

# Solid quarter with good profitability

## Third quarter summary

- Net sales totalled SEK 13,723 m (13,426), an increase of 2.2%.
- Store sales for the Axfood Group totalled SEK 11,589 m (11,503), an increase of 0.7%.
- Operating profit including items affecting comparability of SEK 18 m for the integration with Bergendahls totalled SEK 793 m (796). The operating margin was 5.8% (5.9%). Operating profit excluding items affecting comparability was SEK 811 m (796), an increase of 1.9%. The operating margin excluding items affecting comparability was 5.9% (5.9%).
- Net profit for the period was SEK 601 m (605), and earnings per share before dilution were SEK 2.93 (2.95).
- In September a dividend of SEK 3.75 per share was paid out to the shareholders – the second half of the total shareholder dividend of SEK 7.50 (7.25) per share.

## Summary January–September

- Net sales totalled SEK 40,829 m (40,062), an increase of 1.9%.
- Store sales for the Axfood Group totalled SEK 35,398 m (34,915), an increase of 1.4%.
- Operating profit was SEK 1,965 m (1,944). The operating margin was 4.8% (4.9%). Operating profit excluding items affecting comparability was SEK 2,036 m (1,944), an increase of 4.8%. The operating margin excluding items affecting comparability was 5.0% (4.9%).
- Net profit for the period was 1,486 m (1,454), and earnings per share before dilution were SEK 7.36 (7.10).

## Significant events after the balance sheet date

- On 1 October Axfood completed the acquisition of the wholesale business Bergendahl Food AB and of the minority stake of 9.9% of the shares in City Gross Sverige AB.
- In October Axfood received a payout of SEK 110 m from Fora/AFA employer-financed insurances based on previous premium payments, which will result in a positive effect on the operating profit in the fourth quarter 2021.

# 2.2%

Net sales growth for the Axfood Group during the third quarter

# 8.9%

Growth in net sales online to consumers during third quarter

# 5.9%

Axfood Group's operating margin during third quarter excluding items affecting comparability

## Key ratios

SEK m	Q3 2021	Q3 2020	Change	9 mos 2021	9 mos 2020	Change	R12	Full year 2020
Net sales	13,723	13,426	2.2%	40,829	40,062	1.9%	54,463	53,696
Operating profit (EBIT)	793	796	-0.3%	1,965	1,944	1.1%	2,531	2,510
Operating profit (EBIT) excl. items affecting comparability <sup>1)</sup>	811	796	1.9%	2,036	1,944	4.8%	2,602	2,510
Operating margin, %	5.8	5.9	-0.1	4.8	4.9	0.0	4.6	4.7
Operating margin excl. items affecting comparability, % <sup>1)</sup>	5.9	5.9	0.0	5.0	4.9	0.1	4.8	4.7
Profit for the period	601	605	-0.7%	1,486	1,454	2.2%	1,895	1,862
Earnings per share before dilution, SEK	2.93	2.95	-0.7%	7.36	7.10	3.7%	–	9.12
Earnings per share before dilution excl. items affecting comparability, SEK <sup>1)</sup>	3.00	2.95	1.4%	7.63	7.10	7.5%	–	9.12
Cash flow from operating activities	1,054	1,167	-9.7%	3,302	3,361	-1.8%	4,792	4,851
Return on capital employed, % <sup>2)</sup>	22.6	24.5	-1.9	22.6	24.5	-1.9	22.6	24.2
Return on shareholders' equity, % <sup>2)</sup>	47.4	47.9	-0.6	47.4	47.9	-0.6	47.4	45.7
Shareholders' equity per share, SEK	–	–	–	20.61	18.99	8.5%	–	20.70

<sup>1)</sup> See Note 10, Items affecting comparability, for more information.

<sup>2)</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 and the Securities Market Act. The information was submitted for publication, through the agency of the contact person listed above, at 7 a.m. CET on 21 October 2021.

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

Axfood will present the interim report for the third 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 66, UK: +44 333 300 9271, USA: +1 646 722 4904.

# High activity level and historic deal with Bergendahls

**Axfood reports a solid third quarter with good profitability despite high comparison figures. We continue to maintain a high tempo with significant focus on our investments for the future, and a few weeks ago we made history in the Swedish food retail sector with the completion of our acquisition of Bergendahls Food and partnership with City Gross.**

It's an exciting time with high activity in all parts of our Group. This past summer we communicated new and large investments in optimizing our logistics platform. In addition, we have received clearance from the Swedish Competition Authority and completed our acquisition of Bergendahls. The acquisition creates synergies and strengthens our long term position in the market through higher efficiency, which also benefits wholesale customers and consumers. The integration of these businesses is now underway and it feels great to welcome new colleagues to the Axfood family.

## **Solid and profitable quarter**

Axfood sums up a quarter that was measured against high comparison figures and low food price inflation. We delivered high profitability and increased our earnings adjusted for costs related to the Bergendahls acquisition. Axfood once again grew faster than the market in e-commerce and we continue to develop our digital offering to attract different types of customers.

In pace with the easing of restrictions surrounding the pandemic we are seeing a slight change in the market dynamics, such as a continued gradual recovery for stores at central urban locations, restaurants and in the service trade. It is also gratifying to see that the situation for cross-border shopping has improved. The considerably lower growth in e-commerce can largely be explained by a high rate of growth last year, but it is also being driven by customers increasingly returning to shopping in physical stores.

## **Full focus forward for our concepts**

Willys has a unique position in the market, and as proof of the strength of the concept, Willys was recently named as fastest-growing brand in terms of value according to a major survey conducted by Brand Finance. The growth figures for Willys are low at the moment, but this should be viewed in light of the fact that the chain was among the concepts on the market that grew the most last year. Eurocash' sales grew significantly during the quarter but were still a good bit below the level in 2019.

Hemköp grew more than the market and reported considerably improved profitability. Hemköp is benefiting from the increase in customer traffic at central urban locations, which is reflected in its like-for-like sales growth. Tempo continues to perform well and grew considerably more than the market.

Snabbgross once again had a tremendous quarter and is benefiting from the recovery of the restaurant market. At the same time, the concept has strengthened and the customer base has grown during the past year, which is contributing to its performance. In August we expanded Snabbgross Club with one new store and are seeing steady growth in membership and interest.

Dagab once again delivered favourable earnings with high productivity despite certain disruptions in the general supply chain. We are also strengthening our presence in the service trade and recently welcomed the ST1 chain as a new customer. The level of activity at Dagab continues to be very high, and in addition to all of the major logistics investments and new product launches, we are intensifying work with new system solutions and make improvements in e-commerce warehouse operations.

