

# Solid quarter with improved profitability

## First quarter summary

- Consolidated net sales totalled SEK 13,203 m (13,067), an increase of 1.0%.
- Store sales for the Axfood Group totalled SEK 11,757 m (11,483), an increase of 2.4%.
- Operating profit totalled SEK 565 m (544), an increase of 3.9%. The operating margin was 4.3% (4.2%).
- Net profit for the period was SEK 430 m (402), and earnings per share before dilution were SEK 2.16 (1.93).
- The Annual General Meeting on 24 March resolved in favour of a shareholder dividend of SEK 7.50 (7.25) per share. The dividend amount is being divided into two payments of SEK 3.75 each in March and September, respectively.
- The quarter was characterized by the ongoing Covid-19 pandemic and compares with prior year's hoarding effects.

## Significant events after the balance sheet date

- To further develop and improve efficiency in the logistics operations and handle future volume growth, an agreement was signed for a new, larger nationwide warehouse for fruits and vegetables in Landskrona, which will replace the current fruit and vegetable warehouse in Helsingborg.
- Axfood's Board of Directors has decided that the company will repurchase a maximum of 310,000 shares in connection with the long-term incentive programme LTIP 2021.

2.4%

Growth in store sales for the Axfood Group during the first quarter of 2021

139%

Increase in Axfood's online B2C sales during the first quarter of 2021

4.3%

Axfood's operating margin for the first quarter of 2021

## Key ratios

SEK m	Q1 2021	Q1 2020	Change	R12	Full year 2020
Net sales	13,203	13,067	1.0%	53,832	53,696
Operating profit (EBIT)	565	544	3.9%	2,531	2,510
Operating margin, %	4.3	4.2	0.1	4.7	4.7
Profit for the period	430	402	7.0%	1,891	1,862
Earnings per share before dilution, SEK	2.16	1.93	11.9%	-	9.12
Cash flow from operating activities	1,127	1,335	-15.6%	4,643	4,851
Return on capital employed, % <sup>1)</sup>	26.6	24.7	1.9	26.6	24.2
Return on shareholders' equity, % <sup>1)</sup>	63.0	58.9	4.1	63.0	45.7
Shareholders' equity per share, SEK	15.51	14.17	9.5%	-	20.70

<sup>1)</sup> Rolling 12-month figures

### For further information, please contact:

Alexander Bergendorf, Head of Investor Relations, tel. +46 73 049 18 44

The information herein is such that Axfood AB (publ) is required to make public in accordance with the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person listed above, at 7 a.m. CET on 22 April 2021.

### Invitation to presentation of the interim report for the first quarter of 2021

Axfood will present the interim report for the first quarter of 2021 in a conference call at 9.30 a.m. (CET) today. The report will be presented by Klas Balkow, President and CEO, and Anders Lexmon, CFO.

To follow the presentation, visit [www.axfood.com](http://www.axfood.com) or ring:

Sweden: +46 8 505 583 51, UK: +44 333 300 9032, USA: +1 833 823 0586

# High pace of development and investments for the future

**Axfood delivered a solid first quarter with growth despite high comparison figures as well as higher earnings and improved profitability. The Willys chain and Hemköp's franchise stores continued to grow more than the market, and Dagab once again showed impressive productivity. At the same time, we continue to focus on developing our business and have taken large steps in the area of sustainability.**

Axfood had a solid start to the new year, but for understandable reasons the 2.4% growth in store sales was considerably lower than during prior quarters. After more than a year into the pandemic, we have begun to meet high comparison figures. In addition to a negative calendar effect, this quarter is compared with a first quarter a year ago that was dramatically affected by hoarding.

## **Continued development of food concepts**

Willys continued to strengthen its position and grow faster than the market also during the first quarter, but for Eurocash the situation was as difficult as before in the stalled cross-border trade. Hemköp and Tempo franchise stores continued to perform strongly, but the challenges for Hemköp's large, Group-owned stores at central locations in larger cities remained. We are continuing our work on strengthening Hemköp's position in the market, and it is gratifying to see that Hemköp's new loyalty programme, Klubb Hemköp, has had such a positive reception among customers. In a continued weak café and restaurant market, Snabbgross once again took market shares despite lower sales. Our new store concept, Snabbgross Club, has had a good start, and recently we announced that in the year ahead we will be expanding the concept with an additional two new stores.

## **Dagab impressed this quarter, too**

Dagab's first quarter was once again a quarter in which earnings improved considerably, and Dagab continues to deliver tremendous productivity with exceptionally stable operations. Deliveries ahead of the Easter shopping holiday were handled very well, and e-commerce efficiency improved.

In parallel with our continuous work on improving the day-to-day operational logistics, we are also continuing our work on developing the logistics of the future and product flows. We can today announce that we will be moving our fruit and vegetable warehouse from Helsingborg to a new, larger and more efficient warehouse in Landskrona with good opportunities for future expansion and automation. In Bålsta, work is advancing on our new, highly automated logistics centre, and the pilot test of the Group's new Transport Management System was recently expanded to also include online orders handled by stores.

## **Continued investments for the future**

A dynamic market puts high demands on the ability to change, and we have continued strong focus on developing our business for

the future in a host of areas. Everyone has different needs and preferences, so we see it as our duty to offer a variety of concepts and sales channels. Our omnichannel offering – with accessible and attractive stores and an expansive e-commerce channel – is strong, and we are working relentlessly to increase the benefit and value for customers. In stores we are continuing with the rollout of new checkout systems and payment terminals for a smoother shopping experience, and in e-commerce we are developing our platforms to make them faster and more intuitive. Our online B2C sales continue to experience sharp growth and were up a full 139% in the quarter.

Growth is very strong for our online pharmacy Apohem, and with a stronger market position we are now ramping up with a new IT platform and the new opportunities for efficiency, expansion and synergies that the move to the Group's expanded dark store in Stockholm provides. We also see potential for cooperation with our food concepts, and recently we were first in Sweden to launch co-deliveries of groceries and prescription drugs together with Mat.se.

## **Large steps forward in sustainability**

Our activity in the area of sustainability remains high in all parts of our operations, and I would like to conclude this CEO message by reflecting over a few achievements we have made. We are working relentlessly to reduce our carbon footprint, and emissions in our own operations declined by 76 percent between the base year 2009 to 2020. We have now raised our level of ambition to achieving net zero emissions by 2030. Reducing food waste is another priority area, and in 2020 we saw a decrease in all store chains to a record low level. With smart solutions and creativity we are well on track to achieving our target to cut food waste in half by 2025. Another important key ratio for us is the share of sales of sustainability-labelled products, and here too we see a clear improvement towards the goal of 30 percent of total sales by 2025.

In closing, I can reiterate that we delivered a solid first quarter in a very unique time. This can be credited to the efforts that all of the Group's employees make every day to provide our customers with groceries in a safe and secure way. We have a lot happening in all parts of the Axfood family to develop our business for the future.

Klas Balkow  
*President and CEO, Axfood AB*



**"Axfood delivered a solid first quarter with growth despite high comparison figures as well as higher earnings and improved profitability. At the same time, we continue to focus on developing our business and have taken large steps in the area of sustainability."**

# The Swedish food retail market

The Swedish food retail market is generally less sensitive to economic swings than other retail sectors. The industry is mainly affected by population growth and inflation, but also by megatrends such as digitalization, demographic changes, sector convergence, health and sustainability, and price value. In recent years, growth in food retail has been strongest in the discount segment. In 2020, food retail sales online accelerated as a result of the coronavirus pandemic. E-commerce still accounts for a small share of the food retail market, however – nearly 5% in 2020 according to the Swedish Food Retailers Federation’s (SvDH) food retail index. In the online segment, growth is considerably stronger for the store pick-up alternative than home delivery.

According to the SvDH food retail index, total sales growth during the first quarter of 2021 was 3.0%. The comparison figures for the preceding year are high as a result of the consumer hoarding during the initial phase of the coronavirus pandemic. In addition to this is a calendar effect of -0.5%. A negative calendar effect from the leap day a year ago was partly offset by a positive calendar effect from Easter. Growth in e-commerce was 128%. In the online segment, the store pick-up alternative grew by 227%, while home delivery also grew, by 70%.

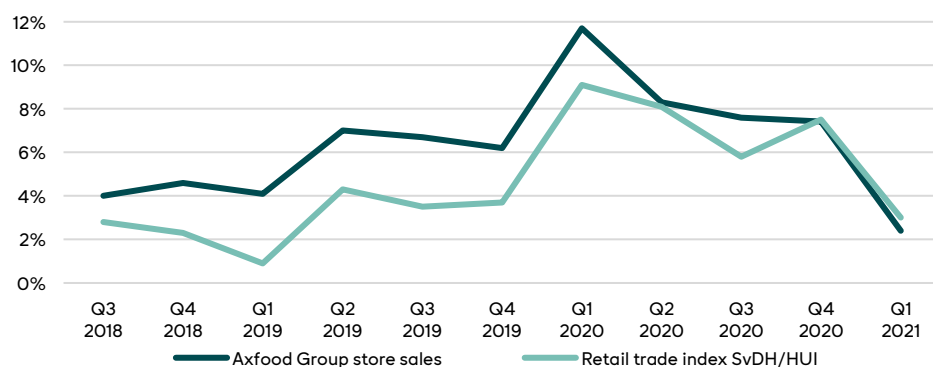
Food price inflation during the period January–March was 0.6%, according to preliminary data from Statistics Sweden.

