

Axfood

Interim Report
1 Jan.– 31 March 2018

Good start to the year – strong growth with higher earnings

First quarter summary

- Consolidated net sales amounted to SEK 11,444 m (10,639), an increase of 7.6%.
- With strong store sales growth of 9.7% and vibrant growth in e-commerce sales, Axfood continues to take market shares.
- Operating profit was SEK 435 m (397), an increase of 9.6%. The operating margin was 3.8% (3.7%).
- Net profit for the period was SEK 338 m (309), and earnings per share before dilution were SEK 1.61 (1.47).
- At the start of the year the previously announced reorganization was carried out, entailing the

transfer of customer responsibility for Tempo to Hemköp, the reporting of Axfood Snabbgross as a separate segment, and the transfer of other Axfood Närlivs customers to Dagab.

- The Annual General Meeting approved the Board's proposed dividend of SEK 7.00 per share (6.00).

Significant events after the balance sheet date

- Axfood's board of directors has decided on the repurchase of a maximum of 240,000 shares coupled to the long-term share-based incentive programme LTIP 2018. Share repurchases can commence on 15 May.

Key ratios

SEK m	Q1 2018	Q1 2017	Change	12 mos 2017
Net sales	11,444	10,639	7.6%	45,968
Operating profit	435	397	9.6%	1,886
Operating margin, %	3.8	3.7	0.1	4.1
Profit for the period	338	309	9.4%	1,467
Earnings per share before dilution, SEK	1.61	1.47	9.5%	6.98
Cash flow from operating activities per share, SEK	3.06	0.18	1,600.0%	12.08
Return on capital employed, % ¹⁾	46.9	49.6	-2.7	39.4
Return on shareholders' equity, % ¹⁾	47.3	47.9	-0.6	34.9
Shareholders' equity per share, SEK ¹⁾	14.95	15.10	-1.0%	20.35
Equity ratio, %	30.6	30.9	-0.3	39.0

¹⁾ Moving 12-month figures.

All segmental data for 2017 are reported pro forma. For detailed information, see p. 8.

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The information herein is such that Axfood AB (publ) is required to make public in accordance with the EU Market Abuse Regulation and the Swedish Securities Market Act. The information was submitted for publication, through the agency of the contact person listed here, at 7 a.m. CET on 24 April 2018.



CEO's message

Good start to the year – strong growth with higher earnings



With growth in our stores reaching nearly 10%, which is an increase far higher than estimated market growth, we have gotten off to a good start to the year. Strong Easter sales contributed to higher volume, and e-commerce continues to maintain a high pace of growth in all of our concepts. This growth, together with strict cost control, has resulted in a higher operating profit and profitability.

Strong sales

Axfood posted very strong sales during the first quarter – also on a like-for-like basis. Willys stores had favourable sales for the entire quarter and concluded with very strong Easter volume. Cross-border shopping was also favourably affected by the Easter holiday. Eurocash contributed to the positive growth, with sales included for the entire quarter as the chain's stores were acquired in April last year.

Growth was good for the Hemköp chain, despite the effect of lower promotional activity. With its takeover of the Tempo franchise operations at the start of the year, Hemköp increased development work with the brand, and a number of new Tempo stores were opened during the quarter.

In the café and restaurant market the low season was tangible. Axfood Snabbgross, which is reported as a separate segment for the first time, experienced weak demand owing to cold weather. The chain's cash and carry stores were also negatively affected by Easter.

Strong sales performance, strict cost control and lower acquisition and project costs contributed to improved profitability.

E-commerce advancing

Growth in e-commerce continues to be very high in all our concepts. Today we reach more than 5 million consumers through our online offering. At the start of 2017 we offered e-commerce in Stockholm and Gothenburg. We now have online customers in an additional 23 cities. Most growth in e-commerce is still taking place in the major cities, however.

While online sales have a positive effect on total sales, they continue to weigh down earnings.

Sustainability in focus

We continue to develop our sustainability work, particularly in the climate area and with respect to sustainable food. We are working systematically to reduce the use

of fossil-based plastics both in production and in stores. This involves many small measures which together have a major effect. Among more recent initiatives, we have launched packaging with recyclable plastic or renewable material for our Säkklart brand of cleaning and skin care products. Organic and sustainability certified products continue to enjoy a prominent place on our store shelves. These certified products are an important part of our work with sustainable food, as such certifications are a quality seal for customers. Among other things, the certifications highlight the social conditions for employees further down the supply chain – something that we prioritize at Axfood. Step by step we are pursuing a long-term plan to contribute to better conditions in risk areas.

Future outlook

With a good start to the year in which we have gained market shares with good profitability, we are delivering on our long-term target to grow more than the market with an operating margin of at least 4%.

We continue to develop our various food concepts in an effort to meet our customers' varying preferences at the same time that we are creating efficiency through close collaboration. We are investing in all of our channels and staying attuned with customers' growing preferences for an expanded offering of prepared meal solutions, more e-commerce and digital solutions, and sustainable alternatives. In total we expect capital expenditures to be in the range of SEK 900–1,000 m in 2018.

We are continuing our strategic work on strengthening our business and working toward our mission: to contribute to better everyday life where everyone can enjoy affordable, good and sustainable food.

Klas Balkow
President and CEO, Axfood AB

7.6%

Sales growth during Q1 2018.