## **100 recommendations for a more sustainable food system**

The most recent climate change report from the UN's Intergovernmental Panel on Climate Change (IPCC) shows that it is urgent to take effective measures that protect the environment and reduce greenhouse gas emissions. Toward this end, at Axfood we recently presented our food strategy in the report *Food 2030*, which includes 100 proposed measures for the business sector, politicians and authorities. We will continue to take our responsibility and work intensively with sustainability issues; but to bring about real, positive change we want to see more, faster and bolder initiatives from decision-makers in order to facilitate the transition to a more sustainable food system.

## **High level of energy and large leaps forward**

We have closed an eventful quarter with a high pace of development. We are now seeing a return to the new normal after the pandemic and adapt in accordance with customers' changed expectations and behaviours. We are well-positioned in a changing market with our strong and distinctive concepts. With the Bergendahls acquisition and our other investments in the future we are also taking large leaps in the coming years to ensure long-term, profitable and sustainable growth.

Klas Balkow  
President and CEO, Axfood AB



**"We are reporting a solid quarter with good profitability despite high comparison figures. With the Bergendahls acquisition and our other investments in the future we are taking large leaps in the coming years to ensure long-term, profitable and sustainable growth."**

# The Swedish food retail market

The Swedish food retail market is generally less sensitive to economic swings than other parts of the retail sector. 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 – just over 6% during the first nine months of 2021 according to the Swedish Food Retailers Federation's (SvDH) food retail index. In the online segment, growth is stronger for the store pick-up alternative than home delivery.

According to the SvDH food retail index, total sales growth during the third quarter of 2021 was 1.2%. The comparison figures for the preceding year are high as a result of greater consumption of food at home during the pandemic. The calendar effect was 0.2%. Growth in e-commerce was 3.0%. In the online segment, the store pick-up alternative grew by 4.6%, while home delivery grew by 1.6%.

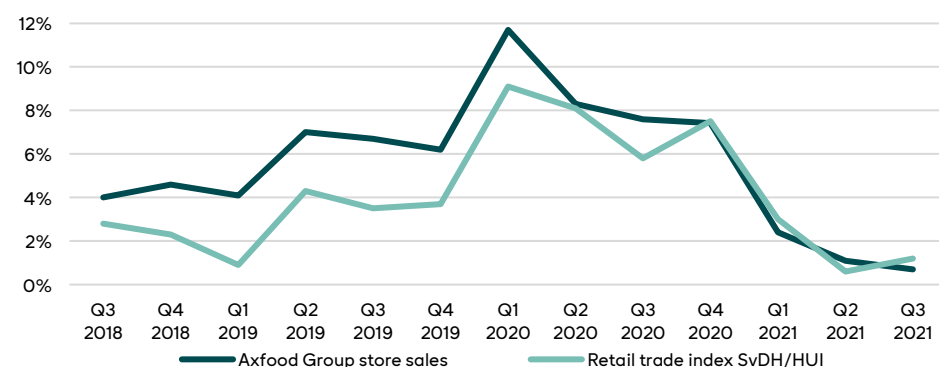
Food price inflation during the period third quarter was 0.3%, according to data from Statistics Sweden.

## Covid-19

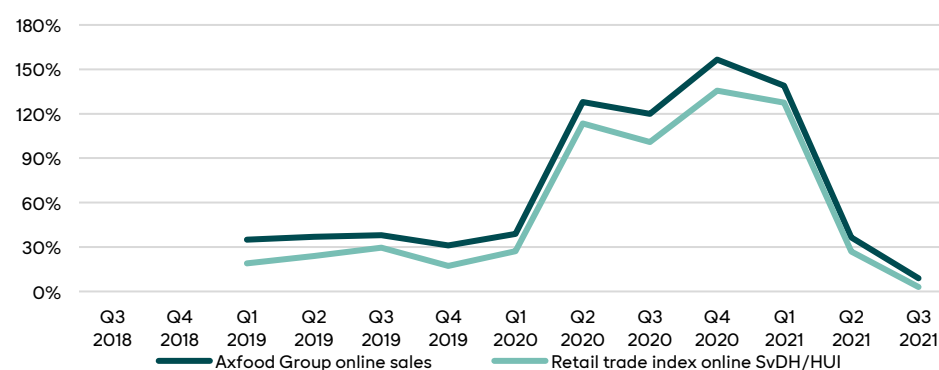
During the third quarter, demand in the Swedish food retail market continued to be strong impacted by consumers' changed shopping behaviours during the pandemic. The situation was nevertheless challenging for certain parts of the market, such as for stores in central locations in larger cities and in cross-border shopping along the Norwegian border. In pace with the easing of restrictions surrounding the pandemic, the customer traffic has however increased and the situation in the café and restaurant market has improved. E-commerce growth was lower than previously, partly owing to high comparison figures, but also as a result of higher customer traffic at physical stores.

See Note 3, *Significant risks and uncertainties* for more information about risks related to impacts from Covid-19.

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



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



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

# Group performance

## Net sales

### Third quarter

Net sales grew 2.2% to SEK 13,723 m (13,426). The increase in net sales is mainly attributable to new establishments and higher net sales for Snabbgross and Dagab.

Store sales for the Axfood Group amounted to SEK 11,589 m (11,503), an increase of 0.7%. Like-for-like growth was -0.4%. Food price inflation was low, at 0.3% according to Statistics Sweden. Comparison figures for Willys were very high, and store sales were essentially unchanged. Hemköp stores grew more than the market. Group-owned Hemköp stores showed good like-for-like growth, while growth overall was negatively affected by conversions to franchise stores. Sales for Snabbgross increased significantly, driven by new establishments, a higher average ticket value and an increase in the customer base. The recovery in the service trade and strong performance for Tempo had a positive impact on Dagab's sales.

Axfood once again grew more than the market in B2C sales online, with growth of 8.9%, and total net sales online were SEK 728 m (669). Growth in B2C sales online were considerably lower than previously owing to high comparison figures and the return of many consumers to shopping in physical stores. The increase is attributable to 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 30.3% (30.6%) of the Axfood Group's total stores sales.

### January–September

Net sales grew 1.9% to SEK 40,829 m (40,062). Store sales for the Axfood Group increased by 1.4%, while like-for-like sales were essentially unchanged. Net sales online grew 52.7% to SEK 2,856 m (1,871).