## Covid-19

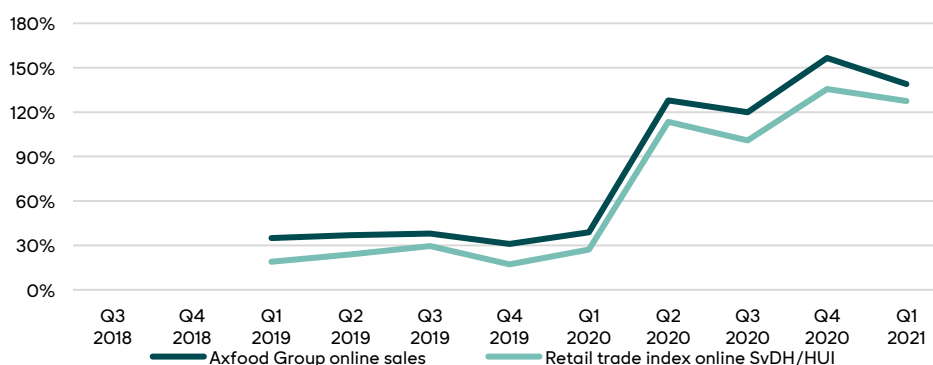
During the first quarter, the Swedish food retail market continued to be impacted by changed shopping behaviours among consumers during the coronavirus pandemic. Consumption of food at home continued to be at a high level as many people have opted to stay away from cafés and restaurants. Even though overall demand in the food retail sector was high, the situation was challenging for certain parts of the market, such as stores in central locations in larger cities and cross-border shopping. E-commerce growth was again exceptionally high. Since many have chosen to eat at home instead of out, performance for the café and restaurant market was weak.

See Note 3 for further information on risks related to impacts from Covid-19.

## Growth in store sales for the Axfood Group compared with SvDH’s food retail index



## Growth in online sales for Axfood<sup>1)</sup> compared with SvDH’s food retail index



1) Axfood began reporting e-commerce sales starting with the first quarter of 2019.

# Group performance

## Net sales

### First quarter

Consolidated net sales grew 1.0% during the first quarter to SEK 13,203 m (13,067). Higher net sales for Willys were partly countered by lower net sales for Hemköp and Snabbgross, and lower sales by Dagab to the service trade.

Store sales for the Axfood Group amounted to SEK 11,757 m (11,483) during the first quarter, an increase of 2.4%. Like-for-like growth was 0.5%. The negative effect from hoarding during the initial phase of the coronavirus pandemic a year ago was approximately -4 percentage points. In addition to this was a calendar effect of -0.5%. Good growth for Willys was countered in large part by a sharp drop in sales of more than 80% for Eurocash in cross-border shopping, which had a negative effect of more than 2 percentage points on growth in store sales for the Axfood Group. Hemköp's Group-owned stores grew at a slower rate than the market, owing to conversions and to large exposure to central locations in larger cities. Hemköp franchise stores have less exposure to central locations in larger cities and once again grew more than the market. Sales for Snabbgross decreased as a result of lower demand in the café and restaurant market.

In online B2C sales, demand remained high during the first quarter, and Axfood once again grew more than the market. Net sales online totalled SEK 1,109 m (464), an increase of 139%. The increase is attributable to strong like-for-like sales growth and to Willys' and Hemköp's online rollout to new cities and more stores.

Sales of private label products accounted for 31.7% (31.2%) of the Axfood Group's total store sales.

# 2.4%

Growth in store sales for the Axfood Group during the first quarter of 2021

# 1.0%

Net sales growth for Axfood during the first quarter of 2021

# 139%

Increase in Axfood's online B2C sales during the first quarter of 2021

### Net sales per segment

SEK m	Q1 2021	Q1 2020	Change	Full year 2020
Willys	7,985	7,740	3.2%	31,793
Hemköp	1,554	1,625	-4.4%	6,354
Snabbgross	736	777	-5.3%	3,417
Dagab	11,880	11,634	2.1%	48,091
Joint-Group	265	248	6.8%	991
<i>Internal sales between segments that are eliminated</i>				
Dagab	-8,973	-8,726	2.8%	-36,028
Joint-Group/other	-245	-232	5.9%	-923
<b>Net sales, total</b>	<b>13,203</b>	<b>13,067</b>	<b>1.0%</b>	<b>53,696</b>

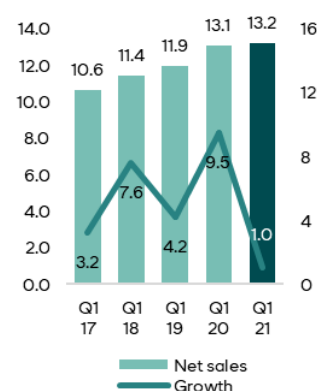
### Store sales (including online)

SEK m	Q1 2021	Q1 2020	Change	Change like-for-like stores
Willys	7,985	7,740	3.2%	0.4%
Hemköp, Group-owned	1,514	1,587	-4.6%	-1.1%
Hemköp franchises	2,258	2,156	4.7%	1.6%
<b>Hemköp total</b>	<b>3,772</b>	<b>3,743</b>	<b>0.8%</b>	<b>0.5%</b>
<b>Axfood Group store sales</b>	<b>11,757</b>	<b>11,483</b>	<b>2.4%</b>	<b>0.5%</b>

### Change in store structure

Number of stores	New establishments/				Mar. 2021	Mar. 2020
	Dec. 2020	acquisitions	Sales/closures	Conversions		
Willys <sup>1)</sup>	219	3	-	-	222	214
Hemköp	65	1	-	-3	63	66
Snabbgross	26	-	-	-	26	25
<b>Total, Group-owned</b>	<b>310</b>	<b>4</b>	<b>-</b>	<b>-3</b>	<b>311</b>	<b>305</b>
Hemköp franchises	133	-	-	3	136	132
Tempo franchises	126	1	-1	-	126	126
<b>Total, Group-owned and franchise</b>	<b>569</b>	<b>5</b>	<b>-1</b>	<b>-</b>	<b>573</b>	<b>563</b>
<sup>1)</sup> Willys	162	2	-	-	164	158
<sup>1)</sup> Willys Hemma	50	-	-	-	50	49
<sup>1)</sup> Eurocash	7	1	-	-	8	7

### Net sales, SEK bn, and growth, %



# Operating profit

## First quarter

Consolidated operating profit for the first quarter increased and amounted to SEK 565 m (544), corresponding to an operating margin of 4.3% (4.2%).

Operating profit increased despite lower like-for-like sales growth for the Group than in prior quarters and a significant negative result for Eurocash of SEK -52 m. The increase is mainly attributable to good cost control and a higher operating profit for Dagab. The improved operating profit for Dagab is mainly attributable to improved productivity for both store- and e-commerce logistics. Dagab's operating profit a year ago included costs related to the closure of the dark store in Malmö as well as costs for handling the high volumes during the hoarding. The gross margin for the Group a year ago was lower as a result of the unfavourable product mix that arose in connection with consumer hoarding of groceries during the initial phase of the pandemic. Reduced payroll taxes for young workers affected profit for the quarter by SEK 16 m.

Profit after financial items amounted to SEK 541 m (516). Profit after tax was SEK 430 m (402).

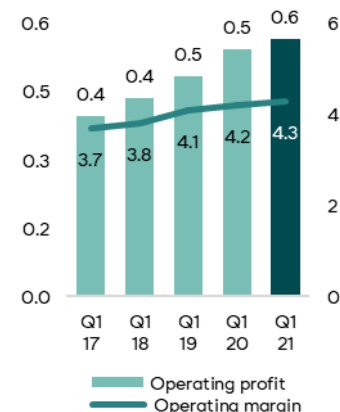
## Operating profit per segment

SEK m	Q1 2021	Q1 2020	Change	Full year 2020
Willys	340	348	-2.5%	1,551
Hemköp	59	61	-3.5%	229
Snabbgross	14	24	-39.3%	150
Dagab	217	164	32.2%	829
Joint-Group	-65	-53	22.1%	-250
<b>Operating profit (EBIT)</b>	<b>565</b>	<b>544</b>	<b>3.9%</b>	<b>2,510</b>
Net financial items	-23	-28		-116
<b>Profit after financial items</b>	<b>541</b>	<b>516</b>		<b>2,394</b>

## Operating margin per segment

%	Q1 2021	Q1 2020	Change	R12	Full year 2020
<b>Axfood</b>	<b>4.3</b>	<b>4.2</b>	<b>0.1</b>	<b>4.8</b>	<b>4.7</b>
Willys	4.3	4.5	-0.2	4.6	4.9
Hemköp	3.8	3.7	0.0	3.6	3.6
Snabbgross	1.9	3.0	-1.1	3.3	4.4
Dagab	1.8	1.4	0.4	2.1	1.7

Operating profit, SEK bn, and operating margin, %<sup>1)</sup>



1) IFRS 16 is applied as from 2019. Comparison figures are not restated.