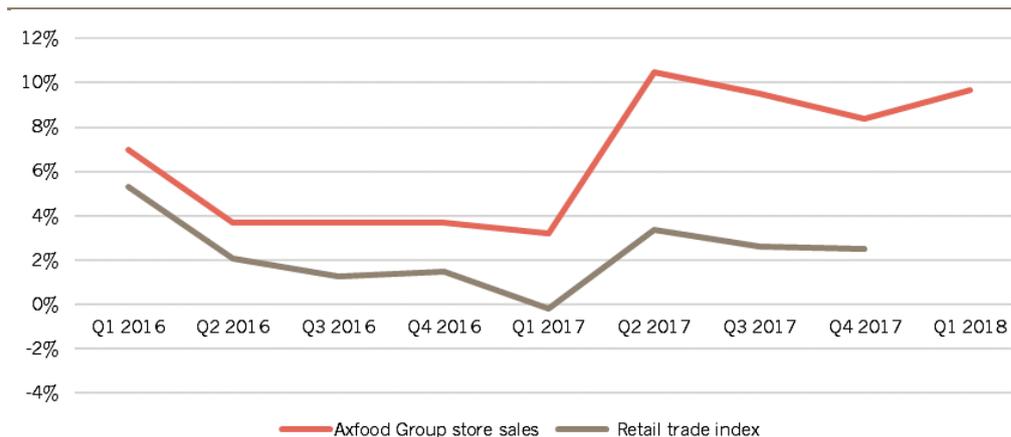
9.7%

Axfood Group sales growth during Q1 2018.

The Swedish food retail market

According to Statistics Sweden's (SCB) preliminary retail trade index for January to February 2018, accumulated sales for the food retail segment (excl. alcoholic beverages) grew 2.4% in current prices compared with the same period in 2017. In fixed prices, volume increased by 0.3%. The figures above do not take into account any calendar effects.

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



¹⁾ Willys including Eurocash and Hemköp (Group-owned and franchise).

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

Sales – Axfood Group

28.7%

Private label share at the end of Q1 2018.

First quarter

Net sales for the Axfood Group amounted to SEK 11,444 m (10,639) during the first quarter, an increase of 7.6%. Growth was positively affected by the inclusion of Easter sales in the first quarter this year and by the acquisition of Eurocash. Mat.se, which was acquired in early 2017, was included in two of the comparison period's three months.

Store sales for the Axfood Group (Group-owned stores and Hemköp franchises) totalled SEK 9,881 m (9,007), an increase of 9.7%. Growth in like-for-like sales was 5.2%. Sales for Group-owned retail operations increased by 11.1% during the first quarter, with a 5.3% rise in like-for-like sales.

Sales of private label products accounted for 28.7% (28.4%) of total sales at the end of the quarter.

Net sales per segment

SEK m	Q1 2018	Q1 2017	% ¹⁾	12 mos 2017
Willys	6,513	5,764	13.0	25,415
Hemköp	1,608	1,547	3.9	6,199
Axfood Snabbgross	674	655	2.9	2,984
Dagab	10,114	9,746	3.8	41,128
Joint-Group	208	190	9.5	770
<i>Internal sales between segments that are eliminated</i>				
Dagab	-7,476	-7,085	5.5	-29,802
Axfood Snabbgross	-2	-2	0.0	-7
Joint-Group	-195	-176	10.8	-719
Net sales, total	11,444	10,639	7.6	45,968

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

Store sales – Group-owned and Hemköp franchise stores²⁾

SEK m	Q1 2018	% ¹⁾	Like-for-like sales, % ¹⁾
Willys	6,513	13.0	6.3
Hemköp, Group-owned	1,572	3.8	1.8
Hemköp franchises	1,796	4.0	4.4
Hemköp total	3,368	3.9	3.2
Group-owned retail operations	8,085	11.1	5.3
Axfood Group store sales	9,881	9.7	5.2
Axfood Snabbgross	674	2.9	0.1

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

²⁾ See also the table “Store sales – Group-owned and franchise stores” on page 17.

Change in store structure

Number of stores	Dec. 2017	New establish- ments	Acquisitions	Sales/ closures	Conversions to/from	March 2018	March 2017
Willys ¹⁾	207	–	–	–	1	208	197
Hemköp	67	–	3	–	-1	69	67
Axfood Snabbgross	24	–	–	–	–	24	23
Total, Group-owned	298	–	3	–	0	301	287
Hemköp franchises	120	–	–	-3	–	117	120
Axfood Group total	418	–	3	-3	0	418	407
¹⁾ Of which, Willys Hemma	48	–	–	–	–	48	47
Of which, Eurocash	8	–	–	–	–	8	–

Earnings – Axfood Group

First quarter

Operating profit for the first quarter totalled SEK 435 m (397), with an operating margin of 3.8% (3.7%). Earnings were strong for Willys, owing both to favourable sales growth – especially for Easter – and the profit contribution from Eurocash. Hemköp showed a stable operating profit despite an increase in e-commerce. Earnings for Axfood Snabbgross decreased slightly, affected by weak sales growth and newly established units in recent years. Online sales via mat.se weighed down Dagab’s earnings. Costs for joint-Group functions decreased, which made a positive contribution to earnings.

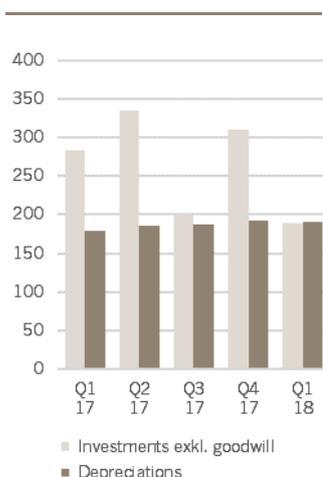
Profit after financial items was SEK 434 m (396). Profit after tax was SEK 338 m (309).

Operating profit per

SEK m	Q1 2018	Q1 2017	% ¹⁾	12 mos 2017
Willys	241	212	13.7	1,059
Hemköp	67	66	1.5	234
Axfood Snabbgross	9	10	-10.0	110
Dagab	165	171	-3.5	699
Joint-Group	-47	-62	-24.2	-216
Operating profit for the period	435	397	9.6	1,886
Net financial items	-1	-1	0.0	-5
Profit for the period after financial items	434	396	9.6	1,881

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

Capital expenditures, depreciation/amortization, SEK m



Capital expenditures

Total capital expenditures during the first quarter amounted to SEK 189 m (788), of which SEK 0 m (622) pertained to acquisitions of operations. Acquisitions during the same period a year ago consisted of Matse Holding AB and Saba's warehouse operation. In addition, capital expenditures included SEK 107 m (118) in non-current assets in retail operations, SEK 14 m (7) in non-current assets in wholesale operations, and SEK 67 m (41) in IT.