### Net sales per segment

SEK m	Q3 2021	Q3 2020	Change	9 mos 2021	9 mos 2020	Change	Full year 2020
Willys	7,873	7,862	0.1%	23,999	23,670	1.4%	31,793
Hemköp	1,459	1,483	-1.6%	4,567	4,699	-2.8%	6,354
Snabbgross	1,132	990	14.3%	2,840	2,626	8.1%	3,417
Dagab	12,211	11,995	1.8%	36,579	35,781	2.2%	48,091
Joint-Group	263	247	6.4%	795	741	7.3%	991
<i>Internal sales between segments</i>							
Dagab	-8,973	-8,920	0.6%	-27,217	-26,764	1.7%	-36,028
Joint-Group/other	-242	-230	5.3%	-735	-691	6.4%	-923
<b>Net sales, total</b>	<b>13,723</b>	<b>13,426</b>	<b>2.2%</b>	<b>40,829</b>	<b>40,062</b>	<b>1.9%</b>	<b>53,696</b>

### Store sales (including online)

SEK m	Q3 2021	Q3 2020	Change	Change like-for-like stores	9 mos 2021	9 mos 2020	Change	Change like-for-like stores
<b>Willys</b>	<b>7,872</b>	<b>7,861</b>	<b>0.1%</b>	<b>-1.2%</b>	<b>23,998</b>	<b>23,669</b>	<b>1.4%</b>	<b>-0.6%</b>
Hemköp, Group-owned	1,419	1,445	-1.8%	1.8%	4,448	4,585	-3.0%	0.8%
Hemköp franchises	2,297	2,197	4.6%	1.4%	6,952	6,661	4.4%	1.2%
<b>Hemköp total</b>	<b>3,716</b>	<b>3,642</b>	<b>2.0%</b>	<b>1.5%</b>	<b>11,400</b>	<b>11,246</b>	<b>1.4%</b>	<b>1.0%</b>
<b>Axfood Group store sales</b>	<b>11,589</b>	<b>11,503</b>	<b>0.7%</b>	<b>-0.4%</b>	<b>35,398</b>	<b>34,915</b>	<b>1.4%</b>	<b>-0.1%</b>

### Change in store structure

	Dec. 2020	New establishments/ acquisitions	Sales/ closures	Conversions	Sept. 2021	Sept. 2020
<b>Number of stores</b>						
Willys <sup>1)</sup>	219	4	-	-	223	217
Hemköp	65	2	-1	-4	62	64
Snabbgross	26	1	-	-	27	25
<b>Total, Group-owned</b>	<b>310</b>	<b>7</b>	<b>-1</b>	<b>-4</b>	<b>312</b>	<b>306</b>
Hemköp franchises	133	1	-2	4	136	132
Tempo franchises	126	6	-2	-	130	126
<b>Total, Group-owned and franchises</b>	<b>569</b>	<b>14</b>	<b>-5</b>	<b>-</b>	<b>578</b>	<b>564</b>
<sup>1)</sup> Willys	162	2	-	2	166	159
<sup>1)</sup> Willys Hemma	50	1	-	-1	50	51
<sup>1)</sup> Eurocash	7	1	-	-1	7	7

# 2.2%

Net sales growth for the Axfood Group during the third quarter

# 0.7%

Growth in store sales for the Axfood Group during the third quarter

# 8.9%

Growth in net sales online to consumers during the third quarter

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



# Operating profit

## Third quarter

Operating profit, which included SEK 18 m in items affecting comparability related to costs for the integration with Bergendahls Food, amounted to SEK 793 m (796), a decrease of -0.3%. The operating margin was 5.8% (5.9%). Operating profit excluding items affecting comparability was SEK 811 m (796). The operating margin excluding items affecting comparability was 5.9% (5.9%).

The higher operating profit excluding items affecting comparability is mainly attributable to a higher operating profit for Hemköp and Snabbgross. The increases for Hemköp and Snabbgross are attributable to a positive sales mix and like-for-like sales growth, and good cost control. The decrease in Willys' operating profit is attributable to negative like-for-like sales growth owing to very high comparison figures. Earnings for Eurocash improved slightly but remained significantly negative. Items affecting comparability of SEK 18 m for the integration with Bergendahls Food were charged against Dagab's operating profit. Excluding items affecting comparability, Dagab's operating profit was essentially unchanged compared with a strong quarter a year ago. The reduction in payroll taxes for young employees affected profit for the quarter by SEK 46 m.

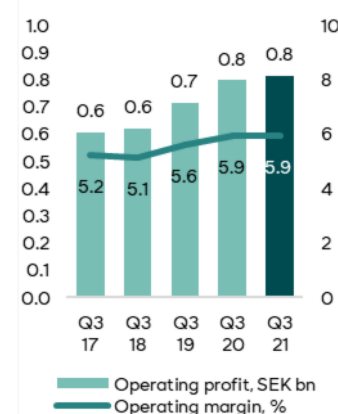
Profit after financial items amounted to SEK 762 m (774). Profit after tax was SEK 601 m (605).

## January–September

Operating profit was SEK 1,965 m (1,944), which corresponds to an operating margin of 4.8% (4.9%). Operating profit excluding items affecting comparability during the period amounted to SEK 2,036 m (1,944), which corresponds to an operating margin of 5.0% (4.9%) excluding items affecting comparability.

Net financial items for the period amounted to SEK -87 m (-85), and profit after financial items was SEK 1,878 m (1,859). Profit after tax was SEK 1,486 m (1,454).

## Operating profit and operating margin excl. items affecting comparability<sup>1)</sup>



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

## Operating profit per segment excluding items affecting comparability

SEK m	Q3 2021	Q3 2020	Change	9 mos 2021	9 mos 2020	Change	Full year 2020
Willys	457	474	-3.6%	1168	1212	-3.6%	1551
Hemköp	76	62	23.9%	198	176	12.5%	229
Snabbgross	77	64	20.3%	148	122	21.2%	150
Dagab	247	246	0.4%	699	599	16.7%	829
Joint-Group	-47	-51	-7.4%	-177	-165	7.0%	-250
<b>Operating profit (EBIT) excl. items affecting comparability</b>	<b>811</b>	<b>796</b>	<b>1.9%</b>	<b>2,036</b>	<b>1,944</b>	<b>4.8%</b>	<b>2,510</b>
Items affecting comparability <sup>1)</sup>	-18	-		-72	-		-
<b>Operating profit (EBIT)</b>	<b>793</b>	<b>796</b>	<b>-0.3%</b>	<b>1,965</b>	<b>1,944</b>	<b>1.1%</b>	<b>2,510</b>
Net financial items	-31	-22		-87	-85		-116
<b>Profit after financial items</b>	<b>762</b>	<b>774</b>		<b>1,878</b>	<b>1,859</b>		<b>2,394</b>

<sup>1)</sup> The costs incurred during the quarter are included in their entirety in Dagab. On an accumulated basis SEK -18 m are included in Dagab and SEK -54 m in Joint-Group. See Note 10 Items affecting comparability for more information.