# Capital expenditures

Total capital expenditures during the period January–March amounted to SEK 292 m (276). Of this total, SEK 162 m (165) pertained to investments in retail operations, SEK 29 m (19) pertained to investments in wholesale operations, and SEK 101 m (92) pertained to joint-Group operations.

Investments in right-of-use assets, mainly premises, amounted to SEK 487 m (572) during the period January–March, of which SEK 179 m (159) pertained to newly acquired assets and SEK 308 m (413) pertained mainly to renewals of existing leases of premises and upward indexing of rents. Of total investments in leases, SEK 355 m (510) pertained to retail operations, SEK 21 m (49) pertained to wholesale operations, and SEK 112 m (12) pertained to joint-Group operations.

## Other

### Government support related to Covid-19

Despite challenges in parts of operations, Axfood has continued to refrain from applying for so-called state reorientation and furlough support. However, Axfood has accepted compensation for the increased sickness-related absences in accordance with the government support offered to employers in the form of sick pay compensation.

## Financial position and cash flow

Cash flow from operating activities amounted to SEK 1,127 m (1,335) during the period January–March. Cash flow from operating activities in the same period a year ago was favourably affected by a substantial decrease in working capital mainly attributable to a temporary increase in trade payables in connection with hoarding during the initial phase of the coronavirus pandemic. Paid tax totalled SEK -116 m (-114). Net capital expenditures affected cash flow by SEK -308 (-291). Payment of shareholder dividends affected cash flow by SEK -784 m (-785), and amortization of lease liabilities affected cash flow by SEK -388 m (-379).

Cash and cash equivalents held by the Group amounted to SEK 1,181 m, compared with SEK 1,534 m in December 2020. Interest-bearing liabilities and provisions totalled SEK 6,197 m, compared with SEK 6,111 m in December 2020. Interest-bearing net debt amounted to SEK 5,016 m at the end of the period, compared with SEK 4,577 m in December 2020.

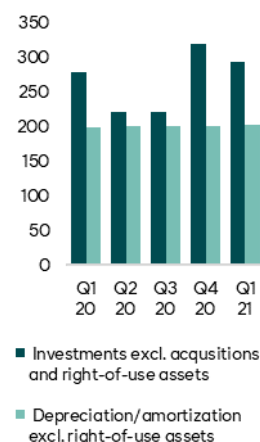
The equity ratio was 18.4%, compared with 24.3% in December 2020. The lower equity ratio is attributable to the shareholder dividend decided on in March.

Net debt/EBITDA was 1.0, compared with 1.0 in December 2020. Net debt/EBITDA excluding IFRS 16 was -0.2, compared with -0.4 in December 2020.

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

SEK m	3 mos 2021	3 mos 2020
Total investments	-779	-847
Investments in leases	487	572
Divestment of tangible/intangible assets	-1	-
Acquisition of financial assets	-15	-12
Acquisition of operations, other items	-	-5
Divested operations	0	-1
<b>Cash flow from investing activities</b>	<b>-308</b>	<b>-291</b>

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



### Net debt/EBITDA



# Operating segment performance

## Willys

### First quarter

Net sales for Willys grew 3.2% during the first quarter compared with a year ago, to SEK 7,985 m (7,740). Like-for-like store sales increased by 0.4%. Willys again grew faster than the market and continues to develop its offering and concept at a fast pace through expansion of new stores and online as well as through modernization of existing stores. Sharply lower sales by more than 80% for partly owned Eurocash significantly dampened growth for the segment as a whole, owing to an essential halt to cross-border shopping. Norway's imposition of a quarantine requirement for travel from Sweden was implemented in mid-March a year ago.

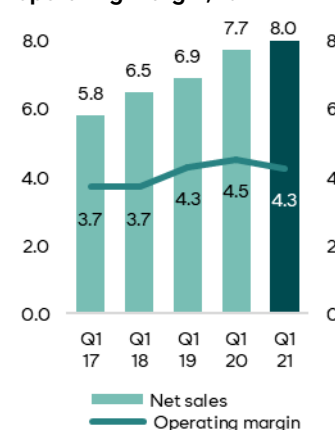
At the end of the first quarter Willys had 222 stores (214), including 214 Willys and eight Eurocash. On 1 February Eurocash acquired the hypermarket Långflons Stormarknad near the Norwegian border in Värmland. Online shopping expanded during the first quarter, and at the end of the quarter Willys offered online shopping at 108 stores (86) in 66 cities (51).

Operating profit for the first quarter decreased to SEK 340 m (348), corresponding to an operating margin of 4.3% (4.5%). Good like-for-like sales performance for Willys stores was countered by a negative result of SEK -52 m for Eurocash and higher personnel costs associated with online sales.

SEK m	Q1 2021	Q1 2020	Change	R12	Full year 2020
Net sales	7,985	7,740	3.2%	32,038	31,793
Change in like-for-like sales, %	0.4	11.0	-10.6	-2.7	7.9
Operating profit (EBIT)	340	348	-2.5%	1,543	1,551
Operating margin, %	4.3	4.5	-0.2	4.8	4.9
Number of Group-owned stores	222	214	8	-	219
Average number of employees during the period	6,143	5,482	661	-	6,109
Private label share, %	33.3	32.7	0.5	-	32.5
Sustainability-labelled products as % of total sales	30.4	30.4	0.0	29.7	29.7
Gender equality, share of women in senior positions, %	33.6	33.1	0.5	-	34.4
Sickness-related absences, %	6.9	5.6	1.3	6.7	6.4

Willys is Sweden's leading discount grocery chain, featuring a wide and deep assortment in Group-owned stores and online. With Sweden's cheapest bag of groceries, Willys aspires to lead and develop the discount segment of food retail. Willys also includes the cross-border grocery chain Eurocash.

### Net sales, SEK bn, and operating margin, %<sup>1)</sup>



<sup>1)</sup> IFRS 16 is applied as from 2019. Comparison figures are not restated.

# Hemköp

## First quarter

Net sales for Group-owned Hemköp stores (including franchise fees) during the first quarter totalled SEK 1,554 m (1,625). Growth in store sales including Hemköp franchises was 0.8%.

Store sales for Group-owned Hemköp stores totalled SEK 1,514 m (1,587). Like-for-like sales for Group-owned stores decreased by 1.1%. Sales for franchise stores grew 4.7% to SEK 2,258 m (2,156). Like-for-like sales increased by 1.6%. The Group-owned Hemköp stores have a higher share of stores at central locations in larger cities, which have been negatively affected by sharply reduced customer traffic, compared with Hemköp franchise stores, the majority of which are located near residential areas. The mini-marts in the Tempo chain continue their positive development and showed strong growth during the quarter.

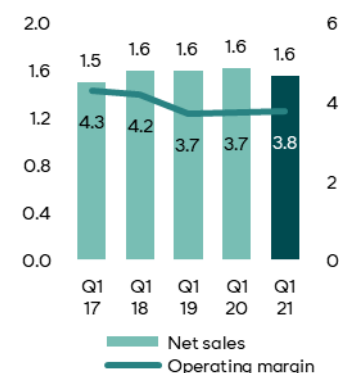
The number of Group-owned stores decreased by three, net, compared with the end of the first quarter a year ago. Since the first quarter of 2020, four new Hemköp franchise stores have been added, net. One new Group-owned store opened during the first quarter, and three stores were converted from Group-owned to franchises. Hemköp continued its online rollout and at the end of the first quarter offered online shopping at 54 stores (21) in 33 cities (12).

Operating profit for the first quarter totalled SEK 59 m (61), corresponding to an operating margin of 3.8% (3.7%). Lower sales were compensated by an improved sales mix and one-off gains related to restructuring of the store network.

SEK m	Q1 2021	Q1 2020	Change	R12	Full year 2020
Net sales	1,554	1,625	-4.4%	6,283	6,354
Change in like-for-like sales, Group-owned stores, %	-1.1	4.7	-5.8	-3.0	2.8
Operating profit (EBIT)	59	61	-3.5%	226	229
Operating margin, %	3.8	3.7	0.0	3.6	3.6
Number of Group-owned stores	63	66	-3	-	65
Average number of employees during the period	1,516	1,609	-93	-	1,658
Private label share, %	26.8	26.9	-0.1	-	26.3
Sustainability-labelled products as % of total sales	28.8	28.9	-0.1	28.2	28.2
Gender equality, share of women in senior positions, %	32.7	27.4	5.3	-	29.9
Sickness-related absences, %	6.9	5.8	1.1	6.8	6.5

Hemköp offers an attractively priced and wide assortment with a rich offering of fresh products. The chain's Group-owned stores, franchise stores and online business aim to inspire good meals in a simple and well thought-out manner. Hemköp also includes Tempo, a mini-mart format comprising franchise stores.