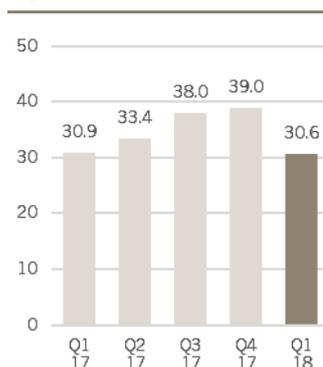
Financial position and cash flow

Cash flow from operating activities before paid tax amounted to SEK 732 m (110) during the quarter. Paid tax totalled SEK -90 m (-72). Payment of the shareholder dividend affected cash flow by SEK -1,468 m (-1,259), and net capital expenditures affected cash flow by SEK -164 m (-722). Net capital expenditures were lower than the same period a year ago, as the acquisitions of Mat.se and Saba affected the comparison period.

Cash and cash equivalents held by the Group amounted to SEK 555 m, compared with SEK 1,376 m in December 2017. Interest-bearing liabilities and provisions totalled SEK 700 m, compared with SEK 528 m in December 2017. Interest-bearing net debt was SEK 122 m at the end of the quarter, compared with an interest-bearing net debt receivable of SEK 871 m in December 2017. The change is mainly attributable to payment of the dividend during the period.

The equity ratio was 30.6%, compared with 39.0% in December 2017.

Equity ratio, %



Derivation of total investments and net capital expenditures in cash flow

SEK m	3 mos 2018	3 mos 2017
Total investments	-189	-788
Investments in finance leases	17	12
Divestment of tangible/intangible assets	11	4
Acquisition of financial assets	-	-5
Acquisition of mat.se	-	60
Acquisition of other operations	-5	-5
Divested operations	2	0
Cash flow from investing activities	-164	-722

Results per operating segment

Willys

First quarter

Willys' sales totalled SEK 6,513 m (5,764) during the first quarter, an increase of 13.0% compared with the same period a year ago. This performance is attributable to good like-for-like sales growth, strong e-commerce business and the addition from Eurocash. Easter sales, which took place during the first quarter this year, were strong and favourably affected by payday during Easter week. Willys' sales excluding Eurocash increased by 7.6% compared with the same period a year ago. Like-for-like sales increased by 6.3%.

Operating profit totalled SEK 241 m (212), an increase of 13.7%. Earnings were positively affected by the strong sales growth and addition of earnings from Eurocash. An operating margin of 3.7% (3.7%) was maintained despite growth in e-commerce.

During the first quarter Willys rolled out e-commerce in an additional three cities, and at the end of the quarter Willys offered online shopping at 40 stores in 22 cities. The rollout is continuing in 2018, and the plan is to offer e-commerce at an additional some 25 stores in ten new cities by year-end 2018.

One Hemköp store was converted to Willys during the first quarter. At the end of the first quarter of 2018 Willys had a total of 208 stores, of which 200 were Willys and eight were Eurocash.

Willys' private label share was 30.6% (30.5%) at the end of the quarter.

Net sales, SEK bn, and operating margin, %¹⁾



SEK m	Q1 2018	Q1 2017	Change	12 mos 2017
Net sales	6,513	5,764	13.0%	25,415
Change in like-for-like sales, %	6.3	1.2	5.1	4.3
Operating profit	241	212	13.7%	1,059
Operating margin, %	3.7	3.7	0.0	4.2
Number of Group-owned stores	208	197	11	207
Average number of employees during the period	4,918	4,512	9.0%	5,070
Private label share, %	30.6	30.5	0.1	29.7

¹⁾ Only 2017 figures are pro forma.

Hemköp

First quarter

Hemköp's sales including franchise stores showed growth of 3.9% during the first quarter.

Sales for Group-owned Hemköp stores totalled SEK 1,572 m (1,515), an increase of 3.8%. Like-for-like sales for Group-owned stores increased by 1.8%, driven by a higher average ticket value. Net sales for Group-owned Hemköp stores (including franchise fees¹⁾ increased by 3.9%.

Sales for Hemköp franchise stores totalled SEK 1,796 m (1,728), an increase of 4.0%, while like-for-like sales increased by 4.4%.

Operating profit for the first quarter was SEK 67 m (66), corresponding to a stable operating margin of 4.2% (4.3%). E-commerce had a negative earnings impact.

¹⁾ As a result of the reorganization, franchise fees include both Hemköp and Tempo.

At the end of the first quarter Hemköp offered online shopping at 18 stores in eight cities. During the quarter, one Group-owned Hemköp store was converted to Willys, and three Hemköp franchise stores became Group-owned.

Hemköp's private label share was 24.3% (23.5%) at the end of the quarter.

Net sales, SEK bn, and operating margin, %¹⁾



SEK m	Q1 2018	Q1 2017	Change	12 mos 2017
Net sales	1,608	1,547	3.9%	6,199
Change in like-for-like sales, %	1.8	2.0	-0.2	2.1
Operating profit	67	66	1.5%	234
Operating margin, %	4.2	4.3	-0.1	3.8
Number of Group-owned stores	69	67	2	67
Average number of employees during the period	1,708	1,677	1.9%	1,800
Private label share, %	24.3	23.5	0.8	24.7

¹⁾ Only 2017 figures are pro forma.