## Operating margin per segment excluding items affecting comparability

%	Q3 2021	Q3 2020	Change	9 mos 2021	9 mos 2020	Change	Full year 2020
Willys	5.8	6.0	-0.2	4.9	5.1	-0.3	4.9
Hemköp	5.2	4.2	1.1	4.3	3.7	0.6	3.6
Snabbgross	6.8	6.5	0.3	5.2	4.7	0.6	4.4
Dagab	2.0	2.1	0.0	1.9	1.7	0.2	1.7
<b>Operating margin excl. items affecting comparability<sup>1)</sup></b>	<b>5.9</b>	<b>5.9</b>	<b>0.0</b>	<b>5.0</b>	<b>4.9</b>	<b>0.1</b>	<b>4.7</b>
<b>Operating margin</b>	<b>5.8</b>	<b>5.9</b>	<b>-0.1</b>	<b>4.8</b>	<b>4.9</b>	<b>0.0</b>	<b>4.7</b>

# Capital expenditures

Total capital expenditures during the period January–September amounted to SEK 1,209 m (713). Of this total, SEK 382 m (378) pertained to investments in retail operations, SEK 546 m (113) pertained to investments in wholesale operations, of which SEK 444 m (–) pertained to a part of the investment for an automation solution, and SEK 281 m (223) pertained to joint-Group operations.

Investments in right-of-use assets, mainly premises, amounted to SEK 1,427 m (1,157) during the period January–September, of which SEK 416 m (359) pertained to newly acquired assets and SEK 1,011 m (798) pertained mainly to renewals of existing leases of premises and upward indexing of rents. Of total investments in leases, SEK 869 m (863) pertained to retail operations, SEK 350 m (279) pertained to wholesale operations, and SEK 208 m (15) pertained to joint-Group operations.

## Other

### Government support related to Covid-19

Despite challenges in parts of operations, the Axfood Group has refrained from applying for so-called state reorientation and furlough support. Axfood has, however, received compensation for 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 3,302 m (3,361) during the period January–September. Paid tax totalled SEK -323 m (-318). Net capital expenditures affected cash flow by SEK -1,255 m (-760), mainly attributable to the ongoing investments in Dagab. Payment of the year's shareholder dividend affected cash flow by SEK -1,569 m (-1,517). Newly raised loans in connection with completion of the transaction with Bergendahls on 1 October had a positive cash flow effect of SEK 1,500 m (–). Amortization of lease liabilities affected cash flow by SEK -1,168 m (-1,133).

Cash and cash equivalents held by the Group amounted to SEK 2,343 m, compared with SEK 1,534 m in December 2020. Interest-bearing liabilities and provisions totalled SEK 7,824 m, compared with SEK 6,111 m in December 2020. The increase in cash and cash equivalents as well as of interest-bearing liabilities and provisions is attributable to the newly raised loan for completion of the transaction with Bergendahls. Interest-bearing net debt amounted to SEK 5,481 m at the end of the period, compared with SEK 4,577 m in December 2020.

The equity ratio was 22.2%, compared with 24.3% in December 2020, which is in line with the Group's long-term financial target.

Net debt/EBITDA was 1.1, compared with 1.0 in December 2020. Net debt/EBITDA excluding IFRS 16 was -0.1, compared with -0.4 in December 2020.

During the quarter an agreement was signed to extend the tenor of the Group's existing revolving credit facility of SEK 3,500 m. The tenor was extended by two years and now continues through the end of 2026.

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

SEK m	9 mos 2021	9 mos 2020
Total investments	-2,636	-1,870
Investments in leases	1,427	1,157
Divestment of tangible/intangible assets	5	2
Acquisition of financial assets	-58	-42
Acquisition of operations, other items	–	-6
Divested operations	7	-1
<b>Cash flow from investing activities</b>	<b>-1,255</b>	<b>-760</b>

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



### Net debt/EBITDA





# Operating segment performance

## Willys

### Third quarter

Net sales for Willys totalled SEK 7,873 m (7,862). Like-for-like store sales decreased by -1.2% owing to very high comparison figures, mainly for large Willys stores. The Willys store in Borås that was damaged by a fire in May was closed during the quarter and affected growth in store sales negatively by approximately 1 percentage point. Performance for Eurocash was measured against low comparison figures, and sales increased compared with a year ago as a result of gradually increasing customer traffic following the easing of travel restrictions between Sweden and Norway. However, looking at sales in relation to the third quarter of 2019, they were considerably lower, and the decrease compared with that period was -43%.

Wilys continues to develop its offering and concept at a fast pace through expansion with new stores and online as well as through modernization of existing stores. At the end of the quarter Willys had 223 stores (217), including 216 Willys (210) and 7 Eurocash (7). At the end of the quarter Willys offered online shopping at 117 stores (96) in 73 cities (59).

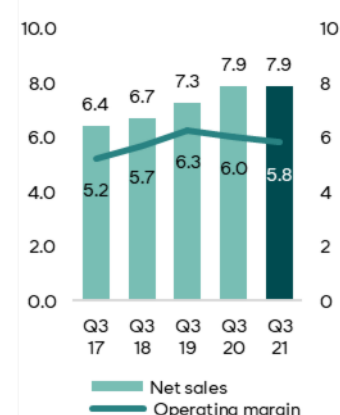
Operating profit decreased to SEK 457 m (474), corresponding to an operating margin of 5.8% (6.0%). The decrease is mainly attributable to the negative like-for-like sales performance. Operating profit for Eurocash improved slightly as a result of increased sales but was still considerably negative.

### January–September

Net sales for Willys totalled SEK 23,999 m (23,670), an increase of 1.4% compared with a year ago. Like-for-like sales decreased by -0.6%. Operating profit was SEK 1,168 m (1,212), and the operating margin was 4.9% (5.1%).

Wilys 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, Wilys aspires to lead and develop the discount segment of food retail. Wilys 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.