## Net sales, SEK bn, and operating margin, %<sup>1)</sup>



1) IFRS 16 is applied as from 2019. Comparison figures are not restated.



# Snabbgross

## First quarter

Snabbgross's net sales totalled SEK 736 m (77) during the first quarter, a decrease of 5.3% compared with a year ago. Snabbgross continued to be negatively affected by the weak café and restaurant market during the continuing pandemic. However, the assessment is still that Snabbgross is performing considerably better than the market as a whole. Despite the drop in net sales, Snabbgross's accessibility through its store network and attractive customer offerings resulted in an increase in the number of unique customers, where many appreciate the flexibility of being able to shop in stores. To give customers more options for grocery shopping during the pandemic, Snabbgross continued its initiative to keep stores open on a temporary basis for sales directly to consumers, and a total of some 20 stores were open for private consumers during the first quarter. Since its launch, the new membership-based store concept, Snabbgross Club, has been well-received, and an additional two stores will be opened in the coming year.

At the end of the quarter Snabbgross had 26 stores (25) in total.

Operating profit for the period totalled SEK 14 m (24). The decrease is mainly attributable to the negative like-for-like sales performance. The operating margin decreased to 1.9% (3.0%).

SEK m	Q1 2021	Q1 2020	Change	R12	Full year 2020
Net sales	736	777	-5.3%	3,376	3,417
Change in sales, like-for-like stores, %	-7.9	6.0	-13.9	-16.1	-2.2
Operating profit (EBIT)	14	24	-39.3%	141	150
Operating margin, %	1.9	3.0	-1.1	4.2	4.4
Number of stores	26	25	1	-	26
Average number of employees during the period	406	402	4	-	427
Share of sustainability-labelled products, %	19.0	19.0	0.0	18.5	18.6
Gender equality, share of women in senior positions, %	34.7	36.7	-2.0	-	32.7
Sickness-related absences, %	6.9	5.6	1.3	7.3	6.9

# Dagab

## First quarter

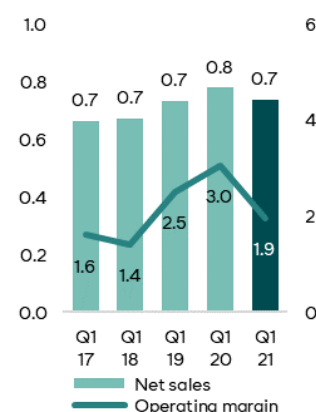
Net sales for the first quarter totalled SEK 11,880 m (11,634), an increase of 2.1%. Higher sales mainly to Willys were countered in part by lower sales to the service trade, Snabbgross and Eurocash as a result of the continuing pandemic.

Operating profit was SEK 217 m (164), corresponding to an operating margin of 1.8% (1.4%). The increase is mainly attributable to high capacity utilization and improved productivity both for store- and e-commerce logistics. Work on improving efficiency in the joint-Group dark stores contributed to higher productivity and more positive performance for Mat.se. Operating profit for the first quarter a year ago was charged with transport and warehousing costs to meet the high demand that ensued in connection with consumer hoarding of groceries during the initial phase of the pandemic. Profit for the preceding year was also affected by costs related to the closure of the dark store in Malmö.

SEK m	Q1 2021	Q1 2020	Change	R12	Full year 2020
Net sales	11,880	11,634	2.1%	48,338	48,091
Operating profit (EBIT)	217	164	32.2%	882	829
Operating margin, %	1.8	1.4	0.4	1.8	1.7
Average number of employees during the period	2,729	2,587	142	-	2,823
Delivery reliability, %	96.6	92.7	3.9	-	94.8
Gender equality, share of women in senior positions, %	25.6	24.5	1.1	-	25.4
Sickness-related absences, %	8.6	7.8	0.8	8.7	8.5

Snabbgross is one of Sweden's leading restaurant wholesalers with a customer base of restaurants, fast food operators and cafés. From its stores and online the chain offers personal service, availability and quality.

## Net sales, SEK bn, and operating margin, %<sup>1)</sup>



1) IFRS 16 is applied as from 2019. Comparison figures are not restated.

Dagab handles the assortment, purchasing and logistics for the entire Axfood house of brands as well as for external B2B customers. The segment includes the online grocery store Mat.se, Middagsfrid with pre-planned meal kits, the online pharmacy Apohem, and the Urban Deli restaurant chain.

## Net sales, SEK bn, and operating margin, %<sup>1)</sup>



1) IFRS 16 is applied as from 2019. Comparison figures are not restated.

# Investments in the future

**Axfood is developing new and smart solutions for the needs of the future. Development work is being conducted at a fast pace and in many operations, and encompasses the core business as well as innovation in new areas. Axfood is challenging routine approaches and behaviours through new solutions that create efficiency, make life easier and elevate the value of food.**

## **Move of fruit and vegetable warehouse**

To develop and streamline the logistics operations and accommodate future volume growth, Dagab has signed a 15-year lease with the property company NREP Logicensers for a new, larger nationwide warehouse for fruits and vegetables in Landskrona. The new warehouse, which is planned to be fully operational at the end of 2022, has a prime location and infrastructure, and will enable a future automation solution. The new warehouse will replace the existing warehouse in Helsingborg. The warehouse will be environmentally certified, and compared with the warehouse space in Helsingborg, its area will be more than twice as large. The total warehouse area will be more than 37,000 sq. m. with potential expansion area of approximately an additional 8,000 sq. m.

## **Establishment of automated logistics centre**

Work on the new, highly automated logistics centre in Bålsta outside Stockholm is continuing on schedule. The logistics centre, which is planned to be in full operation in 2023, will be one of the largest and most modern of its kind in Europe for distribution of groceries both to stores and e-commerce customers.

## **New Transport Management System**

As a step towards a more sustainable and efficient transport model, work is being conducted in cooperation with Descartes on delivery of a new Transport Management System (TMS). The new system will optimise Axfood's transports, create a better overview of transport flows and manage flows to customers and e-commerce consumers. The system also offers consumers improved order tracking. The TMS will be implemented gradually and will eventually be integrated with the new logistics centre in Bålsta in 2023. A pilot test of the system is in progress, and during the first quarter the pilot was expanded to also include – in addition to store deliveries – online orders to be fulfilled by stores.

## **New checkout system and new payment terminals in stores**

New checkout systems and payment terminals are currently being rolled out at Axfood's stores. The new, modern point-of-sale (POS) solution will lead to lower operating and maintenance costs with long expected useful life. The solution will streamline the shopping process and support multiple payment methods. The rollout is expected to be completed by late 2021.

## **New solutions in purchasing and assortment**

To improve processes in purchasing and assortment and create a more efficient and attractive offering to consumers, a project is currently being conducted to update IT platforms. The project is being conducted to improve the campaign and assortment process and will lead to an increased degree of automation and improved decision-making documentation with data and analyses. The system is being rolled out gradually and is expected to be fully implemented by year-end 2022.

# Sustainable development

Axfood's vision is to be the leader in good and sustainable food. Sustainability work is extensive and permeates the entire operations. Long-term sustainable decisions will enable the Group to grow faster than the market and create new business opportunities and profitable growth.

## Sustainability in everything – food, the environment and people

For Axfood, sustainable development entails seeing the entire picture and the relentless pursuit of improvements. This work encompasses the entire food system and takes into account the environment, animal welfare, and the people who produce, sell and consume food.

Success of sustainability work requires that employees and partners alike have good knowledge about what drives sustainable development. At the end of 2020, an obligatory training in Axfood's sustainability work was launched for all employees. In addition, the publication *Hållbarhet i allt – vår resa mot hållbar utveckling* ("Sustainability in everything – our journey to sustainable development") was published, which in the same light summarizes the areas covered by Axfood's sustainability work.

## Food – increased share of sustainability-labelled products and less food waste

Axfood strives to make it easier for consumers to make sustainable choices. One way we do this is by offering a broad assortment of products that are produced in a sustainable way and through offerings and campaigns in stores. During the first quarter, sustainability-labelled products as a share of total sales amounted to 29.2%, an increase compared with the same period a year ago (28.8%). However, the share of organic products decreased slightly, to 6.3% (6.7%).

During the quarter Mat.se conducted a large campaign promoting organic products, and in connection with this a number of new organic and vegetarian products were launched under the Garant and Eldorado private labels.