Axfood Snabbgross

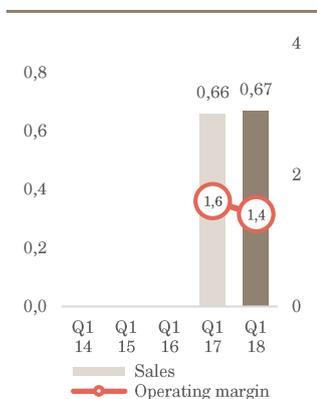
First quarter

Axfood Snabbgross's sales totalled SEK 674 m (655) during the first quarter, representing growth of 2.9% compared with the same period a year ago. The seasonally lower demand from restaurants and cafés during the first quarter was more pronounced as a result of cold weather and a negative calendar effect with Easter. Axfood Snabbgross's sales during the quarter were also negatively affected by the transfer of business in Middagsfrid to mat.se in 2018. In a weak B2B market, Axfood Snabbgross strengthened its position as a result of more customers and good growth for the most recently established stores.

Operating profit for the first quarter totalled SEK 9 m (10), with an operating margin of 1.4% (1.6%). Profitability continues to be weighed down somewhat by growth investments.

Axfood Snabbgross had 24 (23) stores at the end of the first quarter.

Net sales, SEK bn, and operating margin, %^{1) 2)}



SEK m	Q1 2018	Q1 2017	Change	12 mos 2017
Net sales	674	655	2.9%	2,984
Operating profit	9	10	-10.0%	110
Operating margin, %	1.4	1.6	-0.2	3.7
Axfood Snabbgross, no. stores	24	23	1	24
Average number of employees during the period	372	347	7.2%	384

¹⁾ Due to a reorganization in January 2015, there are no comparison figures for 2014. Since the comparables for 2015 and 2016 are not recalculated these figures are not reported.

²⁾ 2017 figures are pro forma.

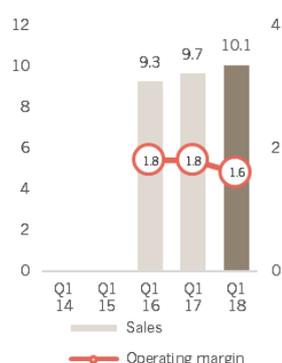
Dagab

First quarter

Sales totalled SEK 10,114 m (9,746), an increase of 3.8%. Growth for the support company Dagab was positively affected by favourable sales to the store chains but negatively affected by weak development vis-à-vis business customers, which included sales to Mathem in the comparison period.

Operating profit totalled SEK 165 m (171), which is a decrease compared with the same period a year ago. Earnings were weighed down by an increase in online sales volume. The operating margin was 1.6% (1.8%).

Net sales, SEK bn, and operating margin, %¹⁾²⁾



SEK m	Q1 2018	Q1 2017	Change	12 mos 2017
Net sales	10,114	9,746	3.8%	41,128
Operating profit	165	171	-3.5%	699
Operating margin, %	1.6	1.8	-0.2	1.7
Average number of employees during the period	2,178	2,176	0.1%	2,278
Delivery reliability, %	96.8	97.4	-0.6	96.9

¹⁾ No comparison figures are available for Q1 2014–2015 due to the acquisition of the fruit & vegetables warehouse operations in 2017 and a reorganization in 2015.

²⁾ Figures for 2016 and 2017 are pro forma. 2016 pertains to the acquisition of the fruit & vegetable warehouse operations.

Parent Company

Other operating revenue for the Parent Company amounted to SEK 66 m (61) during the period January–March. After selling and administrative expenses of SEK 93 m (100) and net financial items of SEK 1 m (1), profit after financial items was SEK -25 m (-38). Capital expenditures during the period totalled SEK 1 m (0).

The Parent Company had an interest-bearing net debt receivable of SEK 613 m at the end of the period, compared with SEK 241 m in December 2017. The Parent Company has no significant transactions with related parties, other than transactions with subsidiaries.

Pro forma

Effective 1 January 2018 Axfood carried out a reorganization of Axfood Närlivs, entailing that the operations of Axfood Snabbgross are reported as a new segment. Customer responsibility for Tempo has been transferred to Hemköp, and other operations in Axfood Närlivs have been transferred to Dagab. In connection with the reorganization, Dagab carried out a price adjustment based on its updated cost structure. This entailed a change in net sales and operating profit for the segment. All historical segmental data for 2017 are reported pro forma.

SEK m	Q1 2017	Q2 2017	Q3 2017	Q4 2017	12 mos 2017
<i>Willlys</i>					
Net sales	5,764	6,601	6,417	6,633	25,415
Operating profit	212	273	332	242	1,059
Operating margin, %	3.7	4.1	5.2	3.6	4.2
<i>Hemköp</i>					
Net sales	1,547	1,544	1,470	1,638	6,199
Operating profit	66	56	54	58	234
Operating margin, %	4.3	3.6	3.7	3.5	3.8
<i>Axfood Snabbgross</i>					
Net sales	655	789	813	727	2,984
Operating profit	10	39	47	14	110
Operating margin, %	1.6	4.9	5.8	1.9	3.7
<i>Dagab</i>					
Net sales	9,746	10,677	10,178	10,527	41,128
Operating profit	171	177	208	143	699
Operating margin, %	1.8	1.7	2.0	1.4	1.7

Sustainable development

Key ratios, Group

	Q1 2018	Q1 2017	12 mos 2017
Organic products as % of total food sales			
Axfood	7.0	7.3	6.8
Willys incl. Eurocash	6.1	6.5	6.0
Hemköp (incl. franchises)	9.9	10.1	9.5
Growth in plant-based protein substitutes, ¹⁾ %			
Axfood	26	30	29
Willys incl. Eurocash	30	32	33
Hemköp (incl. franchises)	19	25	23
KRAV-certified meat as % of total meat sales			
Axfood	4.3	4.5	3.9
Willys incl. Eurocash	3.0	3.0	2.7
Hemköp (inkl. franchises)	9.3	9.7	8.5
Combustible waste ²⁾ (tonnes), share of net sales (SEK m), %			
Willys	36	38	37
Hemköp	n.a.	n.a.	n.a.
Axfood Snabbgross	18	21	18
Private label product recalls from stores	9	10	29
Product recalls from stores, other brands	16	27	107
Number of social audits ³⁾	13	6	77
Electricity consumption, kWh/m ² (stores and warehouses) ⁴⁾	323.3	316.3	319.9
Electricity consumption (kWh) as share of net sales (SEK), % ⁵⁾	0.59	0.58	0.59
CO ₂ , kg/tonne goods ⁶⁾	9.6	7.5	7.3
Work attendance rate, %	93.9	93.5	94.3

¹⁾ Compared with same period a year ago.

