant events after the balance sheet date

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

### Key ratios

SEK m	Q2 2016	Q2 2015	Change	6 mos 2016	6 mos 2015	Change	Full year 2015
Net sales	10,991	10,478	4.9%	21,386	20,044	6.7%	41,247
Operating profit	494	431	14.6%	902	760	18.7%	1,760
Operating margin, %	4.5	4.1	0.4	4.2	3.8	0.4	4.3
Profit after tax	384	334	15.0%	700	590	18.6%	1,361
Earnings per share, SEK <sup>1)</sup>	1.83	1.59	15.1%	3.34	2.81	18.9%	6.48
Cash flow from operating activities per share, SEK	3.0	3.0	0.0%	4.9	5.5	-10.9%	11.9
Return on capital employed, % <sup>2)</sup>	46.9	37.8	9.1	46.9	37.8	9.1	36.5
Return on shareholders' equity, % <sup>2)</sup>	41.6	33.7	7.9	41.6	33.7	7.9	31.8
Shareholders' equity per share, SEK <sup>3)</sup>	-	-	-	15.87	17.85	-11.1%	21.58
Equity ratio, %	-	-	-	34.6	38.6	-4.0	43.0

<sup>1)</sup> Before and after dilution.

<sup>2)</sup> Moving 12-month figures.

<sup>3)</sup> Net asset value per share corresponds to shareholders' equity per share.

### For further information, please contact:

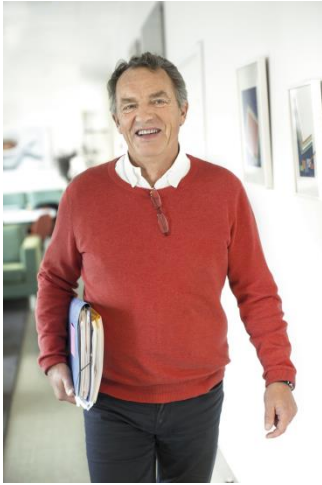
Anders Strålmán, President and CEO, mobile +46 70 293 16 93  
Karin Hygrell-Jonsson, CFO, mobile +46 70 662 69 70  
Cecilia Ketels, Head of Investor Relations, mobile +46 72 236 06 43

The information herein is such that Axfood AB (publ) is required to make public in accordance with the EU's Market Abuse Regulation and the Swedish Securities Market Act. The information was submitted for publication, through the adjacent contact person, at 1 p.m. (CET) on 15 July 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



# 4.9%

*Sales growth during the second quarter of 2016.*

### **Exceptional profitability**

During the second quarter Axfood achieved exceptional profitability at the same time that we strengthened our position in the market. The operating margin grew to 4.5%, with strong earnings from all companies. Growth was better than the market, whose growth was dampened during the quarter, which is also reflected in our rate of growth.

### **Hemköp's continued success**

Willys reported good profitability during the quarter, although sales could have been better. Like-for-like sales even moved in a negative direction. Including newly established stores during the past year, sales increased, and Willys gained market shares. In June the milestone of 2 million Willys Plus customers was reached.

Hemköp's strong sales performance resulted in good profitability. Like-for-like sales continued to outpace growth in the market during the quarter, both for Group-owned and franchise stores.

Business for Axfood Närlivs remained strong, and through the investments in more Axfood Snabbgross stores, today we are reaching more customers in the growing café and restaurant market. Costs for the new stores affected operating profit, but Axfood Närlivs is showing continued good profitability, both for like-for-like stores and for the wholesale operations.

Favourable growth for the Group's stores and wholesale operations contributed to higher sales for the support company Dagab. Combined with a constant focus on cost control, Dagab reported good profitability. During the quarter we signed a Letter of Intent to acquire the warehouse operation of our fruit & vegetable business, which is currently handled by Saba. By integrating these operations, we will gain even better control over our important fruit & vegetable purchasing going forward.

### **E-commerce under way**

In May we launched our e-commerce business for consumers. Willys was first to begin offering the service at three stores in Stockholm and Gothenburg. Sales were in line with expectations, with orders for store pick-up accounting for the greatest volume. After the summer Hemköp will be launching a subscription service for grocery bags with pre-defined dinner solutions, which will be followed up by offering groceries online. The e-commerce rollout is taking place store by store, and a launch of

the service is planned for a total of ten Willys and Hemköp stores during the second half of the year.

### **Updated sustainability targets**

We have updated our sustainability targets and complemented them with goals for animal welfare certification and reduction of food waste, among other things. We have also formulated our vision for a more sustainable food strategy for Sweden and have submitted concrete recommendations for the government's forthcoming food strategy.

### **Market outlook and price trend**

Expectations for Swedish GDP growth have been adjusted downward marginally after the Brexit vote, and consumption is expected to continue to be the driver of growth in Sweden. Following a negative trend in the food retail trade in April, mainly associated with Easter falling in March this year, the market turned upward again in May and June. We continue to believe the market will remain stable for the rest of the year and are standing by our estimate for food inflation of 1%-2% during 2016.

### **Forecast**

The exceptional profitability during the second quarter shows that we have resources to increase our sales, especially for Willys. Our digital ventures are also an important part of our future growth. E-commerce is having a negative impact on profitability in the near term, but through selective rollouts and picking in stores we are controlling costs and can limit our investment according to volume and earnings.

Despite our focus on growth, we will only be able to establish six of ten planned stores during the year. We have therefore lowered our estimate for total capital expenditures in 2016 to SEK 600-700 m.