Axfood's offering of fish and shellfish is to be sourced from sustainable stocks and traceable. The goal is to offer exclusively green-listed and sustainability-certified fish. During the first quarter the share increased to 86%.

At the start of the year Snabbgross was the first restaurant wholesaler to stop selling eggs from caged hens. Snabbgross now carries only eggs from free-range hens in its assortment, which has been complemented with a package of 30 eggs from free-range hens under the Gastrino private label. Since before, no store chain within Axfood sells eggs from caged hens. Extensive work is also being conducted to phase out eggs from caged hens from Garant and Eldorado products in which eggs are an ingredient.

In February Middagsfrid launched a "Good climate" pre-packed grocery bag with carbon-footprinted recipes. Apart from being based on Middagsfrid's food philosophy, the menus are inspired by WWF's One Planet Plate concept, with dishes that have an average carbon footprint of max. 0.5 kg. CO<sub>2</sub> equivalents per meal.

Food waste represents a large, negative environmental impact, and Axfood has therefore set a target to cut food waste in half from 2015 to 2025. New technical tools, clearance sales of products nearing their best-before dates and cooperation with suppliers and charity organizations are just a few initiatives that have put Axfood on track to achieving this target. During the first quarter, more than 370 tonnes of fruits and vegetables were sold at reduced prices instead of being tossed out. This is an increase of 64% compared with the same period a year ago. In addition, in a large campaign conducted by Willys, customers were inspired to save leftovers with the help of recipes based on ingredients that are frequently tossed out.

## Environment – cutting back on plastics and ecolabelling of stores

Food production as a share of the world's combined greenhouse gas emissions needs to be lowered, and toward this end, Axfood is working in a number of areas to contribute to production that has the smallest environmental impact as possible.

Transports between warehouses and stores are the part of Axfood's own operations that have the largest carbon footprint. The vehicle fleet is therefore being gradually changed over to being entirely fossil-free. To date, approximately 60% of the previous diesel-powered trucks have been replaced with vehicles that can be run on fossil-free fuels. The target set for year-end is that the corresponding share will be 75%.

Axfood purchases only green electricity and has the ambition to install solar panel modules on the rooftops of stores and warehouses where possible. During the first quarter, solar panel modules began generating electricity at the Snabbgross Sisjön and Willys Kungsbacka Söder stores.

All Willys stores have since previously been ecolabelled with the Swedish Society for Nature Conservation's Bra Miljöval ("Good Environmental Choice") marking. After a period of some transitional work, the licence was renewed as from 1 January 2021 for all Willys stores, and Willys



All Willys stores have since previously been ecolabelled with the Swedish Society for Nature Conservation's Good Environmental Choice marking. The licence was renewed on 1 January 2021 for all stores, and Willys was thus the first and to date only grocery store chain to have all of its stores in compliance with the new and stricter criteria.



New technical tools, clearance sales of products nearing their best-before dates and cooperation with suppliers and charity organizations are just a few initiatives that have put Axfood on track to achieving its target to cut food waste in half by 2025.

thereby became the first and to date only grocery store chain to have all of its stores in compliance with the new and stricter criteria.

Axfood is working to ensure that the packaging for its private label products is recyclable and made of recycled or renewable material. A major challenge also involves avoiding chemical included on the so-called SIN list (Substitute It Now). The target is to reduce the use of plastic in own operations by 25% by 2025. During the first quarter, Garant fresh and cut salads as well as several Eldorado frozen and chopped vegetable products were furnished with bags made of thinner plastic. Work has also been started to develop a Group-wide strategy governing the use of chemicals in the Group's packages and products.

### People – social audits and digital networks

Axfood aspires to be a positive force in society and is working to improve work environments and social conditions throughout the food supply chain. The Group's own employees as well as customers and workers in production and farming are covered by this work.

The starting point for Axfood's work with suppliers is a Code of Conduct that sets demands for environmental and social conditions as well as for animal welfare. Every supplier that is contracted is required to adhere to the Code of Conduct or to have its own code with corresponding demands. In all risk countries, social audits are conducted on a regular basis to ensure compliance with the Code of Conduct. A total of 20 audits were conducted during the first quarter. Deviations will be followed up with action plans that are being drawn up by the suppliers in question.

Axfood advocates for diversity and inclusion with the conviction that a mix of competencies and perspectives yields better results. In this work, an even gender balance in senior positions is an important aspect. Since digitalization is a business-critical area, Axfood has partnered with the Female Digital Engineers network for the second year in a row. In early February a virtual study visit was conducted at Axfood with presentations by the IT and Business Development departments as well as by Dagab and Willys.

One prioritized area entails reducing sickness-related absences among the Group's employees. The target is that sickness-related absences will not exceed 5.3%. During the first quarter, sickness-related absences were 7.1% (6.1%), which can be explained by the continuing pandemic.

### Key ratios, Group

	Q1 2021	Q1 2020	Change	R12	Full year 2020
Sustainability-labelled products as % of total sales	29.2	28.8	0.4	28.4	28.3
Sales of organic products as % of total food sales	6.3	6.7	-0.4	6.1	6.1
Growth in plant-based protein substitutes, %	-2.0	23.0	-25.0	8.4	15.1
KRAV-certified meat as % of total meat sales	3.0	3.5	-0.5	3.0	3.1
Number of social audits	20	11	9	125	123
Electricity consumption, kWh/m <sup>2</sup> (stores and warehouses)	-	-	-	294.3	297.2
CO <sub>2</sub> , kg/tonne goods	18.7	16.1	2.6	17.1	15.6
Gender equality, share of women in senior positions, %	33.0	31.0	2.0	-	33.2
Sickness-related absences, %	7.1	6.1	1.0	7.0	6.8

For more information on Axfood's key ratios, see the 2020 Annual and Sustainability Report.

# Other information

## Long-term targets and capital expenditures 2021

- Axfood's long-term financial targets:
  - Grow more than the market
  - Long-term operating margin of at least 4%
  - Equity ratio of at least 20% at year-end
- Axfood's dividend policy sets the goal that the shareholder dividend shall be at least 50% of profit after tax. The dividend is to be paid out on two occasions.
- Axfood's capital expenditures in 2021 are expected to amount to SEK 1,800–1,900 m excluding acquisitions and right-of-use assets, of which SEK 585 m pertains to partial payment for an automation solution and SEK 115 m pertains to land related to the new logistics centre in Bålsta. During 2021 Axfood plans to establish five to ten new stores.

## Annual General Meeting 2021

The Annual General Meeting (AGM) of Axfood AB (publ) was held on Wednesday, 24 March 2021. On account of the coronavirus pandemic, the AGM was conducted in accordance with a postal voting procedure. The AGM re-elected all of the board members except for Jesper Lien and Lars Olofsson, who declined re-election, and elected Peter Ruzicka as a new board member. The AGM resolved in favour of a dividend of SEK 7.50 per share. The dividend amount is split into two payments of SEK 3.75 each. The first payment was made in March, and the second payment will be made in September. The AGM also resolved to introduce an additional long-term incentive programme, LTIP 2021.

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

Stockholm, 22 April 2021

Klas Balkow  
President and CEO

### Upcoming reports

- The interim report for the second quarter of 2021 will be presented on 15 July 2021, at 7 a.m. CET
- The interim report for the third quarter of 2021 will be presented on 21 October 2021, at 7 a.m. CET
- The year-end report for 2021 will be presented on 3 February 2022, at 7 a.m. CET

### Selection of press releases from Axfood during the first quarter

15 Jan. 2021	Eurocash acquires Långflons Stormarknad
25 Jan. 2021	Hemköp and Gustav Johansson launch carbon footprinted recipes
26 Jan. 2021	Hemköp opens new store in Kungsholmen
27 Jan. 2021	Snabbgross invests in future, opens new unit in Linköping
1 Feb. 2021	Willys – first grocery chain to meet stricter requirements for Good Environmental Choice
10 Feb. 2021	Hemköp opens new store in Gothenburg
16 Feb. 2021	Snabbgross Club expands – opens new store in Södertälje
19 Feb. 2021	Willys establishes new store in Fagersta
25 Feb. 2021	Middagsfrid launches grocery bag kit with carbon-footprinted recipes
26 Feb. 2021	Axfood publishes 2020 Annual and Sustainability Report
1 March 2021	Willys Hemma opens in Säfte
8 March 2021	Nearly one out of two Axfood managers is a woman
9 March 2021	Digitalization helping to reduce Axfood's food waste
18 March 2021	Willys opens store in Klippan
24 March 2021	Resolutions at Axfood's 2020 Annual General Meeting
29 March 2021	Snabbgross first to stop selling eggs from caged hens

## Parent Company

The Parent Company's net sales and other operating revenue during the period January–March amounted to SEK 67 m (70). After operating expenses of SEK -105 m (-100) and net financial items of SEK -0 m (-1), profit after financial items was SEK -38 m (-30). Capital expenditures during the period totalled SEK 5 m (1).