²⁾ Moving 12-month figures, with 1 quarter delay.

³⁾ Both under own management and via the organization Business Social Compliance Initiative (BSCI).

⁴⁾ Moving 12-month figures. Pertains to Group-owned stores and warehouses under joint electricity contracts.

⁵⁾ Inflation-adjusted net sales.

⁶⁾ Moving 12-month figures. Pertains to total volume for transports from warehouses to stores using own delivery fleet.

Sales of organic and vegetarian products

Sales of organic products accounted for 7.0% (7.3%) of Axfood's total food sales in during the first quarter of 2018. The organic product share during the year includes Eurocash. Axfood has set a target for organic products to account for 10% of total food sales by 2020.

Axfood's customers showed continued demand for vegetarian products, i.e., refrigerated and frozen plant-based protein substitutes. Sales of vegetarian alternatives grew 26% during the first quarter of 2018.

Industry-wide investment in plastic recycling

Improved plastic recycling is an issue that Axfood has driven for quite some time. In early 2018 it became clear that Axfood, through Sweden's nationwide recycling system (FTI), will become a part-owner of Europe's largest and most modern plastics recycling plant, which will be built in Motala, Sweden. Sweden is in need of a new recycling plant since there are currently major problems in the handling of plastic for recycling. Capacity is so low that large volumes are transported to plants abroad. Another problem is the low quality of plastic that is recycled, which has led to the incineration of plastic instead of it being in demand in the industry.

Climate-smart packaging

Axfood's sustainability work entails taking a holistic view of products, including both their content and packaging. The environmental aspect – especially choice of material – is extra important when a new package is developed. Focus is on designing packaging to avoid waste and be easy to recycle the material used. Axfood's own SÅklart brand of cleaning and body care products is an example of products that have recently been given a more climate-smart appearance. SÅklart product packaging is made of recyclable plastic or plastic based on renewable sugar cane. In addition, Axfood compensates for the carbon dioxide emissions from production and transport through offsets.

Advocating for living wages

Axfood's sustainability programme includes an overarching goal to eliminate poverty in the Group's private label product supply chain as far as possible by 2030 (in support of the UN's Global Sustainability Development Goal number 1). One step in the work towards this goal is the recently decided strategy to advocate for living wages, which is also part of the Group's work on following up the Axfood Code of Conduct.

Unfortunately, in many countries the legal minimum wage does not equate to a wage that is adequate to cover basic costs for a family, i.e. a living wage. This can lead to child labour, extreme overtime, ill-health, accidents and malnutrition. Axfood is striving to serve as an active advocate for living wages.

Axfood cannot set an exact level of wages for employees or small businesses in the supply chain, but it can advocate for greater dialogue and wage negotiation. Since Axfood is a relatively small player in global purchasing contexts, it must adeptly prioritize its activities to be able to have an impact and spur change in areas where the problems are the worst.

Succeeding with this work requires collaboration with others – both within the industry and with union and voluntary organizations. To facilitate such collaboration Axfood has joined Global Deal, a global partnership that encourages labour market parties and countries' governments to engage in a better dialogue on more decent working conditions.² Since previously Axfood has been promoting e-learning initiatives for subcontractors' employees about their rights. Axfood has now also begun offering training for a few initial suppliers in the benefits of carrying on a genuine dialogue with management and active employee representatives.

Long-term financial targets and capital expenditures 2018

- Axfood's long-term financial targets:
 - Grow more than the market
 - The operating margin shall amount to at least 4% long-term
 - The equity ratio shall amount to at least 25% during all quarters
 - Axfood's dividend policy sets the goal that the shareholder dividend shall be at least 50% of profit after tax
- Axfood's capital expenditures in 2018 are expected to be in the range of SEK 900–1,000 m excluding acquisitions.

Future reports

The interim report for Jan–Jun 2018 will be presented on 16 July 2018, at 1 pm CET.

The interim report for Jan–Sep 2018 will be presented on 24 Oct 2018, at 7 am CET.

The year-end report for Jan–Dec 2018 will be presented on 5 February 2019 at 7 am CET.

Press releases during the first quarter

18 Jan. 2018 Axfood introduces digital receipts

10 Jan. 2018 Carl Stenbeck new Head of Strategy and Business Development at Axfood

13 Feb. 2018 Hemköp reduces food waste with Karma

27 Feb. 2018 Middagsfrid launches "Bistro" meal kits from Urban Deli

13 March 2018 Hemköp's seafood counters ASC certified

27 March 2018 100% organic eggs from Middagsfrid

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

Stockholm, 23 April 2018

Klas Balkow
President and CEO

² Global Deal is an organization whose objectives are based on a declaration to make commitments that will enable all countries in the world to achieve two of the UN's Global Sustainable Development Goals: Goal 8 – on decent work and inclusive growth, and Goal 10 – on reduced inequalities. The organization is a partnership of a large number of governments, companies, trade unions and other organizations.