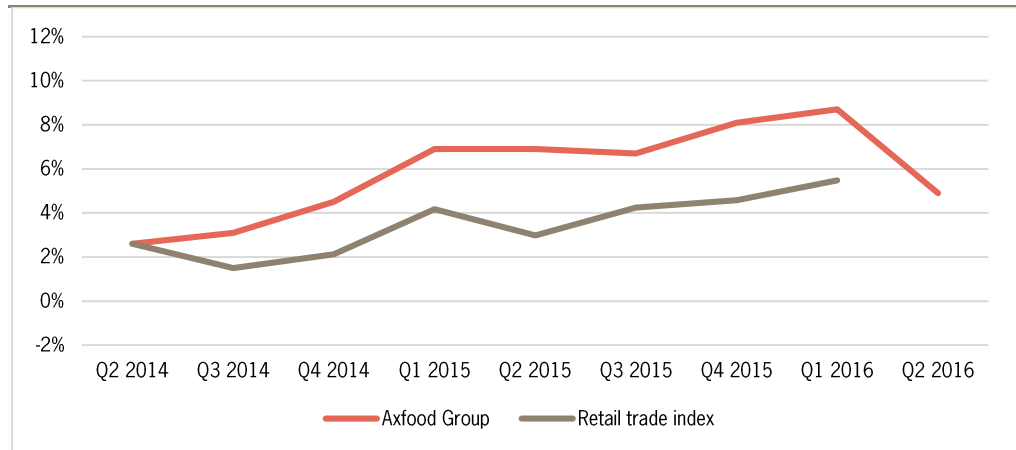
We reiterate our forecast for the year: Axfood expects operating profit for 2016 to exceed profit for 2015.

Anders Strålman  
*President and CEO, Axfood AB*

## The Swedish food retail market

According to Statistics Sweden's retail trade index for May, accumulated sales for the food retail segment (excl. alcoholic beverages) have grown by 3.3% since the start of the year in current prices. In fixed prices, adjusted for price and calendar effects, volume increased by 0.8%. The rate of growth flattened during the second quarter, and in April growth was negative, which was mainly due to Easter falling early this year, during the first quarter.

Axfood's sales growth<sup>1)</sup> compared with the food retail market<sup>2)</sup>



<sup>1)</sup> Axfood's consolidated wholesale and retail sales.

<sup>2)</sup> 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

# 26.8%

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

### Second quarter

Net sales for the Axfood Group totalled SEK 10,991 m (10,478) during the second quarter, an increase of 4.9%. Store sales for the Axfood Group (wholly owned stores and Hemköp franchises) totalled SEK 9,028 m (8,706), an increase of 3.7%. Sales for Group-owned retail operations increased by 3.1% during the second quarter, with a 0.9% rise in like-for-like sales. Sales of private label products accounted for 26.8% (26.5%) of total sales at the end of the quarter.

### January–June

Net sales for the Axfood Group for the year to date totalled SEK 21,386 m (20,044), an increase of 6.7%. Store sales for the Axfood Group (wholly owned stores and Hemköp franchises) totalled SEK 17,754 m (16,859), an increase of 5.3%. Sales for Group-owned retail operations increased by 5.4% during the period, with a 3.0% rise in like-for-like sales.

### Net sales per segment

SEK m	Q2 2016	Q2 2015	% <sup>1)</sup>	6 mos 2016	6 mos 2015	% <sup>1)</sup>	Full year 2015
Willys	5,823	5,691	2.3	11,466	10,952	4.7	22,320
Hemköp	1,563	1,470	6.3	3,108	2,871	8.3	5,883
Axfood Närlivs	760	717	6.0	1,394	1,312	6.3	2,734
Dagab <sup>2)</sup>	10,734	10,058	6.7	20,846	19,323	7.9	39,756
Joint-Group <sup>3)</sup>	181	168	7.7	357	334	6.9	672
Internal sales between segments that are eliminated							
Dagab <sup>2)</sup>	-7,900	-7,468	5.8	-15,451	-14,435	7.0	-29,487
Axfood Närlivs	-1	-1	0.0	-1	-2	-50.0	-4
Joint-Group	-169	-157	7.6	-333	-311	7.1	-627
<b>Net sales, total</b>	<b>10,991</b>	<b>10,478</b>	<b>4.9</b>	<b>21,386</b>	<b>20,044</b>	<b>6.7</b>	<b>41,247</b>

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

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

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

## Store sales – Group-owned and franchise stores<sup>2)</sup>

SEK m	Q2 2016	% <sup>1)</sup>	Like-for-like sales, % <sup>1)</sup>	6 mos 2016	% <sup>1)</sup>	Like-for-like sales, % <sup>1)</sup>
<b>Willys</b>	<b>5,823</b>	<b>2.3</b>	<b>-0.2</b>	<b>11,466</b>	<b>4.7</b>	<b>2.3</b>
Hemköp, Group-owned	1,539	6.3	5.2	3,058	8.2	5.7
Hemköp franchises	1,666	6.3	4.4	3,230	4.8	4.6
<b>Hemköp total</b>	<b>3,205</b>	<b>6.3</b>	<b>4.8</b>	<b>6,288</b>	<b>6.4</b>	<b>5.1</b>
<b>Group-owned retail operations</b>	<b>7,362</b>	<b>3.1</b>	<b>0.9</b>	<b>14,524</b>	<b>5.4</b>	<b>3.0</b>
<b>Store sales, Axfood Group</b>	<b>9,028</b>	<b>3.7</b>	<b>1.5</b>	<b>17,754</b>	<b>5.3</b>	<b>3.3</b>

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

<sup>2)</sup> See also the table "Store sales – Group-owned and franchise stores" on p. 18 for further information.

## Change in store structure

Number of stores	Dec. 2015	New establishment	Acquisitions	Sales/closures	Conversions to/from	June 2016
Willys <sup>1)</sup>	194	4		-2		196
Hemköp	68		1	-2		67
<b>Total, Group-owned</b>	<b>262</b>	<b>4</b>	<b>1</b>	<b>-4</b>		<b>263</b>
Hemköp franchises	111		2	-1	3	115
<b>Axfood Group total</b>	<b>373</b>	<b>4</b>	<b>3</b>	<b>-5</b>	<b>3</b>	<b>378</b>
<sup>1)</sup> Of which, Willys Hemma	50			-2		48

## Earnings, Axfood Group

### Second quarter

Operating profit for the second quarter totalled SEK 494 m (431). The operating margin was 4.5% (4.1%). All companies showed strong earnings driven primarily by good sales growth. Profit after financial items was SEK 493 m (429). Profit after tax was SEK 384 m (334).

### January–June

Operating profit for the period was SEK 902 m (760). The operating margin was 4.2% (3.8%). Net financial items amounted to SEK -4 m (-3) for the period, and profit after financial items was SEK 898 m (757). Profit after tax was SEK 700 m (590).