SEK m	Q3 2021	Q3 2020	Change	9 mos 2021	9 mos 2020	Change	R12	Full year 2020
Net sales	7,873	7,862	0.1%	23,999	23,670	1.4%	32,123	31,793
Change in like-for-like sales, %	-1.2	6.9	-8.1	-0.6	8.3	-8.9	-1.0	7.9
Operating profit (EBIT)	457	474	-3.6%	1,168	1,212	-3.6%	1,507	1,551
Operating margin, %	5.8	6.0	-0.2	4.9	5.1	-0.3	4.7	4.9
Number of Group-owned stores	–	–	–	223	217	6	–	219
Average number of employees during the period	–	–	–	6,649	6,124	525	–	6,109
Private label share, %	31.9	32.4	-0.5	32.5	32.6	-0.1	–	32.5
Sustainability-labelled products as % of total sales	28.7	28.9	-0.2	29.8	30.0	-0.1	29.6	29.7
Gender equality, share of women in senior positions, %	–	–	–	32.8	34.9	-2.1	–	34.4
Sickness-related absences, %	5.1	5.2	0.0	6.3	6.1	0.2	6.5	6.4

# Hemköp

## Third quarter

Net sales for Group-owned Hemköp stores (including franchise fees) totalled SEK 1,459 m (1,483). Growth in store sales including Hemköp franchises was higher than for the market, at 2.0%.

Store sales for Group-owned Hemköp stores totalled SEK 1,419 m (1,445), a decrease of -1.8% owing to conversions to franchise stores. Like-for-like sales for Group-owned stores increased by 1.8% owing to low comparison figures and higher customer traffic at stores at central urban locations. Comparison figures for franchise stores were high, but sales increased despite this by 4.6% to SEK 2,297 m (2,197). Like-for-like sales increased by 1.4%. The Tempo chain continues to perform well and showed very good growth of 5.6% despite high comparison figures.

The number of Group-owned stores decreased by two, net, compared with the end of the third quarter a year ago. Since then, four new Hemköp franchise stores have been added, net. Hemköp continued its online rollout and at the end of the third quarter offered online shopping at 66 stores (37) in 39 cities (23).

Operating profit was SEK 76 m (62), corresponding to an operating margin of 5.2% (4.2%). The increase is mainly attributable to positive like-for-like sales growth, an improved sales mix and good cost control.

## January–September

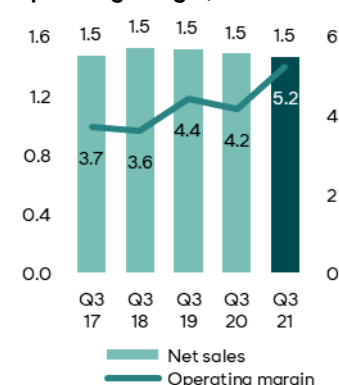
Net sales for Group-owned Hemköp stores (including franchise fees) totalled SEK 4,567 m (4,699). Growth in store sales including Hemköp franchises and online was 1.4%.

Store sales for Group-owned stores totalled SEK 4,448 m (4,585), a decrease of -3.0%. Like-for-like sales for Group-owned stores increased by 0.8%. Sales for franchise stores totalled SEK 6,952 m (6,661), an increase of 4.4%, with a 1.2% increase in like-for-like sales.

Operating profit for the period was SEK 198 m (176), corresponding to an operating margin of 4.3% (3.7%).

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>**



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

SEK m	Q3 2021	Q3 2020	Change	9 mos 2021	9 mos 2020	Change	R12	Full year 2020
Net sales	1,459	1,483	-1.6%	4,567	4,699	-2.8%	6,223	6,354
Change in like-for-like sales, Group-owned stores, %	1.8	1.9	-0.1	0.8	2.9	-2.1	0.7	2.8
Operating profit (EBIT)	76	62	23.9%	198	176	12.5%	250	229
Operating margin, %	5.2	4.2	1.1	4.3	3.7	0.6	4.0	3.6
Number of Group-owned stores	–	–	–	62	64	-2	–	65
Average number of employees during the period	–	–	–	1,591	1,673	-82	–	1,658
Private label share, %	25.9	25.6	0.3	26.4	26.2	0.2	–	26.3
Sustainability-labelled products as % of total sales	27.3	27.7	-0.4	28.2	28.7	-0.5	27.8	28.2
Gender equality, share of women in senior positions, %	–	–	–	28.4	32.4	-4.0	–	29.9
Sickness-related absences, %	5.0	5.0	0.0	6.2	6.3	-0.1	6.4	6.5



# Snabbgross

## Third quarter

Net sales for Snabbgross totalled SEK 1,132 m (990), an increase of 14.3% compared with a year ago. Like-for-like sales increased by 11.6%. The strong growth for Snabbgross is partly attributable to the easing of pandemic restrictions and favourable market development. In addition, Snabbgross's accessibility through its store network and attractive customer offerings continued to contribute to an increase in the customer base. New establishments and a higher average ticket value also contributed to net sales growth. Snabbgross Club continued its favourable performance and is contributing to a greater extent to Snabbgross's sales. In late August a new store was opened under the Snabbgross Club concept in Södertälje.

At the end of the quarter Snabbgross had 27 stores (25) in total.

Operating profit for the period was SEK 77 m (64), an increase largely attributable to the positive like-for-like sales performance, a positive sales mix and good cost control. The operating margin was high, at 6.8% (6.5%).

## January–September

Net sales for Snabbgross totalled SEK 2,840 m (2,626), an increase of 8.1%. Operating profit was SEK 148 m (122), and the operating margin was 5.2% (4.7%).

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>**



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

SEK m	Q3 2021	Q3 2020	Change	9 mos 2021	9 mos 2020	Change	R12	Full year 2020
Net sales	1,132	990	14.3%	2,840	2,626	8.1%	3,631	3,417
Change in sales, like-for-like stores, %	11.6	3.2	8.4	5.6	-0.1	5.7	3.5	-2.2
Operating profit (EBIT)	77	64	20.3%	148	122	21.2%	176	150
Operating margin, %	6.8	6.5	0.3	5.2	4.7	0.6	4.9	4.4
Number of stores	–	–	–	27	25	2	–	26
Average number of employees during the period	–	–	–	465	431	34	–	427
Share of sustainability-labelled products, %	18.6	18.2	0.4	18.6	18.6	0.0	18.6	18.6
Gender equality, share of women in senior positions, %	–	–	–	34.0	36.7	-2.7	–	32.7
Sickness-related absences, %	5.6	5.7	-0.1	6.4	6.6	-0.2	6.8	6.9

# Dagab

## Third quarter

Net sales totalled SEK 12,211 m (11,995), an increase of 1.8%. The growth in net sales is mainly attributable to higher sales to Hemköp, Snabbgross and the service trade.