Financial statements, Group

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

SEK m	Q1 2018	Q1 2017	12 mos 2017
Net sales	11,444	10,639	45,968
Cost of goods sold	-9,734	-9,089	-39,306
Gross profit	1,710	1,550	6,662
Selling and administrative expenses, etc.	-1,275	-1,153	-4,776
Operating profit	435	397	1,886
Interest income and similar profit/loss items	2	2	8
Interest expense and similar profit/loss items	-3	-3	-13
Profit after financial items	434	396	1,881
Tax	-96	-87	-414
Profit for the period	338	309	1,467
Other comprehensive income			
<i>Items that cannot be reclassified to profit or loss for the period</i>			
Revaluation of defined benefit pension plans	1	2	-15
Tax attributable to items that cannot be reclassified to profit or loss for the period	0	0	3
<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	1	1	0
Change in fair value of available-for-sale financial assets	-	-	-6
Tax attributable to items that have been reclassified or can be reclassified to profit or loss for the period	0	0	1
Other comprehensive income for the period	2	3	-17
Total comprehensive income for the period	340	312	1,450
Operating profit includes depreciation/amortization of	191	179	744
Earnings per share before dilution, SEK	1.61	1.47	6.98
Earnings per share after dilution, SEK	1.61	1.47	6.98
Profit for the period attributable to			
Owners of the parent	338	309	1,463
Non-controlling interests	0	0	4
Total comprehensive income for the period attributable to			
Owners of the parent	340	312	1,446
Non-controlling interests	0	0	4

Condensed statement of financial position, Group

SEK m	31/3/2018	31/3/2017	31/12/2017
Assets			
Goodwill	2,671	2,369	2,671
Other intangible assets	709	679	717
Property, plant and equipment	2,045	1,827	2,032
Financial assets ¹⁾	59	94	84
Deferred tax assets	135	99	131
Total non-current assets	5,619	5,068	5,635
Inventories	2,326	2,280	2,263
Accounts receivable – trade	1,044	981	954
Other current assets	1,377	1,678	1,241
Cash and bank balances	555	284	1,376
Total current assets	5,302	5,223	5,834
Total assets	10,921	10,291	11,469
Shareholders' equity and liabilities			
Equity attributable to owners of the parent	3,134	3,170	4,266
Equity attributable to non-controlling interests	212	6	212
Total shareholders' equity	3,346	3,176	4,478
Non-current interest-bearing liabilities	482	471	479
Deferred tax liabilities	788	692	784
Other noninterest-bearing non-current liabilities	27	26	29
Total non-current liabilities	1,297	1,189	1,292
Current interest-bearing liabilities	218	546	49
Accounts payable – trade	3,789	3,149	3,458
Other current noninterest-bearing liabilities	2,271	2,231	2,192
Total current liabilities	6,278	5,926	5,699
Total shareholders' equity and liabilities	10,921	10,291	11,469
¹⁾ Of which, interest-bearing assets	23	21	23

Condensed statement of cash flows, Group

SEK m	Q1 2018	Q1 2017	12 mos 2017
Operating activities			
Operating profit	435	397	1,886
Adjustments for non-cash items	181	169	707
Interest paid	-3	-3	-5
Interest received	2	2	6
Paid tax	-90	-72	-382
Changes in working capital	117	-455	322
<i>Cash flow from operating activities</i>	<i>642</i>	<i>38</i>	<i>2,534</i>
Investing activities			
Acquisitions of operations	-6	-567	-746
Acquisitions of intangible assets	-34	-25	-114
Acquisitions of property, plant and equipment	-137	-129	-651
Other changes in investing activities	13	-1	11
<i>Cash flow from investing activities</i>	<i>-164</i>	<i>-722</i>	<i>-1,500</i>
Financing activities			
Loans raised	169	501	0
Amortization of debt	-	-	-97
Share repurchases	-	-	-28
Dividend payout	-1,468	-1,259	-1,259
<i>Cash flow from financing activities</i>	<i>-1,299</i>	<i>-758</i>	<i>-1,384</i>
Cash flow for the period	-821	-1,442	-350

Condensed statement of changes in equity, Group

SEK m	31/3/2018	31/3/2017	31/12/2017
Amount at start of year	4,478	4,118	4,118
Changed accounting policy (IFRS 9)	-5	-	-
Total comprehensive income for the period	340	312	1,450
Change in non-controlling interests	-	5	193
Share repurchases	-	-	-28
Share-based payments	1	-	4
Dividend to shareholders	-1,468	-1,259	-1,259
Amount at end of period¹⁾	3,346	3,176	4,478

1) Of shareholders' equity, SEK 3,134 m (3,170) is attributable to owners of the parent and SEK 212 m (6) to non-controlling interests.

Key ratios and other data, Group

	31/3/2018	31/3/2017	12 mos 2017
Operating margin, %	3.8	3.7	4.1
Margin after financial items, %	3.8	3.7	4.1
Equity ratio, %	30.6	30.9	39.0
Net debt (+)/net receivable (-)	122	712	-871
Net debt-equity ratio (+)/Net receivable-equity ratio (-), multiple	0.0	0.2	-0.2
Debt-equity ratio, multiple	0.2	0.3	0.1
Capital employed, SEK m	4,046	4,193	5,006
Return on capital employed, %	46.9	49.6	39.4
Return on shareholders' equity, %	47.3	47.9	34.9
Average number of employees during the period	9,550	9,065	9,903
Capital expenditures, SEK m	189	788	1,934
Number of shares outstanding at the end of the period	209,676,712	209,870,712	209,676,712
Average number of shares outstanding	209,676,712	209,870,712	209,748,468
Key data per share			
Earnings per share before dilution, SEK	1.61	1.47	6.98
Earnings per share after dilution, SEK	1.61	1.47	6.98
Ordinary dividend per share, SEK	-	-	7.00
Shareholders' equity per share, SEK	14.95	15.10	20.35
Cash flow per share, SEK	-3.92	-6.87	-1.67