### Operating profit per segment

SEK m	Q2 2016	Q2 2015	% <sup>1)</sup>	6 mos 2016	6 mos 2015	% <sup>1)</sup>	Full year 2015
Willys	245	227	7.9	440	399	10.3	896
Hemköp	71	56	26.8	130	106	22.6	221
Axfood Närlivs	57	59	-3.4	79	78	1.3	200
Dagab <sup>2)</sup>	160	132	21.2	328	257	27.6	600
Joint-Group <sup>3)</sup>	-39	-43	-9.3	-75	-80	-6.3	-157
<b>Operating profit for the period</b>	<b>494</b>	<b>431</b>	<b>14.6</b>	<b>902</b>	<b>760</b>	<b>18.7</b>	<b>1,760</b>
Net financial items <sup>4)</sup>	-1	-2	-50.0	-4	-3	33.3	-11
<b>Profit for the period after financial items</b>	<b>493</b>	<b>429</b>	<b>14.9</b>	<b>898</b>	<b>757</b>	<b>18.6</b>	<b>1,749</b>

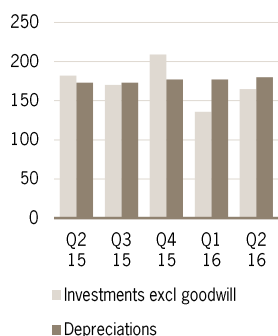
<sup>1)</sup> Percentage change compared with the corresponding period a year ago.

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

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

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

### Capital expenditures, depreciation/amortization, SEK m



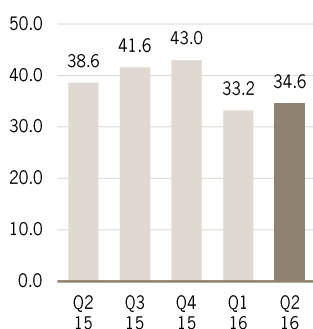
## Capital expenditures

Total capital expenditures during the period January–June amounted to SEK 301 m (385), of which SEK 0 m (44) pertained to acquisitions of businesses, while SEK 208 m (209) pertained to investments in non-current assets in retail operations, SEK 13 m (14) to non-current assets in wholesale operations, and SEK 76 m (113) pertained to IT.

No significant acquisitions were made during the period.

## Financial position and cash flow

### Equity ratio, %



Cash flow from operating activities before paid tax was SEK 1,240 m during the period. Paid tax amounted to SEK -205 m (-119). Payment of the shareholder dividend affected cash flow by SEK -1,889 m (-899), and net capital expenditures affected cash flow by SEK -266 m (-398).

Cash and cash equivalents held by the Group amounted to SEK 813 m, compared with SEK 1,933 m in December 2015. Interest-bearing liabilities and provisions totalled SEK 518 m, compared with SEK 504 m in December 2015. The interest-bearing net debt receivable was SEK 316 m at the end of the period, compared with SEK 1,449 m in December 2015.

The equity ratio was 34.6%, compared with 43.0% in December 2015.

### Derivation of total investments and net capital expenditures in cash flow

SEK m	6 mos 2016	6 mos 2015
Total investments	-301	-385
Investments in finance leases	26	24
Divestment of tangible/intangible assets	10	12
Acquisition of financial assets	0	-20
Acquired operations, cash payment	-2	-35
Divested operations	1	6
<b>Cash flow from investing activities</b>	<b>-266</b>	<b>-398</b>

## Results per operating segment

### Willys

#### Second quarter

Wilys reported sales growth of 2.3% during the second quarter compared with the same period a year ago. Sales, which totalled SEK 5,823 m (5,691), were favourably affected by a larger number of customers, but negatively affected by a lower average spend. During the second quarter the customer programme Wilys Plus reached the milestone of 2 million customers. Like-for-like sales decreased by 0.2%. While new established Wilys stores in locations with existing stores had a negative effect on like-for-like sales, Wilys increased its overall market share at these locations.

On 12 May Wilys opened its e-commerce channel at three stores in Stockholm and Gothenburg. Just under three quarters of orders were for customer pick-up at stores, and just under half of e-commerce sales were made by the Gothenburg store. E-commerce sales are set to begin at another five stores during the second half of 2016.

Operating profit totalled SEK 245 m (227), an increase of 7.9% despite slightly higher personnel costs resulting from a reduced discount in payroll taxes for young employees. The operating margin was 4.2% (4.0%).

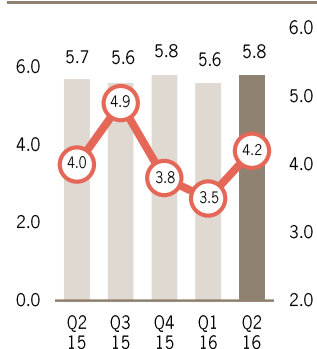
During the second quarter one new Wilys store was established in Torslanda/Gothenburg and two Wilys Hemma stores were closed. At the close of the period the Wilys chain comprised 148 Wilys stores and 48 Wilys Hemma stores.

Wilys' private label share was 28.8% (28.8%) at the end of the quarter.

#### January–June

Wilys' sales during the period January–June 2016 totalled SEK 11,466 m (10,952), an increase of 4.7% compared with a year ago. Like-for-like sales increased by 2.3%. Operating profit was SEK 440 m (399), and the operating margin was 3.8% (3.6%).

Sales, SEK bn, and operating margin, %



SEK m	Q2 2016	Q2 2015	Change	6 mos 2016	6 mos 2015	Change	Full year 2015
Net sales	5,823	5,691	2.3%	11,466	10,952	4.7%	22,320
Change in like-for-like sales, %	-0.2	3.7	-3.9	2.3	4.0	-1.7	4.4
Operating profit	245	227	7.9%	440	399	10.3%	896
Operating margin, %	4.2	4.0	0.2	3.8	3.6	0.2	4.0
Number of Group-owned stores	-	-	-	196	191	5	194
Average number of employees during the period	-	-	-	4,460	4,211	5.9%	4,464
Private label share, %	-	-	-	28.8	28.8	0.0%	29.1

### Hemköp

#### Second quarter

Hemköp's strong growth continued during the second quarter, both in total and on a like-for-like basis. Sales were driven by both a greater number of customers and a larger average spend. Sales for Group-owned stores totalled SEK 1,539 m (1,448), an increase of 6.3%. Like-for-like sales for Group-owned stores grew by 5.2% during the period. Sales for franchise stores totalled SEK 1,666 m (1,567), an increase of 6.3%, with a 4.4% rise in like-for-like sales.