The Parent Company had an interest-bearing net debt receivable of SEK 1,554 m at the end of the period, compared with SEK 127 m in December 2020. The Parent Company has no significant transactions with related parties, other than transactions with subsidiaries.

# Financial statements, Group

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

SEK m	Q1 2021	Q1 2020	R12	Full year 2020
Net sales	13,203	13,067	53,832	53,696
Cost of goods sold	-11,063	-11,028	-45,183	-45,148
<b>Gross profit</b>	<b>2,140</b>	<b>2,039</b>	<b>8,649</b>	<b>8,548</b>
Selling and administrative expenses, etc.	-1,575	-1,495	-6,118	-6,038
<b>Operating profit (EBIT)</b>	<b>565</b>	<b>544</b>	<b>2,531</b>	<b>2,510</b>
Interest income and similar profit/loss items	7	3	20	16
Interest expense and similar profit/loss items	-31	-31	-132	-132
<b>Profit after financial items</b>	<b>541</b>	<b>516</b>	<b>2,419</b>	<b>2,394</b>
Tax	-111	-114	-529	-531
<b>Profit for the period</b>	<b>430</b>	<b>402</b>	<b>1,891</b>	<b>1,862</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	0	-1	-5	-6
Tax	-0	0	1	1
<i>Items that can be reclassified to profit or loss for the period</i>				
Change in hedging reserve	33	69	-101	-65
Tax	-7	-15	21	13
<b>Other comprehensive income for the period</b>	<b>26</b>	<b>54</b>	<b>-84</b>	<b>-56</b>
<b>Total comprehensive income for the period</b>	<b>456</b>	<b>455</b>	<b>1,807</b>	<b>1,806</b>
Profit for the period attributable to				
Owners of the parent	452	403	1,957	1,908
Non-controlling interests	-22	-1	-66	-46
<b>Total comprehensive income for the period attributable to</b>				
Owners of the parent	478	457	1,873	1,852
Non-controlling interests	-22	-1	-66	-46
Earnings per share before dilution, SEK	2.16	1.93	9.35	9.12
Earnings per share after dilution, SEK	2.15	1.92	9.32	9.09

## Condensed statement of financial position, Group

SEK m	31/3/2021	31/3/2020	31/12/2020
<b>Assets</b>			
Goodwill	2,822	2,769	2,769
Other intangible assets	753	714	750
Property, plant and equipment	2,932	2,812	2,912
Right-of-use assets	5,761	5,606	5,656
Financial assets <sup>1)</sup>	40	50	33
Deferred tax assets	241	226	253
<b>Total non-current assets</b>	<b>12,549</b>	<b>12,177</b>	<b>12,373</b>
Inventories	2,736	2,592	2,670
Accounts receivable – trade	1,074	1,024	1,033
Other current assets	1,257	1,342	1,203
Cash and bank balances	1,181	878	1,534
<b>Total current assets</b>	<b>6,248</b>	<b>5,836</b>	<b>6,441</b>
<b>Total assets</b>	<b>18,797</b>	<b>18,014</b>	<b>18,814</b>
<b>Shareholders' equity and liabilities</b>			
Equity attributable to owners of the parent	3,244	2,966	4,331
Equity attributable to non-controlling interests	210	228	232
<b>Total shareholders' equity</b>	<b>3,454</b>	<b>3,194</b>	<b>4,563</b>
Non-current lease liabilities	4,325	4,253	4,524
Other interest-bearing liabilities	399	419	403
Deferred tax liabilities	976	912	979
Other non-current liabilities	89	43	108
<b>Total non-current liabilities</b>	<b>5,788</b>	<b>5,627</b>	<b>6,014</b>
Current lease liabilities	1,474	1,460	1,184
Current interest-bearing liabilities	–	200	–
Accounts payable – trade	4,560	4,387	4,424
Other current liabilities	3,521	3,145	2,629
<b>Total current liabilities</b>	<b>9,554</b>	<b>9,192</b>	<b>8,237</b>
<b>Total shareholders' equity and liabilities</b>	<b>18,797</b>	<b>18,014</b>	<b>18,814</b>
<sup>1)</sup> Of which, interest-bearing assets	–	2	–



## Condensed statement of cash flows, Group

SEK m	Q1 2021	Q1 2020	R12	Full year 2020
<i>Operating activities</i>				
Operating profit (EBIT)	565	544	2,531	2,510
Adjustments for non-cash items	583	566	2,321	2,304
Interest paid	-31	-31	-118	-118
Interest received	1	3	8	10
Paid tax	-116	-114	-372	-370
Changes in working capital	125	367	273	515
<b>Cash flow from operating activities</b>	<b>1,127</b>	<b>1,335</b>	<b>4,643</b>	<b>4,851</b>
<i>Investing activities</i>				
Acquisitions of operations	-	-5	-4	-9
Acquisitions of intangible assets	-99	-50	-260	-211
Acquisitions of property, plant and equipment	-193	-223	-787	-817
Other changes in investing activities	-16	-13	-46	-43
<b>Cash flow from investing activities</b>	<b>-308</b>	<b>-291</b>	<b>-1,097</b>	<b>-1,080</b>
<i>Financing activities</i>				
Loans raised	-	200	-200	-
Amortization of debt	-388	-379	-1,524	-1,515
Shareholder contribution from minority owner	-	-	49	49
Share repurchases	-	-	-53	-53
Dividend paid out	-784	-785	-1,516	-1,517
<b>Cash flow from financing activities</b>	<b>-1,172</b>	<b>-964</b>	<b>-3,244</b>	<b>-3,036</b>
<b>Cash flow for the period</b>	<b>-353</b>	<b>80</b>	<b>302</b>	<b>735</b>

## Condensed statement of changes in equity, Group

SEK m	31/3/2021	31/3/2020	31/12/2020
Amount at start of year	4,563	4,249	4,249
Total comprehensive income for the period	456	455	1,806
Change in non-controlling interest	-1	-	-
Share repurchases	-	-	-53
Share-based payments	4	6	28
Shareholder contribution from minority owner	-	-	49
Dividend to shareholders	-1,569	-1,517	-1,517
<b>Amount at end of period</b>	<b>3,454</b>	<b>3,194</b>	<b>4,563</b>

# Financial statements, Parent Company

## Condensed income statement, Parent Company

SEK m	Q1 2021	Q1 2020	Full year 2020
Net sales	2	1	5
Selling and administrative expenses	-105	-100	-429
Other operating revenue	66	69	269
<b>Operating profit (EBIT)</b>	<b>-38</b>	<b>-29</b>	<b>-155</b>
Net financial items	-0	-1	-2
<b>Profit after financial items</b>	<b>-38</b>	<b>-30</b>	<b>-157</b>
Appropriations, net	-	-	2,082
<b>Profit before tax</b>	<b>-38</b>	<b>-30</b>	<b>1,925</b>
Tax	7	5	-418
<b>Net profit for the period</b>	<b>-31</b>	<b>-25</b>	<b>1,508</b>
Operating profit includes depreciation/amortization totalling	1	1	4

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

## Condensed balance sheet, Parent Company

SEK m	31/3/2021	31/3/2020	31/12/2020
<b>Assets</b>			
Property, plant and equipment	35	17	35
Participations in Group companies	3,461	3,399	3,459
Other financial non-current assets	7	0	7
Deferred tax assets	7	7	7
<b>Total non-current assets</b>	<b>3,509</b>	<b>3,423</b>	<b>3,508</b>
Receivables from Group companies <sup>1)</sup>	1,392	1,523	4,527
Other current assets	104	138	25
Cash and bank balances	917	678	1,141
<b>Total current assets</b>	<b>2,414</b>	<b>2,339</b>	<b>5,694</b>
<b>Total assets</b>	<b>5,923</b>	<b>5,763</b>	<b>9,202</b>
<b>Shareholders' equity and liabilities</b>			
Restricted shareholders' equity	287	287	287
Unrestricted shareholders' equity	768	863	2,364
<b>Total shareholders' equity</b>	<b>1,056</b>	<b>1,150</b>	<b>2,652</b>
<b>Untaxed reserves</b>	<b>3,192</b>	<b>2,907</b>	<b>3,192</b>
<b>Provisions</b>	<b>14</b>	<b>18</b>	<b>15</b>
<b>Non-current liabilities</b>	<b>3</b>	<b>3</b>	<b>3</b>
Current interest-bearing liabilities	-	200	-
Accounts payable – trade	16	14	15
Liabilities to Group companies <sup>2)</sup>	723	662	3,165
Other current liabilities	919	808	160
<b>Total current liabilities</b>	<b>1,658</b>	<b>1,684</b>	<b>3,340</b>
<b>Total shareholders' equity and liabilities</b>	<b>5,923</b>	<b>5,763</b>	<b>9,202</b>
1) Of which, interest-bearing receivables	1,373	1,496	2,165
2) Of which, interest-bearing liabilities	723	662	3,165

# 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 – Accounting for Legal Entities, issued by the Swedish Financial Reporting Board (RFR), and Ch. 9 – Interim Financial Reporting, of the Swedish Annual Accounts Act. The same accounting policies and calculation methods have been used in this interim report as in the 2020 Annual and Sustainability Report, except for what is stated below.