Operating profit was SEK 229 m (246), corresponding to an operating margin of 1.9% (2.1%). Operating profit included items affecting comparability of SEK 18 m related to integration costs for Bergendahls Food. Operating profit excluding items affecting comparability was essentially unchanged compared with a strong quarter a year ago and totalled SEK 247 m (246). The operating margin excluding items affecting comparability was 2.0% (2.1%). Delivery reliability was slightly lower than previously as a result of certain disruptions in the general supply chain that affected planning. With continued strong demand in the food retail sector and higher demand from the service trade, capacity utilization and productivity remained high both for store and e-commerce logistics. Profit for the corresponding period a year ago was favourably affected by a positive currency effect from a strong Swedish krona.

Mat.se continues to develop its concept, and with the further easing of restrictions in the restaurant market, Urban Deli showed continued positive sales performance. The strong trend for Apohem continues, with high growth and focus on strengthening the brand.

## January–September

Dagab's net sales totalled SEK 36,579 m (35,781), an increase of 2.2%. Operating profit was SEK 681 m (599), corresponding to an operating margin of 1.9% (1.7%). Operating profit excluding items affecting comparability was SEK 699 m (599), corresponding to an operating margin of 1.9% (1.7%) excluding items affecting comparability.

Dagab handles the assortment, purchasing and logistics for the entire Axfood house of brands as well as for external B2B customers. The Dagab 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>



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

SEK m	Q3 2021	Q3 2020	Change	9 mos 2021	9 mos 2020	Change	R12	Full year 2020
Net sales	12,211	11,995	1.8%	36,579	35,781	2.2%	48,889	48,091
Operating profit (EBIT)	229	246	-6.8%	681	599	13.8%	912	829
Operating profit (EBIT) excl. items affecting comparability <sup>1)</sup>	247	246	0.4%	699	599	16.7%	930	829
Operating margin, %	1.9	2.1	-0.2	1.9	1.7	0.2	1.9	1.7
Operating margin excl. items affecting comparability, % <sup>1)</sup>	2.0	2.1	0.0	1.9	1.7	0.2	0.0	1.7
Average number of employees during the period	–	–	–	2,947	2,763	184	–	2,823
Delivery reliability, %	–	–	–	95.5	94.0	1.5	–	94.8
Gender equality, share of women in senior positions, %	–	–	–	25.4	24.3	1.1	–	25.4
Sickness-related absences, %	7.6	6.8	0.8	8.5	8.2	0.3	8.7	8.5

<sup>1)</sup> See Note 10 Items affecting comparability for more information.

# Acquisition of Bergendahl Food AB and partnership with City Gross

**Following clearance from the Swedish Competition Authority, on 1 October Axfood completed its acquisition of the wholesale business Bergendahl Food AB as well as of a minority stake in City Gross Sverige AB as part of a strategic partnership. The acquisition creates economies of scale and cost synergies, and also benefits wholesale customers and Swedish consumers through increased efficiency and assortment and logistics improvements.**

On 31 May Axfood announced that an agreement had been reached with Bergendahl & Son AB to acquire 100% of Bergendahl Food AB ("Bergendahls Food"). In addition, as part of a strategic partnership, it was announced that Axfood will acquire a minority stake corresponding to 9.9% of the shares in City Gross Sverige AB ("City Gross") with an option to increase its total shareholding to 30%.

Completion of the deal was subject to approval by the Swedish Competition Authority, which announced on 16 September that its review had been completed and that it had granted clearance for the deal. The acquisition was completed on 1 October, with Axfood taking possession of and gaining ownership to the shares covered by the agreement.

The initial consideration was SEK 1.8 bn on a cash and debt-free basis, and upon full exercise of the call option, the total consideration amounts to SEK 2.5 bn, of which SEK 1.5 bn pertains to Bergendahls Food. Payment of the initial consideration was made in cash through a combination of existing cash and credit facilities. To maintain a strong financial position over time, as previously communicated Axfood intends to carry out a new share issue of SEK 1.5 bn with preferential rights for existing shareholders. A proposal will be made to Axfood's Annual General Meeting on 23 March 2022 to authorize the Board of Directors to decide on a new issue of shares for implementation in 2022.

Through Dagab, Axfood is continuing its long-term work on building the logistics structure of the future, and together with Bergendahls Food Axfood expects to realize economies of scale and cost synergies over time. The combined wholesale volume strengthens the competitiveness of Axfood's own chains while benefiting external customers in the Swedish food retail market.

The partnership with Axfood strengthens City Gross's competitiveness and creates conditions to further develop its concept and grow its market share. In addition, through the partnership Axfood has gained a position in the hypermarket segment of the Swedish food retail market, thereby increasing the Group's presence and reach.

The transaction is expected to create annual cost synergies of approximately SEK 200 m that are expected to be realized successively through 2025. Excluding integration and transaction costs, it is expected that the acquisition will make a positive contribution to Axfood's earnings per share from 2022.

Up until the second quarter of 2022, focus will be on integrating the wholesale business into Dagab's operations. This will be followed by integration of the stores in Axfood's processes and IT infrastructure.

See *Note 9, Acquisition of Bergendahl Food AB and partnership with City Gross Sverige AB* for more information about the transaction.

# 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.

## Ongoing investments

### **New, automated e-commerce warehouse in Backa, Gothenburg**

In Gothenburg, Dagab will be establishing an all new, highly automated e-commerce warehouse in an existing property adjacent to its distribution centre in Backa. An agreement has been signed with the automation provider Witron to deliver the automation solution for the new e-commerce warehouse, which will have five times higher capacity than the existing warehouse. The new warehouse is expected to be completed by year-end 2024 and will be fully operational in spring 2025. Until then the Group's existing e-commerce warehouse in Västra Frölunda will continue to be developed. The new e-commerce warehouse will dramatically increase capacity as well as efficiency compared with the existing warehouse, where picking is done manually. The total contracted investment with Witron will amount to EUR 48 m during the period 2021–2024.

### **Expansion of existing high-bay warehouse in Backa, Gothenburg with automated aisles**

To add additional pallet space and meet future volume growth in southern Sweden, Dagab's existing high-bay warehouse at the Backa distribution centre will be expanded with two new automated aisles. This will increase the total capacity by approximately 30% and thereby ensure that the warehouse will be able to meet future growth. Dagab's existing agreement with the automation and logistics company Daifuku is being extended, and the investment in automation amounts to EUR 3 m.