After the summer Hemköp will open its e-commerce channel through sales of both grocery bags with pre-defined dinner solutions and open grocery shopping at five stores.

Operating profit for the second quarter totalled SEK 71 m (56), corresponding to an operating margin of 4.5% (3.8%). The operating margin can be credited mainly to favourable sales performance combined with cost control.

At the end of the second quarter the number of Group-owned stores was unchanged at 67, while the number of franchise stores increased to 115, with one "91/9" store being transferred to the franchisee's ownership and two stores, net, established as Hemköp franchises.

Hemköp's private label share was 22.3% (21.0%) as of June.

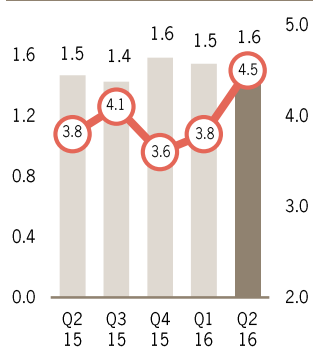
## January–June

Sales for Group-owned stores totalled SEK 3,058 m (2,826), an increase of 8.2%. Like-for-like sales for Group-owned stores grew during the period by 5.7%.

Sales for franchise stores totalled SEK 3,230 m (3,081), an increase of 4.8%, with a 4.6% rise in like-for-like sales.

Operating profit for the period January–June totalled SEK 130 m (106). The operating margin for the period was 4.2% (3.7%).

Sales, SEK bn, and operating margin, %



SEK m	Q2 2016	Q2 2015	Change	6 mos 2016	6 mos 2015	Change	Full year 2015
Net sales	1,563	1,470	6.3%	3,108	2,871	8.3%	5,883
Change in like-for-like sales, %	5.2	4.9	0.3	5.7	4.6	1.1	5.0
Operating profit	71	56	26.8%	130	106	22.6%	221
Operating margin, %	4.5	3.8	0.7	4.2	3.7	0.5	3.8
Number of Group-owned stores	-	-	-	67	67	-	68
Average number of employees during the period	-	-	-	1,738	1,658	4.8%	1,745
Private label share, %	-	-	-	22.3	21.0	1.3	21.4

## Axfood Närlivs

### Second quarter

Axfood Närlivs showed continued favourable growth during the second quarter and strengthened its position in the market. Sales during the period totalled SEK 760 m (717), an increase of 6.0%. The increase is mainly attributable to more café and restaurant customers in connection with two newly established Snabbgross stores during the past half year.

Operating profit for the second quarter totalled SEK 57 m (59), and the operating margin was 7.5% (8.2%). The lower margin is mainly attributable to costs associated with the newly established stores. Operating profit from the wholesale operations remains stable, driven by favourable sales performance for Tempo, among other things. Axfood Snabbgross had 22 stores (20) at the end of the period.

Sales, SEK bn, and operating margin, %



### January–June

Sales for Axfood Närlivs during the period January–June totalled SEK 1,394 m (1,312), an increase of 6.3%. Operating profit for the period totalled SEK 79 m (78), and the operating margin was 5.7% (5.9%).

SEK m	Q2 2016	Q2 2015	Change	6 mos 2016	6 mos 2015	Change	Full year 2015
Net sales	760	717	6.0%	1,394	1,312	6.3%	2,734
Operating profit	57	59	-3.4%	79	78	1.3%	200
Operating margin, %	7.5	8.2	-0.7	5.7	5.9	-0.2	7.3
Axfood Snabbgross, no. stores	-	-	-	22	20	2	21
Average number of employees during the period	-	-	-	448	426	5.2%	451

## Dagab

### Second quarter

The support company Dagab's sales growth remained strong, driven by the sales performance of the store chains, but also by continued favourable demand from convenience retailers. Sales totalled SEK 10,734 m (10,058), an increase of 6.7%.

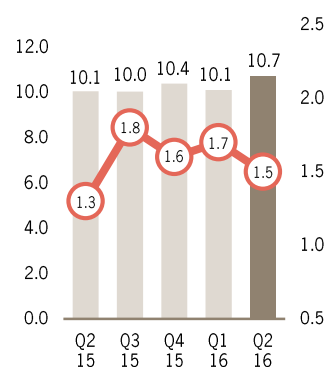
Operating profit totalled SEK 160 m (132), and the operating margin was 1.5% (1.3%). The increase is mainly attributable to higher volume from the store chains, including favourable development for private label products and fruits & vegetables along with good cost control.

### January–June

Dagab's sales during the period totalled SEK 20,846 m (19,323), an increase of 7.9%.

Operating profit totalled SEK 328 m (257), corresponding to an operating margin of 1.6% (1.3%).

Sales, SEK bn, and operating margin, %



SEK m	Q2 2016	Q2 2015	Change	6 mos 2016	6 mos 2015	Change	Full year 2015
Net sales	10,734	10,058	6.7%	20,846	19,323	7.9%	39,756
Distributed sales	6,962	6,547	6.3%	13,494	12,526	7.7%	25,995
Operating profit	160	132	21.2%	328	257	27.6%	600
Operating margin, %	1.5	1.3	0.2	1.6	1.3	0.3	1.5
Average number of employees during the period	-	-	-	1,787	1,694	5.5%	1,809
Delivery reliability, %	96.1	96.9	-0.8	96.3	96.9	-0.6	96.9

## Parent Company

Other operating revenue for the Parent Company during the period January–June amounted to SEK 116 m (105). After selling and administrative expenses of SEK 159 m (151) and net financial items of SEK 2 m (1), profit after financial items was SEK -41 m (-45). Capital expenditures totalled SEK 4 m (4) during the period.