All amounts in the interim report are rounded off to the nearest million Swedish kronor (SEK m), unless indicated otherwise, entailing that rounding differences may occur. In text and tables, figures between 0 and 0.5 are reported as 0.

### New accounting policies effective in 2021 and later

Axfood has determined that new or amended standards and interpretations will not have any material effect on the consolidated financial statements.

### Significant assumptions and assessments

Preparing the financial statements in accordance with IFRS requires the Board and Executive Committee to make assessments and estimations as well as assumptions that affect application of the accounting policies and 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. The actual outcome may deviate from these estimations and assessments.

## Note 2 Operating segments

The 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 Snabbgross. For information about Axfood's operating segments, see pages 8-10 of this interim report. For a more detailed description of the segments, please refer to the 2020 Annual and Sustainability 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 Axfood is 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.

The spread of Covid-19 in society has exposed Axfood's business to a new dimension of risk management. The risks that Covid-19 has given rise to, including the risk for disruptions in the logistics chain, supplier risks and employee risks, have been successfully managed within existing crisis response organizations without any significant disruptions for our operations. The work on minimizing disruptions over the longer term is ongoing, and the respective operations are monitoring and continuously working to handle the effects of the coronavirus pandemic. The pandemic may have long-term impacts, with the risk for a rise in unemployment and recession, which represents an uncertainty regarding the general level of consumption that may affect Axfood on top of the clear impact that we are already seeing on cross-border shopping and the restaurant market. The carrying amounts of the Group's assets are tested continuously to determine if there is a need to recognize any impairment. Carrying amounts are also tested when there is an indication that a decline in value has been identified.

For a thorough account of the risks that affect the Group, please refer to the 2020 Annual and Sustainability 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 quarter.

## Note 6 Disclosures of financial assets and liabilities

### Changes in currency forward contracts measured at fair value (SEK m)

Amount at start of year	-114
Change recognized in other comprehensive income	33
Realized changes	15
<b>Amount at end of period</b>	<b>-66</b>

## Note 7 Pledged assets and contingent liabilities

Group, SEK m	31/3/2021	31/3/2020	31/12/2020
Pledged assets	-	-	-
Contingent liabilities	19	20	19

Parent Company, SEK m	31/3/2021	31/3/2020	31/12/2020
Pledged assets	-	-	-
Contingent liabilities	256	302	256

## Note 8 Long-term share-based incentive programmes

The Annual General Meeting resolved to adopt a new long-term share-based incentive programme to run over a three-year period, LTIP 2021, the principles and scope of which in all essential respects correspond to the previously adopted programmes. Grants will be made from LTIP 2018 using treasury shares in April 2021. For more information about incentive programmes, see Axfood's 2020 Annual and Sustainability Report.

## Note 9 Events after the balance sheet date

- To further develop and improve efficiency in the logistics operations and handle future volume growth, an agreement was signed for a new, larger nationwide warehouse for fruits and vegetables in Landskrona, which will replace the current warehouse in Helsingborg.
- Axfood's Board of Directors has decided that the company will repurchase a maximum of 310,000 shares in connection with the long-term incentive programme LTIP 2021.

# Key ratios

## Quarterly overview, Group

SEK m	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021
Net sales	13,038	12,731	13,040	13,067	13,570	13,426	13,633	13,203
Operating profit (EBIT)	601	715	487	544	605	796	566	565
Operating margin, %	4.6	5.6	3.7	4.2	4.5	5.9	4.1	4.3
Net profit for the period	429	536	359	402	446	605	409	430
Earnings per share before dilution, SEK	2.01	2.50	1.68	1.93	2.22	2.95	2.02	2.16
Cash flow from operating activities	1,085	649	1,101	1,335	859	1,167	1,490	1,127
Cash flow from operating activities per share, SEK	5.18	3.10	5.26	6.38	4.10	5.58	7.12	5.39
Return on capital employed, % <sup>1)</sup>	30.9	30.6	30.1	24.7	24.5	24.5	24.2	26.6
Return on shareholders' equity, % <sup>1)</sup>	46.8	42.1	39.6	58.9	53.6	47.9	45.7	63.0
Shareholders' equity per share, SEK	15.15	17.64	19.21	14.17	15.95	18.99	20.70	15.51
Investments in intangible non-current assets and in property, plant and equipment	252	192	792	276	218	219	318	292
Net debt (+)/net receivable (-)	5,449	5,082	5,131	5,454	5,218	5,185	4,577	5,016
Share price, SEK	183.75	209.10	208.40	202.20	203.40	205.40	191.80	208.80

<sup>1)</sup> Rolling 12-month figures.

## Key ratios and other data, Group

	3 mos 2021	3 mos 2020	Full year 2020
Operating margin, %	4.3	4.2	4.7
Equity ratio, %	18.4	17.7	24.3
Net debt (+)/net receivable (-), SEK m	5,016	5,454	4,577
Net debt (+)/net receivable (-) excl. IFRS 16, SEK m	-782	-259	-1,131
Net debt/EBITDA, multiple	1.0	1.2	1.0
Net debt/EBITDA excl. IFRS 16, multiple	-0.2	-0.1	-0.4
Net debt-equity ratio (+)/Net receivable-equity ratio (-), multiple	1.5	1.7	1.0
Net debt-equity ratio (+)/Net receivable-equity ratio (-), excl. IFRS 16, multiple	-0.2	-0.1	-0.2
Capital employed, SEK m	9,651	9,526	10,674
Return on capital employed, %	26.6	24.7	24.2
Return on shareholders' equity, %	63.0	58.9	45.7
Average number of employees during the period	11,251	10,476	11,451
Capital expenditures, SEK m	779	847	2,755
Investments in intangible non-current assets and in property, plant and equipment, SEK m	292	276	1,031
Number of shares outstanding at the end of the period	209,198,604	209,298,712	209,198,604
Average number of shares outstanding before dilution	209,198,604	209,298,712	209,253,740
Average number of shares outstanding after dilution	209,870,712	209,870,712	209,877,099
<b>Key data per share</b>			
Earnings per share before dilution, SEK	2.16	1.93	9.12
Earnings per share after dilution, SEK	2.15	1.92	9.09
Ordinary dividend per share, SEK <sup>2)</sup>	-	-	7.50
Shareholders' equity per share, SEK	15.51	14.17	20.70
Cash flow per share, SEK	-1.69	0.38	3.51

<sup>1)</sup> Rolling 12-month figures.

<sup>2)</sup> Paid out on two occasions in 2021.

## Financial key ratios

In addition to the financial key ratios that are prepared in accordance with IFRS, Axfood presents financial key ratios that are not defined in IFRS or the Annual Accounts Act (so-called Alternative Performance Measures). The APMs aim to provide complementary information that contributes to an analysis of Axfood's operations and performance. The APMs used are considered generally accepted in the industry. APMs should not be seen as a substitute for financial information presented in accordance with IFRS, but as a complement. The Alternative Performance Measures are defined below under the financial key ratio definitions. For a reconciliation of the APMs that cannot be directly deduced or derived from the financial statements, see below.

## Reconciliation of EBITDA

SEK m	Q1 2021	Q1 2020	R12	Full year 2020
Operating profit (EBIT)	565	544	2,531	2,510
Depreciation/amortisation and impairment losses	580	563	2,270	2,252
<b>EBITDA</b>	<b>1,145</b>	<b>1,106</b>	<b>4,801</b>	<b>4,762</b>
IFRS 16 Leasing costs	-416	-408	-1,626	-1,617
<b>EBITDA excl. IFRS 16</b>	<b>729</b>	<b>699</b>	<b>3,175</b>	<b>3,145</b>

## Financial key ratio definitions

Key ratios marked with an asterisk\* are defined in accordance with IFRS

**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 average number of shares outstanding before dilution.

**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 the average number of shares outstanding.

**EBITDA:** Operating profit before depreciation, amortization and impairment losses.

**EBITDA excluding IFRS 16:** EBITDA excluding effects of reporting in accordance with IFRS 16.

**Equity ratio:** Shareholders' equity including non-controlling interests as a percentage of total assets.

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

**Net sales growth:** Percentage change in net sales between two periods.

**Net debt/EBITDA:** Net debt divided by EBITDA on a rolling 12-month basis.

**Net debt/EBITDA excluding IFRS 16:** Net debt excluding lease liabilities divided by EBITDA excluding effects of reporting in accordance with IFRS 16 on a rolling 12-month basis.

**Net debt/net receivable:** Interest-bearing non-current and current receivables and liabilities less cash and cash equivalents and the interest-bearing portion of financial assets.