### **New, automated fruit and vegetable warehouse in Landskrona**

To develop and streamline the logistics operations and accommodate future volume growth, Dagab will be establishing a new and larger nationwide warehouse for fruit 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 replace the existing warehouse in Helsingborg. An agreement has been signed with the automation provider KNAPP to automate parts of the warehouse, and the investment will amount to EUR 14 m during the period 2021–2024. The automation, which is planned to be fully operational in 2024, will increase efficiency and capacity at the warehouse while at the same time improving flexibility in connection with volume increases. Excavation work for the new building was started during the third quarter.

### **Establishment of automated logistics centre**

Work on the new, highly automated logistics centre in Bålsta, outside Stockholm, is proceeding on schedule. During the third quarter the automation provider Witron continued its work on installing the automation solution. The logistics centre is planned to be fully operational in 2023 and will be one of the largest and most modern facilities in Europe for distribution of groceries to stores as well as directly to 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 stores and e-commerce customers. The system also offers customers improved order tracking. The TMS is being implemented gradually and will eventually be integrated with the new logistics centre in Bålsta in 2023.

### **Checkout system and payment terminals in stores**

Development of new checkout systems and payment terminals is currently being conducted 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 of payment terminals is expected to be completed by late 2021.

### **Solutions in purchasing and assortment**

To improve processes in purchasing and assortment and to create a more efficient and attractive offering to consumers, a project is currently being conducted to update Axfood's IT platforms. The project is being conducted to improve the campaign and assortment process and entails a higher degree of automation and better decision-making documentation with data and analyses. The system is being rolled out gradually, and it is expected that it will be implemented to a large extent during 2022.

# Sustainable development

Axfood's vision 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, create new business opportunities and profitable growth, and contribute to sustainable development.

## 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.

## Food – focus on sustainable choices and a positive societal impact

Axfood strives to make it easier for consumers to make sustainable choices. One way to do this is by offering a broad assortment of sustainability-labelled products. During the third quarter, sustainability-labelled products as a share of total sales amounted to 27.1% (27.4%), which is a decrease compared with a year ago. A negative effect from a changed category mix was only partly countered by a positive effect from a higher share of sales of sustainability-labelled products in most categories. The share of organic products was 5.5% (5.8%), and the share of KRAV-labelled meat was 2.7% (2.9%). The trend for organic products is downward for the industry as a whole, and thus also for KRAV-labelled meat. The growth rate for plant-based protein substitutes was negative, at -4.7% (14.2%), mainly owing to high comparison figures.

Food waste has a large, negative environmental impact, and Axfood has therefore set a target to cut food waste in half by 2025 (compared with the base year 2015). 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 third quarter approximately 280 tonnes of fruit and vegetables were sold at reduced prices instead of being tossed out. This is an increase of slightly more than 16% compared with the same period a year ago and a contributing factor to the reduction in food waste.

"Matmissionen", a social supermarket project that Axfood co-founded and is still active in, operates at two locations in the Stockholm area. A decision has now been made by the Swedish Food Retailers Federation to work together in the food retail industry and together with suppliers to expand operations with the opening of an additional three social supermarkets in Stockholm. This new collaboration represents a joint effort to reduce food waste, counter food poverty and create opportunities for job training. It is estimated that the initiative will reduce food waste yearly by up to 3,000 tonnes.

In September the Food 2030 report was published, Axfood's recommendations for a sustainable food strategy for Sweden, including 100 recommendations for the business sector, politicians and authorities. The report is published as part of Axfood's effort to drive more sustainable development with respect to food consumption, production, rural development issues, the transition to fossil-free alternatives, and the value-added of Swedish foods. Fourteen of the recommendations in this year's report are new and address, among other things, the need to invest in novel ways to process seafood, support for longer grazing periods for dairy cows, and a requirement that all Swedish beef should have a basic animal welfare certification.

## Environment – decreased ecological footprint and more circular flows

The share of the world's combined greenhouse gas emissions derived from food production needs to be reduced, and toward this end Axfood is working in a number of areas to promote production that has the smallest environmental impact possible. The goal is to achieve net zero emissions from its own operations by 2030 at the latest.

To create the conditions to be able to recycle all plastic packaging from Swedish households and create circular plastic flows, the organisation Swedish Plastic Recycling has taken the decision to build the world's largest and most modern plastic recycling facility – Site Zero. When the facility becomes operational in 2023 it will handle about 200,000 tonnes of plastic packaging per year with no negative climate impact. Axfood is one of the facility's co-founders through the Swedish Food Retailers Federation.

Axfood continues to focus on renewable energy, and in cooperation with Alight, a leading company in Power Purchase Agreements for solar energy, Sweden's largest solar park will be built. The facility will include 60,000 solar panels with a total capacity of approximately 40 MW which corresponds to approximately 15 percent of Axfood's annual electricity consumption. The facility is planned to be completed in early 2023.

## People – good working conditions and social terms in the entire food value chain

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



In the report *Food 2030*, Axfood's recommendations for a sustainable food strategy for Sweden, Axfood lays out 100 recommendations for the business sector, politicians and authorities to help accelerate the transition to a more sustainable food system.

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 third quarter, sickness-related absences were 5.6% (5.4%). The level of sickness-related absences was slightly higher than during the prior year quarter and is still being affected by the coronavirus pandemic.

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 Axfood enters an agreement with 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 29 audits (35) were conducted during the third quarter. Several risk countries are still under strict pandemic restrictions, which has impeded the audit work.

Through a new project with SOS Children's Villages, Hemköp is providing families in Mozambique tools to grow food for social and environmental sustainability. The goal is to give small-scale farmers – many of whom are women and young people – tools and knowledge to scale up their food production in a sustainable manner and in such way guarantee them and their families a more secure future. Hemköp has been a main sponsor of SOS Children's Villages since 2007 and together with its customers has collected approximately SEK 20 m on behalf of the organization.