The Parent Company's interest-bearing net debt receivable was SEK 382 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

	Q2 2016	Q2 2015	6 mos 2016	6 mos 2015	Full year 2015
Organic products as % of total food sales					
Axfood	6.3	5.2	6.7	5.3	5.9
Willys	6.0	5.0	6.1	5.0	5.2
Hemköp	7.8	6.6	8.7	6.6	8.1
KRAV-certified meat as % of total meat sales					
Axfood	3.7	3.2	3.9	3.2	3.5
Willys	2.9	3.0	3.1	2.9	3.1
Hemköp	7.4	5.2	7.1	5.1	5.8
Combustible waste <sup>1)</sup> (tonnes) – share of net sales (SEK m), %					
Willys	43	n.a.	43	n.a.	46
Hemköp	n.a.	n.a.	n.a.	n.a.	n.a.
Axfood Snabbgross	22	n.a.	22	n.a.	27
Private label product recalls from stores	8	5	14	11	26
Other product recalls from stores	23	19	40	46	96
Number of social audits <sup>2)</sup>	21	18	27	19	48
Electricity consumption, kWh/m <sup>2</sup> (stores and warehouses) <sup>3)</sup>	334.4	338.3	334.4	338.3	331.6
Electricity consumption (kWh) as share of net sales (SEK), % <sup>4)</sup>	0.64	0.68	0.64	0.68	0.63
CO <sub>2</sub> emissions, kg/tonne goods <sup>5)</sup>	13.5	18.5	13.5	18.5	16.9
Work attendance rate, %	93.9	93.9	93.6	93.7	94.0

<sup>1)</sup> Moving 12-month figures, with 1 quarter delay.

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

<sup>3)</sup> Moving 12-month figures. Pertains to Group-owned stores and warehouses.

<sup>4)</sup> Inflation-adjusted net sales.

<sup>5)</sup> 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. Sales of organic products grew 33% during the first six months of 2016 compared with the same period in 2015. This corresponds to 6.7% (5.3%) of total sales.

### Updated sustainability targets

During the quarter Axfood updated its sustainability programme, which steers the Group's work with the environment, natural resource conservation, animal welfare and social issues in both the short and long term. Axfood's ambition is to be a leader in sustainability, with respect to both technical solutions and ways of working. A new feature in the sustainability programme is that Axfood benchmarks its work both to Sweden's 16 national environmental targets and to the UN's 17 global Sustainable Development Goals (SDGs). Axfood is working with many of the UN's goals, but has identified the following four as the most relevant: SDG 1 – No poverty, SDG 10 – Reduced inequalities, SDG 12 – Responsible consumption and production, and SDG 13 – Climate action.

Since previously Axfood has set a target to be climate-neutral by 2020 and to promote diversity as an employer by having an even gender balance among managers as well as by ensuring that at least 20% of its managers come from an international background. Axfood strives to promote sustainable consumption with goals such as that organic sales will amount to a minimum of 10% of total food sales by 2020 and to only sell green-listed fish by that same year. Other actions to promote more sustainable consumption include reducing food waste in stores, increasing the share of meat suppliers with animal welfare certifications, and not allowing any chemical compounds from the SIN List<sup>1</sup> to be used in products or packaging.

<sup>1</sup> The SIN (Substitute it Now!) List is a database of chemicals identified by the organization ChemSec as being Substances of Very High Concern that should be banned within the EU.

### **Axfood's long-term food strategy**

In connection with the annual Almedal Week political policy conference Axfood presented its vision for a more sustainable grocery basket and grocery sector in Sweden, entitled *Matkassen 2030*. Customers' purchasing decisions have an enormous impact on society, and customers are ready to make the right choices, both regarding the environment and their health. With *Matkassen 2030* Axfood aspires to promote sustainable farming in Sweden, uphold Swedish value added, make demands on innovative thinking, and inspire and simplify for consumers to make more sustainable choices. The vision sets forth 79 concrete and sustainable recommendations for the Swedish government's forthcoming national food strategy. Axfood urges the business sector, politicians and authorities to collaborate in an effort to generate results and create a long-term food strategy.

### **Reduced climate impact 2015**

In May 2016 the Swedish Energy Markets Inspectorate published data on the residual mix<sup>2</sup> with a CO<sub>2</sub> footprint for electricity consumption in 2015 for electricity customers that did not actively choose renewable electricity. Since 2009, all premises in which Axfood is the electricity customer have renewable electricity and thus no CO<sub>2</sub> impact, however, certain Axfood stores in shopping centres are affected by the residual mix. As of this publication Axfood can calculate its total climate footprint for 2015, which corresponded to 26,653 tonnes of CO<sub>2</sub> equivalents. This is a decrease of 44% compared with 2014. The lower impact is due to the fact that an additional 17 of the 30 stores that did not have renewable electricity via their leases in the preceding year changed over to clean electricity in 2015. Axfood's largest climate footprint is thus no longer from electricity use, which accounted for 18% of the total footprint in 2015, but from refrigerant emissions, which accounted for 43%. The remaining footprint comes from transports (35%) and business travel (4%).

### **Matmissionen – too good to burn down**

In September, just over six months after Matmissionen – the Nordic countries' first social supermarket – burned down in Rågsved, Axfood and Stockholms Stadsmission will open the new Matmissionen store – this time in Veddesta outside Stockholm. Just as previously, the store will contribute to social benefit by creating financial scope for disadvantaged people, offering job training in the store and helping to reduce unnecessary food waste. Today Matmissionen has 1,200 members who can shop at prices that are one-third of ordinary retail prices.

### **Supplier visits in Thailand**

At the end of May Axfood visited a number of suppliers in Thailand as a step in the long-term work to secure the working conditions among their employers and subcontractors. Axfood also participated in a roundtable discussion focusing on the situation for guest workers arranged by BSCI (Business Social Compliance Initiative) and ILO (International Labour Organization). The discussions included recommendations for measures to reduce guest workers' expenses, which often become a form of indebtedness, in connection with their employment.

## **Forecast and market outlook 2016**

- Axfood expects operating profit for 2016 to exceed profit for 2015.
- Axfood's capital expenditures are expected to total SEK 600-700 m in 2016.
- Axfood expects food inflation in Sweden to be in the range of 1%–2% in 2016.

### **Future reports**

- 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 7 February 2017.