Quarterly overview

	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018
Sales	10,991	10,853	11,116	10,639	11,925	11,578	11,826	11,444
Operating profit	494	599	401	397	487	604	398	435
Operating margin, %	4.5	5.5	3.6	3.7	4.1	5.2	3.4	3.8
Earnings per share before dilution, SEK	1.83	2.22	1.46	1.47	1.81	2.23	1.46	1.61
Shareholders' equity per share, SEK	15.87	18.06	19.62	15.10	16.74	18.89	20.35	14.95
Return on shareholders' equity, %	41.6	37.9	34.1	47.9	42.7	37.8	34.9	47.3
Cash flow from operating activities per share, SEK	3.01	2.54	3.20	0.18	5.09	2.85	3.97	3.06
Capital expenditures	165	107	172	788	632	204	310	189
Net debt (+)/net receivable (-)	-316	-763	-1,249	712	267	-327	-871	122
Share price, SEK	161.40	151.40	143.20	134.60	140.60	139.70	158.10	142.75

Financial statements, Parent Company

Condensed income statement, Parent Company

SEK m	Q1 2018	Q1 2017	12 mos 2017
Net sales	1	0	1
Selling/administrative expenses, etc.	-27	-39	-123
<i>Operating profit</i>	-26	-39	-122
Other net financial items	1	1	3
<i>Profit after financial items</i>	-25	-38	-119
Appropriations, net	-	-	1,737
<i>Profit before tax</i>	-25	-38	1,618
Tax	4	8	-359
Net profit for the period	-21	-30	1,259
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	31/3/2018	31/3/2017	31/12/2017
Assets			
Property, plant and equipment	9	19	12
Participations in Group companies	3,339	4,052	3,338
Other financial non-current assets	6	7	9
Deferred tax assets	8	5	7
Total non-current assets	3,362	4,083	3,366
Receivables from Group companies ¹⁾	1,124	5,730	3,076
Other current assets	131	135	13
Cash and bank balances	0	0	804
Total current assets	1,255	5,865	3,893
Total assets	4,617	9,948	7,259
Shareholders' equity and liabilities			
Restricted shareholders' equity	287	287	287
Unrestricted shareholders' equity	1,307	1,530	2,795
Total shareholders' equity	1,594	1,817	3,082
Untaxed reserves	2,400	2,127	2,400
Non-current interest-bearing liabilities	29	23	28
Noninterest-bearing non-current liabilities	1	1	2
Total non-current liabilities	30	24	30
Current interest-bearing liabilities	169	501	-
Accounts payable – trade	13	10	20
Liabilities to Group companies ²⁾	289	5,335	1,594
Other current noninterest-bearing liabilities	122	134	133
Total current liabilities	593	5,980	1,747
Total shareholders' equity and liabilities	4,617	9,948	7,259
¹⁾ Of which, interest-bearing receivables	1,100	2,883	1,019
²⁾ Of which, interest-bearing liabilities	289	2,675	1,554

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. Disclosures in accordance with IAS 34 Interim Financial Reporting are presented in notes as well as in other parts of the interim report. 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 company management 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.

The same accounting policies and calculation methods have been used in this year-end report as in the most recent annual report.

New accounting policies 2018

The Group has begun applying IFRS 9 Financial Instruments as from 1 January 2018. The effect of the changeover to IFRS 9 on the consolidated financial statements is shown in the table below.

SEK m	Closing balance 31 Dec. 2017 before changeover to IFRS 9	Adjustments for changeover to IFRS 9	Adjusted opening balance 1 January 2018
Reserves	4	(4)	-
Profit brought forward	3,621	(1)	3,620

The combined effect (after tax) on the opening balance of the Group's shareholders' equity at 1 January 2018 is SEK 5 m. The effects consist of the following:

- A decrease of SEK 1.0 m attributable to profit brought forward owing to impairment losses on expected future credit losses on financial assets (according to the expected credit loss model). Axfood applies a simplified method for recognition of impairment
- A decrease in the fair value reserve of SEK 4 m attributable to reclassification of financial assets

Application of IFRS 15 Revenue from Contracts with Customers, has not had any effects on opening balances. For further information, see Axfood's 2017 Annual Report.

New accounting policies effective in 2019 and forward

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 16 Leases, the new leasing standard that takes effect in 2019 with 2018 as the comparison year, will affect Axfood. The new standard differs significantly from the current IAS 17. The new standard applies for all lease contracts as well as all subleases. A linear operating lease cost has been replaced with a "top-heavy" cost profile for each individual lease contract. Portfolios with a spread of lease terms are affected less. The disclosures provided in Note 11 in the 2017 Annual Report about operating leases provide an indication of the type and scope of the leases that currently exist. A project has been started to determine how the consolidated financial statements will be affected by the changeover to IFRS 16. The choice of transitional method has not yet been made, and the standard will not be applied prospectively.

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 and Axfood Snabbgross. For information about Axfood's operating segments, see pages 3–9 of this interim report. For a more detailed description of the segments, please refer to the 2017 Annual Report.

Axfood has no significant transactions with related parties other than transactions with subsidiaries.

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 2017 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 Acquired operations

No significant acquisitions were made during the first quarter of 2018.

Note 6 Disclosures about financial assets and liabilities

No significant changes have taken place with respect to fair valuation of financial assets and liabilities since publication of the 2017 Annual Report. Fair values correspond in all essential respects with the carrying amounts.

Note 7 Pledged assets and contingent liabilities

Group, SEK m	31/3/2018	31/3/2017	31/12/2017
Pledged assets	6	0	6
Contingent liabilities	17	22	17
Parent Company, SEK m	31/3/2018	31/3/2017	31/12/2017
Pledged assets	0	0	0
Contingent liabilities	287	301	287

Note 8 Events after the balance sheet date

- Axfood's board of directors has decided on the repurchase of a maximum of 240,000 shares coupled to the long-term share-based incentive programme LTIP 2018. Share repurchases can commence on 15 May.