**Net debt/net receivable excluding IFRS 16:** Interest-bearing non-current and current receivables and liabilities excluding lease liabilities less cash and cash equivalents and interest-bearing financial assets.

**Net debt-equity ratio/net receivable-equity ratio:** Net debt/net receivable divided by shareholders' equity including non-controlling interests.

**Net debt-equity ratio/net receivable-equity ratio excluding IFRS 16:** Net debt/net receivable excluding IFRS 16 divided by shareholders' equity including non-controlling interests.

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

**Operating profit (EBIT):** Profit before net financial items and tax.

**Return on capital employed:** Profit after financial items plus financial expenses on rolling 12-month basis as a percentage of average capital employed.

**Return on shareholders' equity:** Net profit for the period on a rolling 12-month basis 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 during the corresponding period in the preceding year divided by two.

**Shareholders' equity per share:** The share of equity attributable to owners of the parent divided by the number of shares outstanding at the end of the period.

**Total capital expenditures:** Investments in intangible and tangible non-current assets, and in right-of-use assets.

## Operating key ratio definitions and glossary

**Average number of employees:** 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.

**Growth in store sales:** Percentage change in the Axfood Group's store sales between two periods.

**Joint-Group:** Includes head office support functions, such as the Executive Committee, Finance/Accounting, Legal, 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.

**Private label share:** Sales of private label products, excluding meats and fruits and vegetables, as a percentage of store sales including Hemköp franchise stores.

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

**Share price:** Closing share price.

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

# Key ratio definitions for sustainability

**Electricity consumption in stores and warehouses:**

Reported as the number of used kilowatt hours (KWh) of purchased electricity per square metre (sq. m.). The selection includes electricity consumption under joint contracts for a total of 274 of Axfood's Group-owned stores and six of Dagab's warehouses. The number of square metres pertains to the total sales area for all stores/warehouses. The number of square metres for Dagab's warehouses has been updated, and the comparison figures for previous reporting periods have been recalculated. Reported data is presented on a rolling 12-month basis.

**Emissions from own transports:** Total emissions (CO<sub>2</sub> kg) from purchased fuel (litres) in relation to total transported goods (tonnes) between warehouses and stores. Reported data pertains only to goods delivered by own transports. Starting with the first quarter, Cold Cargo is also included in reported data. Comparison figures have not been recalculated. Reported data for the quarter and full year are presented with a one-month lag.

**Gender equality:** The share of women in senior positions at the end of the current period. Senior positions refer to employees, including members of the Executive Committee, who are defined as managers with employee responsibility. Reported data is presented only on an accumulated three-month basis.

**Growth for plant-based protein substitutes:** Sales of plant-based protein substitutes during the period in relation to sales during the corresponding period a year earlier. Plant-based protein substitutes include refrigerated and frozen products. The selection includes Group-owned stores in the Willys, Eurocash, Hemköp and Snabbgross chains.

**Number of social audits:** The number of performed site visits and inspections to gain an assurance that suppliers are in compliance with Axfood's Code of Conduct. The selection includes site visits conducted under own management as well as site visits performed by the organization Amfori BSCI.

**Share of KRAV-certified meat:** Sales of KRAV-certified meat (both fresh and frozen) as a percentage of Axfood's total sales of meat products. The selection includes Group-owned stores in the Willys, Hemköp and Snabbgross chains.

**Share of organic sales:** Sales of organically labelled products with an accredited country of origin label as a percentage of Axfood's total food sales. The selection includes Group-owned stores in the Willys, Eurocash, Hemköp and Snabbgross chains.

**Share of sustainability-labelled products:** Sales of sustainability-labelled products with an accredited country of origin label as a percentage of Axfood's total store sales. The selection includes Group-owned stores in the Willys, Eurocash, Hemköp and Snabbgross chains.

**Sickness-related absences:** The number of reported hours employees are on sick leave in relation to scheduled working hours. The selection includes all active employees in Axfood. By active employees is meant all employees in the Group except for employees of Urban Deli AB and Hall Miba AB. Internal consultants and persons on parental leave/leave of absence are not included. Sickness-related absences for the first quarter pertain to time worked during the period December–February.

# About Axfood

Axfood aspires to be the leader in good and sustainable food. Our family of companies includes the Willys and Hemköp chains as well as Tempo and Handlar'n. B2B sales are conducted through Snabbgross, and our support company Dagab is responsible for the Group's product development, purchasing and logistics. The Axfood house of brands also includes Mat.se, Middagsfrid and Urban Deli, and partly owned Apohem and Eurocash. The Group has more than 11,000 employees and sales of more than SEK 53 bn. Axfood's shares have been listed on Nasdaq Stockholm since 1997, and the principal owner is Axel Johnson AB.

## Vision

Axfood will be the leader in good and sustainable food.

## Mission

Axfood enables a better day 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 covers three areas: purchasing and assortment, logistics, and sales channels and concepts. The customer is always in focus, and all details – from initial supplier contact to when a product ends up in the customer's basket – are important. In every step of the business model, value is created for Axfood and the Group's stakeholders.

## Long-term financial targets and investments 2021

- Axfood's long-term financial targets:
  - Grow more than the market
  - Long-term operating margin of at least 4%
  - Equity ratio of at least 20% at year-end
- Axfood's dividend policy sets the goal that the shareholder dividend shall be at least 50% of profit after tax. The dividend amount is to be paid on two occasions.
- Axfood's capital expenditures in 2021 are expected to amount to SEK 1,800–1,900 m excluding acquisitions and right-of-use assets, of which SEK 585 m pertains to partial payment for an automation solution and SEK 115 m pertains to land related to the new logistics centre in Bålsta. During 2021 Axfood plans to establish five to ten new stores.

## Strategy

To be the leader in good and sustainable food, Axfood is pursuing a strategy of growth-promoting and efficiency enhancing priorities. The strategy is built upon six strategic focus areas: the customer offering, the customer meeting, expansion, the supply chain, the work approach and our people. We drive growth by developing and offering an attractively priced assortment. Apart from growing sales at existing stores, key initiatives include continued expansion through the e-commerce rollout and establishment of new formats and more stores. We are striving to increase efficiency in the organization through a more data-driven work approach and persistent development of logistics solutions of the future. To stay at the forefront we need to continue building a culture that enables us to attract and develop the industry's best employees. We aspire to be and to be recognized as a strong force for change in society. Together with our owners, suppliers, customers and decision-makers in society we are a driver of progress towards more sustainable food consumption.

## Investment case – seven reasons to invest in Axfood

- The food retail industry is relatively unaffected by economic swings and is driven largely by population growth and inflation.

- Axfood has a clear strategy for addressing the trends in the market through concrete priorities in six focus areas. The goal is to grow more than the market with a long-term operating margin of at least 4%.
- Axfood is a house of brands with strong positions in their respective segments – a way of meeting customers' varying needs and diversifying risk.
- Economies of scale and cost efficiency are achieved through close collaboration between central functions and Group companies. Efficient and modern logistics convey many advantages and create conditions for profitable growth and a continuous improvement of the customer offering. Major emphasis is put on cultivating good relationships with suppliers and increasing control and responsibility across the entire supply chain.
- With a clear expansion plan, focus on developing the customer meeting regardless of channel, and development of sustainable and easy meal solutions, Axfood is catering to customers' evolving behaviours in the food retail market.
- Axfood has a solid balance sheet, and the business model generates stable cash flow. During the last five years the dividend has averaged 91% of profit after tax.
- Axfood has long been working to be a positive force in society. Through its private labels Axfood launches innovative products and eagerly takes the charge for sustainability.

## Operating segments

- Willys is Sweden's leading discount grocery chain, featuring a wide and deep assortment in Group-owned stores and online. With Sweden's cheapest bag of groceries, Willys aspires to lead and develop the discount segment of food retail. Willys also includes the cross-border grocery chain Eurocash.
- Hemköp offers an attractively priced and wide assortment with a rich offering of fresh products. The chain's Group-owned stores, franchise stores and online business aim to inspire good meals in a simple and well thought out manner. Hemköp also includes Tempo, a mini-mart format of franchise stores.
- Snabbgross is one of Sweden's leading restaurant wholesalers with a customer base of restaurants, fast food operators and cafés. From stores and online the chain offers personal service, availability and quality.
- Dagab handles the assortment, purchasing and logistics for the entire Axfood house of brands as well as for external B2B customers. The segment includes the online grocery store Mat.se, Middagsfrid with pre-planned meal kits, the online pharmacy Apohem, and the Urban Deli restaurant chain.

# Axfood

Axfood AB, SE-107 69 Stockholm  
Solnavägen 4  
Tel. (switchboard): +46-8-553 990 00  
info@axfood.se, axfood.se  
Reg. no.: 556542-0824

WILLYS

Hemköp

apohem

DAGAB

HANDLARN

Tempo

URBAN DELI

mat.se

MIDDAGS FRID

eurocash

Snabbgross