### **Press releases during the second quarter**

17 June 2016    Dagab acquires Saba's warehouse operation in Helsingborg  
7 June 2016    Hemköp launches pre-defined dinner solutions  
12 May 2016    Willys launches e-commerce service

<sup>2</sup>The mix of fossil-based, renewable and nuclear power-generated electricity that remains when customers that have actively chosen their electricity source have received their allocated share.

This interim report for the period January–June 2016 gives a fair overview of the Parent Company's and Group's operations, financial position and results of operations, and describes significant risks and uncertainties facing the Parent Company and companies included in the Group.

Stockholm, 15 July 2016

Mia Brunell Livfors  
*Chairman of the Board*

Lars Olofsson  
*Vice Chairman*

Antonia Ax:son Johnson  
*Board member*

Fabian Bengtsson  
*Board member*

Caroline Berg  
*Board member*

Ann Carlsson  
*Board member*

Anders Helsing  
*Board member, employee representative*

Michael Sjören  
*Board member, employee representative*

Lars Östberg  
*Board member, employee representative*

Anders Strålman  
*President and CEO*

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

## Financial statements, Group

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

SEK m	Q2 2016	Q2 2015	6 mos 2016	6 mos 2015	Full year 2015
Net sales	10,991	10,478	21,386	20,044	41,247
Cost of goods sold	-9,391	-8,987	-18,292	-17,222	-35,352
Gross profit	1,600	1,491	3,094	2,822	5,895
Selling/administrative expenses, etc.	-1,106	-1,060	-2,192	-2,062	-4,135
Operating profit	494	431	902	760	1,760
Interest income and similar profit/loss items	1	1	2	3	6
Interest expense and similar profit/loss items	-2	-3	-6	-6	-17
Profit after financial items	493	429	898	757	1,749
Tax	-109	-95	-198	-167	-388
<b>Profit for the period</b>	<b>384</b>	<b>334</b>	<b>700</b>	<b>590</b>	<b>1,361</b>
<b>Other comprehensive income</b>					
<i>Items that cannot be reclassified to profit or loss for the period</i>					
Revaluation of defined benefit pension plans	-11	6	-18	-9	8
Tax attributable to items that cannot be reclassified to profit or loss for the period	2	-1	4	2	-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	0	0
Change in fair value of forward exchange contracts	5	-3	5	-3	-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	-1	1	-1	1	0
<b>Other comprehensive income for the period</b>	<b>-5</b>	<b>3</b>	<b>-10</b>	<b>-9</b>	<b>4</b>
<b>Total comprehensive income for the period</b>	<b>379</b>	<b>337</b>	<b>690</b>	<b>581</b>	<b>1,365</b>
Operating profit includes depreciation/amortization of	180	173	357	346	696
Earnings per share, SEK <sup>1)</sup>	1.83	1.59	3.34	2.81	6.48
Profit for the period attributable to					
Owners of the parent	384	334	700	590	1,361
Non-controlling interests	0	0	0	0	0
Total comprehensive income for the period attributable to					
Owners of the parent	379	337	690	581	1,365
Non-controlling interests	0	0	0	0	0

<sup>1)</sup> The number of shares is the same 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.

## Condensed statement of financial position – Group

SEK m	30/6/2016	30/6/2015	31/12/2015
<b>Assets</b>			
Goodwill	1,860	1,860	1,860
Other intangible non-current assets	642	691	668
Property, plant and equipment	1,885	1,896	1,930
Financial assets <sup>1)</sup>	89	98	95
Deferred tax assets	64	61	60
<b>Total non-current assets</b>	<b>4,540</b>	<b>4,606</b>	<b>4,613</b>
Inventories	2,095	2,068	2,035
Accounts receivable – trade	997	901	852
Other current assets	1,186	1,203	1,104
Cash and bank balances	813	936	1,933
<b>Total current assets</b>	<b>5,091</b>	<b>5,108</b>	<b>5,924</b>
<b>Total assets</b>	<b>9,631</b>	<b>9,714</b>	<b>10,537</b>
<b>Shareholders' equity and liabilities</b>			
Equity attributable to owners of the parent	3,331	3,746	4,530
Equity attributable to non-controlling interests	1	1	1
<b>Total shareholders' equity</b>	<b>3,332</b>	<b>3,747</b>	<b>4,531</b>
Non-current interest-bearing liabilities	477	488	464
Deferred tax liabilities	572	470	569
Other noninterest-bearing non-current liabilities	34	34	30
<b>Total non-current liabilities</b>	<b>1,083</b>	<b>992</b>	<b>1,063</b>
Current interest-bearing liabilities	41	41	40
Accounts payable – trade	3,093	2,851	2,782
Other current noninterest-bearing liabilities	2,082	2,083	2,121
<b>Total current liabilities</b>	<b>5,216</b>	<b>4,975</b>	<b>4,943</b>
<b>Total shareholders' equity and liabilities</b>	<b>9,631</b>	<b>9,714</b>	<b>10,537</b>
<b>Pledged assets</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Contingent liabilities</b>	<b>14</b>	<b>21</b>	<b>14</b>
<sup>1)</sup> Of which, interest-bearing assets	21	20	20

## Condensed statement of cash flows – Group

SEK m	6 mos 2016	6 mos 2015	Full year 2015
<b>Operating activities</b>			
Cash flow from operating activities before changes in working capital, before paid tax	1,229	1,081	2,408
Paid tax	-205	-119	-270
Changes in working capital	11	183	357
<i>Cash flow from operating activities</i>	<i>1,035</i>	<i>1,145</i>	<i>2,495</i>
<b>Investing activities</b>			
Sales and acquisitions of operations, net	-1	-73	-82
Change in non-current assets, net	-265	-305	-649
Change in financial non-current assets, net	0	-20	-20
<i>Cash flow from investing activities</i>	<i>-266</i>	<i>-398</i>	<i>-751</i>
<b>Financing activities</b>			
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>
<b>Cash flow for the period</b>	<b>-1,120</b>	<b>-173</b>	<b>824</b>

## Condensed statement of changes in equity – Group

SEK m	30/6/2016	30/6/2015	31/12/2015
Amount at start of year	4,531	4,065	4,065
Total comprehensive income for the period	690	581	1,365
Dividend to shareholders	-1,889	-899	-899
<b>Amount at end of period <sup>1)</sup></b>	<b>3,332</b>	<b>3,747</b>	<b>4,531</b>

<sup>1)</sup> Of shareholders' equity, SEK 3,331 m (3,746) is attributable to owners of the parent and SEK 1 m (1) to non-controlling interests.