Financial key ratios

The Axfood Group uses various financial measures in its interim reports 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 measures in the same way, these are not always comparable with measures used by other companies. These financial measures are therefore not to be regarded as a substitute for measures defined in IFRS. The table below includes measures not defined in IFRS, unless indicated otherwise, as well as a reconciliation of these measures.

Definitions of the key ratios are provided below.

Derivation and reconciliation

Store sales – Group-owned and franchise stores, quarterly data

SEK m	Q1 2018	Q1 2017	% ¹⁾	Like-for-like sales Q1 2018	Like-for-like sales Q1 2017	% ¹⁾
Net sales, Willys	6,513	5,764	13.0	-	-	-
Of which, sales for Group-owned stores ²⁾	6,513	5,764	13.0	6,113	5,752	6.3
Net sales, Hemköp	1,608	1,547	3.9	-	-	-
Of which, sales for Group-owned stores ²⁾	1,572	1,515	3.8	1,505	1,479	1.8
Store sales, Hemköp franchises	1,796	1,728	4.0	1,767	1,693	4.4
Store sales, Hemköp Group-owned and franchise stores	3,368	3,243	3.9	3,272	3,172	3.2
Retail sales, Group-owned stores²⁾	8,085	7,279	11.1	7,618	7,231	5.3
Axfood Group, store sales	9,881	9,007	9.7	9,385	8,924	5.2
Axfood Snabbgross	674	655	2.9	654	653	0.1

¹⁾ Percentage change compared with corresponding period a year ago. ²⁾ Summation of sales for Group-owned stores.

Operating key ratio definitions and glossary

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

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

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

LTIP: Long-Term Incentive Programme.

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 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 outstanding.

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

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.

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

Like-for-like sales: Sales for stores that existed and generated sales in the comparison 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 capital expenditures in cash flow: Total capital expenditures excluding investments pertaining to leasing, less divestments.

Net debt-equity ratio/net receivable-equity ratio: Interest-bearing liabilities and provisions less cash and cash equivalents and interest-bearing receivables, divided by shareholders' equity including non-controlling interests.

Operating margin: Operating profit as a percentage of net sales for the period.

Pro forma: Pro forma is a method for reporting changed historical figures that describe financial effects after a change in order to be able to compare with current figures.

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 period 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.

Shareholders' equity per share: Equity attributable to owners of the parent divided by the number of shares before dilution.

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

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. Food that is good and sustainable. Axfood includes the Willys and Hemköp chains as well as Tempo, Handlar'n and Direkten, which are retailer-owned stores. B2B sales are made through the Axfood Snabbgross chain. Axfood is also the owner of mat.se and Middagsfrid, and a part-owner of Eurocash and Urban Deli. The number of Group-owned stores is 301. Wholesaling is conducted through Dagab. In all, Axfood collaborates with approximately 820 retailer-owned stores. Axfood is listed on Nasdaq Stockholm (Large Cap), and the principal owner is Axel Johnson AB.

Vision

Axfood will be the leader in good and sustainable food.

Mission

Axfood contributes to better everyday life where everyone can enjoy affordable, good and sustainable food.

Business concept

A family of successful and distinctive food concepts in close collaboration.

Business model

Axfood's business model is built upon three processes, where every small detail in the process is important for the Company's success. It begins with the choice of suppliers by Axfood's joint-Group assortment and purchasing function for all of the Group's formats (Choice of suppliers, price negotiations, and purchasing). Efficient logistics then create conditions for favourable and profitable growth together with sustainable transports and efficient use of energy (Logistics). A distinct sustainability profile, attentive customer service and smart store layout are key aspects in creating an inspiring in-store experience (Stores, customers and joy of food).

Strategy

Axfood's strategy is built upon six strategic areas: the customer offering, the customer interface, expansion, the product's path, our way of working, and our people. Axfood will offer an affordable and wide product range of good and sustainable food that is a mix of own and popular brands. With sustainable and efficient product supply, customers will be served wherever they may be at any time of the day or night – both in physical stores and via e-commerce. Through new sales channels featuring new and innovative services and segments we will meet our customers' needs. Aside from these areas it is essential that we attract and develop the industry's best talent as part of our efforts to also have a customer-centric and dynamic organization in which efficiency and cost control are in focus. For Axfood it goes without saying that sustainability and community engagement run like a common thread through all our operations.

Investment case – value drivers

Axfood emphasizes four factors that it believes are important regarding an investment in Axfood:

- The Swedish food retail industry is relatively insensitive to economic swings, with stable growth that is mainly driven by population growth and inflation.
- Historically Axfood has delivered favourable returns. The dividend policy is to distribute at least 50% of profit after tax.
- Axfood's store formats have strong positions in their respective segments. An attractive and sustainable assortment is central to all of the formats, and the affordability and distinct profiles of the Group's private label products – including sustainability aspects – play an important role.
- Through a focus on profitable growth, Axfood has the opportunity to deliver favourable growth in value over time. Axfood's distinct sustainability profile is a competitive advantage.

Invitation to presentation of first quarter results 2018

Axfood invites interested parties to a presentation of the interim report today at 9:30 a.m. CET. The report will be presented by Axfood's President and CEO Klas Balkow and CFO Anders Lexmon.

Location: Hemköp's "Reko" store, Torsplan (Norra Stationsgatan 80 A), Stockholm

The presentation will be webcast and can be followed at www.axfood.se.

To participate in the conference call, please call:

Sweden: +46 8 566 426 62

UK: +44 203 0089 804

USA: +1 855 753 2235

The Axfood logo consists of the word "axfood" in a lowercase, sans-serif font. The letters "a", "x", "f", "o", and "d" are black. The letter "o" is red, and the second "o" is green.

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