## Key ratios and other data – Group

	6 mos 2016	6 mos 2015	Full year 2015
Operating margin, %	4.2	3.8	4.3
Margin after financial items, %	4.2	3.8	4.2
Equity ratio, %	34.6	38.6	43.0
Net debt-equity ratio (+)/Net debt receivable ratio (-), multiple	-0.1	-0.1	-0.3
Debt-equity ratio, multiple	0.2	0.1	0.1
Interest cover ratio, multiple	150.7	127.2	103.9
Capital employed, SEK m	3,850	4,276	5,035
Return on capital employed, %	46.9	37.8	36.5
Return on shareholders' equity, %	41.6	33.7	31.8
Average number of employees	8,774	8,304	8,803
Capital expenditures, SEK m	301	385	764
Number of shares outstanding <sup>1)</sup>	209,870,712	209,870,712	209,870,712
<b>Key data per share</b>			
Earnings per share, SEK <sup>1)</sup>	3.34	2.81	6.48
Ordinary dividend per share, SEK	-	-	5.00
Extra dividend per share, SEK	-	-	4.00
Shareholders' equity per share, SEK <sup>1), 2)</sup>	15.87	17.85	21.58
Cash flow per share, SEK <sup>1)</sup>	-5.3	-0.8	3.9
Share price, SEK	161.40	132.40	146.80

## Quarterly overview

	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016
Sales	9,756	9,978	9,566	10,478	10,412	10,791	10,395	10,991
Operating profit	453	372	329	431	552	448	408	494
Operating margin, %	4.6	3.7	3.4	4.1	5.3	4.2	3.9	4.5
Earnings per share, SEK <sup>1), 3)</sup>	1.66	1.31	1.22	1.59	2.05	1.63	1.51	1.83
Shareholders' equity per share, SEK <sup>1), 2), 3)</sup>	18.02	19.20	16.24	17.85	19.88	21.58	14.07	15.87
Return on shareholders' equity, %	29.6	28.1	35.4	33.7	32.5	31.8	44.7	41.6
Cash flow from operating activities per share, SEK <sup>3)</sup>	2.7	3.5	2.5	3.0	3.1	3.3	1.9	3.0
Capital expenditures	171	169	164	221	170	209	136	165

<sup>1)</sup> 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.

<sup>2)</sup> Net asset value per share corresponds to shareholders' equity per share.

<sup>3)</sup> 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	Q2 2016	Q2 2015	6 mos 2016	6 mos 2015	Full year 2015
Net sales	0	-	0	-	-
Selling/administrative expenses, etc.	-24	-27	-43	-46	-87
<i>Operating profit</i>	-24	-27	-43	-46	-87
Other net financial items	1	-1	2	1	3
<i>Profit after financial items</i>	-23	-28	-41	-45	-84
Appropriations, net	-	-	-	-	1,358
<i>Profit before tax</i>	-23	-28	-41	-45	1,274
Tax	5	6	9	10	-282
<b>Net profit for the period</b>	<b>-18</b>	<b>-22</b>	<b>-32</b>	<b>-35</b>	<b>992</b>
Operating profit includes depreciation/amortization totalling	2	2	5	5	10

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

### Condensed balance sheet – Parent Company

SEK m	30/6/2016	30/6/2015	31/12/2015
<b>Assets</b>			
Property, plant and equipment	26	33	30
Participations in Group companies	3,136	3,136	3,136
Other financial non-current assets	7	6	6
Deferred tax assets	5	5	5
<b>Total non-current assets</b>	<b>3,174</b>	<b>3,180</b>	<b>3,177</b>
Receivables from Group companies <sup>1)</sup>	861	911	2,681
Other current assets	120	157	15
Cash and bank balances	573	733	1,489
<b>Total current assets</b>	<b>1,554</b>	<b>1,801</b>	<b>4,185</b>
<b>Total assets</b>	<b>4,728</b>	<b>4,981</b>	<b>7,362</b>
<b>Shareholders' equity and liabilities</b>			
Restricted shareholders' equity	287	287	287
Unrestricted shareholders' equity	1,686	2,580	3,607
<b>Total shareholders' equity</b>	<b>1,973</b>	<b>2,867</b>	<b>3,894</b>
<b>Untaxed reserves</b>	<b>1,653</b>	<b>1,226</b>	<b>1,653</b>
Non-current interest-bearing liabilities	21	21	20
Noninterest-bearing non-current liabilities	0	1	1
<b>Total non-current liabilities</b>	<b>21</b>	<b>22</b>	<b>21</b>
Accounts payable – trade	11	22	11
Liabilities to Group companies <sup>2)</sup>	1,023	763	1,648
Other current noninterest-bearing liabilities	47	81	135
<b>Total current liabilities</b>	<b>1,081</b>	<b>866</b>	<b>1,794</b>
<b>Total shareholders' equity and liabilities</b>	<b>4,728</b>	<b>4,981</b>	<b>7,362</b>
<b>Contingent liabilities</b>	<b>313</b>	<b>313</b>	<b>313</b>
<sup>1)</sup> Of which, interest-bearing receivables	853	901	875
<sup>2)</sup> Of which, interest-bearing liabilities	1,023	763	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. 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 that 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 3–8 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 the 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, 30/6/2016

#### Financial assets and liabilities

SEK m	Carrying amount	Fair value	Non-financial assets and liabilities	Total, statement of financial position
Financial assets	73	73	16	89
Accounts receivable – trade	997	997	-	997
Cash and bank balances	5	5	1,181	1,186
<b>Total assets</b>	<b>813</b>	<b>813</b>	<b>-</b>	<b>813</b>
Non-current interest-bearing liabilities	<b>1,888</b>	<b>1,888</b>	<b>1,197</b>	<b>3,085</b>
Current interest-bearing liabilities	40	40	437	477
Financial assets	41	41	-	41
Accounts payable – trade	3,093	3,093	-	3,093
<b>Total liabilities</b>	<b>3,174</b>	<b>3,174</b>	<b>437</b>	<b>3,611</b>

### Parent Company, 30/6/2016

#### Financial assets and liabilities

SEK m	Carrying amount	Fair value	Non-financial assets and liabilities	Total, condensed balance sheet
Financial assets	7	13	-	7
Receivable from Group companies	861	861	-	861
Cash and bank balances	573	573	-	573
<b>Total assets</b>	<b>1,441</b>	<b>1,447</b>	<b>-</b>	<b>1,441</b>
Accounts payable – trade	11	11	-	11
Liabilities to Group companies	1,023	1,023	-	1,023
<b>Total liabilities</b>	<b>1,034</b>	<b>1,034</b>	<b>-</b>	<b>1,034</b>

### 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 June 2016 was 0.25%.

## Financial key ratios

The Axfood Group uses a number of financial key ratios in the interim report that are not defined in IFRS. Axfood believes that these key ratios are relevant for readers of Axfood's financial reports as a complement in assessing Axfood's performance. Since not all companies calculate financial key ratios in the same way, these are not always comparable with ratios used by other companies. These financial key ratios are therefore not to be regarded as a replacement for key ratios defined in IFRS. The table below includes ratios not defined in IFRS, unless indicated otherwise, as well as a reconciliation of these key ratios.

Definitions of the key ratios are provided below.

## Derivation and reconciliation

### Store sales for Group-owned and franchise stores, quarterly data

SEK m	Q2 2016	Q2 2015	% <sup>1)</sup>	Like-for-like sales Q2 2016	Like-for-like sales Q2 2015	% <sup>1)</sup>
Net sales, Willys	5,823	5,691	2.3	-	-	-
Of which, sales for Group-owned stores <sup>2)</sup>	5,823	5,691	2.3	5,635	5,644	-0.2
Net sales, Hemköp	1,563	1,470	6.3	-	-	-
Of which, sales for Group-owned stores <sup>2)</sup>	1,539	1,448	6.3	1,456	1,384	5.2
Store sales, Hemköp franchise stores	1,666	1,567	6.3	1,612	1,544	4.4
Store sales, Hemköp Group-owned and franchise stores	3,205	3,015	6.3	3,068	2,928	4.8
<b>Retail sales, Group-owned stores <sup>2)</sup></b>	<b>7,362</b>	<b>7,139</b>	<b>3.1</b>	<b>7,091</b>	<b>7,028</b>	<b>0.9</b>
<b>Store sales, Axfood Group</b>	<b>9,028</b>	<b>8,706</b>	<b>3.7</b>	<b>8,703</b>	<b>8,572</b>	<b>1.5</b>

### Store sales for Group-owned and franchise stores, 6-month data

SEK m	6 mos 2016	6 mos 2015	% <sup>1)</sup>	Like-for-like sales, 6 mos 2016	Like-for-like sales, 6 mos 2015	% <sup>1)</sup>
Net sales, Willys	11,466	10,952	4.7	-	-	-
Of which, sales for Group-owned stores <sup>2)</sup>	11,466	10,952	4.7	11,110	10,864	2.3
Net sales, Hemköp	3,108	2,871	8.3	-	-	-
Of which, sales for Group-owned stores <sup>2)</sup>	3,058	2,826	8.2	2,871	2,716	5.7
Store sales, Hemköp franchise stores	3,230	3,081	4.8	3,141	3,002	4.6
Store sales, Hemköp Group-owned and franchise stores	6,288	5,907	6.4	6,012	5,718	5.1
<b>Retail sales, Group-owned stores <sup>2)</sup></b>	<b>14,524</b>	<b>13,778</b>	<b>5.4</b>	<b>13,981</b>	<b>13,580</b>	<b>3.0</b>
<b>Store sales, Axfood Group</b>	<b>17,754</b>	<b>16,859</b>	<b>5.3</b>	<b>17,122</b>	<b>16,582</b>	<b>3.3</b>

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

<sup>2)</sup> Summation of Group-owned store sales.

## Operating key ratio definitions and glossary

**Average number of employees during the year:** Total number of hours worked divided by the number of annual full-time equivalents (1,920 hours).

**Axfood Group:** Group-owned stores and Hemköp franchise stores.

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

## Financial key ratio definitions

**Capital employed:** Total assets less noninterest-bearing liabilities and noninterest-bearing provisions. Average capital employed is calculated as capital employed at the end of the period plus capital employed at the same point in time in the preceding year, divided by two.

**Cash flow from operating activities per share:** Cash flow from operating activities for the period divided by the weighted average number of shares.

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

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

**Earnings per share:** Net profit for the period 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-bearing net debt receivable/liability:** Interest-bearing non-current and current receivables and liabilities, including cash and bank balances, and the interest-bearing portion of financial assets.

**Interest cover ratio:** Profit after financial items plus financial expenses, divided by financial expenses.

**Like-for-like sales:** Sales for stores that existed and generated sales in the preceding period, broken down into Group-owned and franchise stores.

**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 capital expenditures in cash flow:** Total capital expenditures excluding investments pertaining to leasing, less divestments.

**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.

**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 end of the period plus shareholders' equity at the same point in time in the preceding year, divided by two.

**Sales, Group-owned retail operations:** Sales for Hemköp and Willys stores owned by Axfood.

**Sales growth:** Percentage increase in sales between two periods.

**Sales of private label products:** Sales of private label products, excluding meats and fruits & vegetables, as a percentage of store sales including Hemköp franchise stores. The private label share is based on statistical data from external suppliers. Data from a selection of Axfood's stores are calculated statistically to a total sum based on the stores' annual sales. In this selection, sales for Group-owned and franchise stores are weighted according to the actual historical sales.

**Store sales, Axfood Group –** Sales for Hemköp and Willys stores, including Hemköp franchise stores.

**Total capital expenditures:** Investments in intangible and tangible non-current assets, including finance leases.

## 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 263 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](http://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

axfood

Axfood AB, SE-107 69 Stockholm  
Norra Stationsgatan 80 C  
Tel +46-8-553 990 00  
[info@axfood.se](mailto:info@axfood.se), [axfood.se](http://axfood.se)  
Reg. no. 556542-0824