### Key ratios, Group

	Q3 2021	Q3 2020	Change	9 mos 2021	9 mos 2020	Change	R12	Full year 2020
Sustainability-labelled products as % of total sales	27.1	27.4	-0.3	28.4	28.6	-0.2	28.1	28.3
Sales of organic products as % of total food sales	5.5	5.8	-0.3	5.9	6.2	-0.3	5.9	6.1
Growth in plant-based protein substitutes, %	-4.7	14.2	-18.9	-1.3	16.9	-18.2	1.3	15.1
KRAV-certified meat as % of total meat sales	2.7	2.9	-0.2	2.8	3.2	-0.4	2.9	3.1
Number of social audits	29	35	-6	75	85	-10	112	123
Electricity consumption, kWh/m <sup>2</sup> (stores and warehouses)	–	–	–	–	–	–	291.3	297.2
CO <sub>2</sub> , kg/tonne goods	16.8	16.0	0.8	17.5	15.5	2.0	17.3	15.6
Gender equality, share of women in senior positions, %	–	–	–	31.8	32.7	-0.9	–	33.2
Sickness-related absences, %	5.6	5.4	0.2	6.6	6.5	0.1	6.8	6.8

For more information on Axfood's sustainability 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 5-10 new stores.

## Capital Markets Day 2021

On 16 December Axfood will be hosting a Capital Markets Day for analysts, institutional investors and the press at Axfood's head office, Solnavägen 4, in Stockholm. Lunch will be served at 12 noon. The event will start at 1 p.m. and is expected to end at 4.30 p.m., followed by a mingle. The purpose of the Capital Markets Day is to provide an update of Axfood's long-term strategy and status surrounding the Group's financial targets. Presentations will be held by members of the Executive Committee in Swedish with simultaneous interpretation in English, and the participants will have an opportunity to ask questions. The Capital Markets Day will also be streamed live on Axfood's website, and a recording with English subtitles will be available afterwards. More information is available from Axfood's website.

## Nominating Committee

Ahead of the 2022 Annual General Meeting (AGM) and in accordance with the instructions that apply for Axfood's Nominating Committee, the following Nominating Committee has been appointed. The members of the Nominating Committee are Marie Ehrling (Axel Johnson AB), Sussi Kvar (Handelsbanken Funds), Jan Särilvik (Nordea Funds) and Elisabet Jamal Bergström (SEB Funds). Marie Ehrling is chair of the Nominating Committee. Mia Brunell Livfors, Chairman of the Board of Axfood, is a co-opted member of the Nominating Committee. Altogether the Nominating Committee represents approximately 55% of the votes and capital in Axfood as per 31 August 2021. Shareholders who want to submit a proposal to the Nominating Committee ahead of the AGM can do so by email at [valberedning@axfood.se](mailto:valberedning@axfood.se). In order for the Nominating Committee to be able to consider submitted proposals in a constructive manner, proposals must be received by the committee well in advance of the AGM.

## Annual General Meeting 2022

Axfood's Annual General Meeting (AGM) will be held on 23 March 2022, in Stockholm. All AGM documents including the Annual and Sustainability Report will be available on the Company's website not later than three weeks before the AGM. Documents will also be kept on hand at the Company's head offices and can be sent by post to shareholders, upon request, who provide their postal address.

## Auditors' review report

This report has been subject to a review by Axfood's auditors.

Stockholm, 21 October 2021

Klas Balkow,  
*President and CEO*

## Financial calendar

- The Capital Markets Day 2021 will be held at 1 p.m. CET on 16 December 2021.
- The year-end report for 2021 will be presented at 7 a.m. CET on 3 February 2022.
- The 2021 Annual and Sustainability Report will be published in February 2022.
- The 2022 Annual General Meeting will be held on 23 March 2022.
- The interim report for the first quarter of 2022 will be presented at 7 a.m. CET on 21 April 2022.
- The interim report for the second quarter of 2022 will be presented at 7 a.m. CET on 15 July 2022.
- The interim report for the third quarter of 2022 will be presented at 7 a.m. CET on 20 October 2022.

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

15 July 2021	New e-commerce warehouse in Gothenburg and increased automation as Axfood lays foundation for logistics of the future
16 Sept. 2021	Nominating Committee ahead of Axfood's 2022 Annual General Meeting
16 Sept. 2021	Axfood's acquisition of Bergendahl Food AB and partnership with City Gross Sverige AB approved by the Swedish Competition Authority
22 Sept. 2021	Axfood presents 100 recommendations for a more sustainable food system
29 Sept. 2021	Invitation to Axfood's Capital Markets Day 2021

## Parent Company

The Parent Company's net sales and other operating revenue during the period January–September amounted to SEK 207 m (209). After operating expenses of SEK -312 m (-309) and net financial items of SEK -2 m (-2), profit after financial items was SEK -107 m (-103). Capital expenditures during the period totalled SEK 12 m (9).

The Parent Company had an interest-bearing net debt receivable of SEK 369 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.

# Auditors' review report

To the Board of Directors of Axfood AB (publ)  
Reg. no. 556542-0824

## Introduction

We have reviewed the interim report for Axfood AB (publ) for the period 1 January–30 September 2021. The Board of Directors and the President are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

## Scope of review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and is substantially less in scope than an audit conducted in accordance with ISA and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not, in all material respects, prepared for the Group in accordance with IAS 34 and the Annual Accounts Act, and for the Parent Company in accordance with the Annual Accounts Act.

Stockholm, 21 October 2021  
Deloitte AB

Hans Warén  
Authorized Public Accountant

# Financial statements, Group

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

SEK m	Q3 2021	Q3 2020	9 mos 2021	9 mos 2020	R12	Full year 2020
Net sales	13,723	13,426	40,829	40,062	54,463	53,696
Cost of goods sold	-11,482	-11,219	-34,212	-33,666	-45,694	-45,148
<b>Gross profit</b>	<b>2,241</b>	<b>2,207</b>	<b>6,617</b>	<b>6,396</b>	<b>8,768</b>	<b>8,548</b>
Selling and administrative expenses, etc. <sup>1)</sup>	-1,448	-1,412	-4,652	-4,452	-6,238	-6,038
<b>Operating profit</b>	<b>793</b>	<b>796</b>	<b>1,965</b>	<b>1,944</b>	<b>2,531</b>	<b>2,510</b>
Interest income and similar profit/loss items	1	9	9	13	12	16
Interest expense and similar profit/loss items	-32	-30	-96	-98	-130	-132
<b>Profit after financial items</b>	<b>762</b>	<b>774</b>	<b>1,878</b>	<b>1,859</b>	<b>2,412</b>	<b>2,394</b>
Tax	-161	-168	-392	-405	-518	-531
<b>Profit for the period</b>	<b>601</b>	<b>605</b>	<b>1,486</b>	<b>1,454</b>	<b>1,895</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	3	4	8	11	-10	-6
Tax	-1	-1	-2	-2	2	1
<i>Items that can be reclassified to profit or loss for the period</i>						
Change in hedging reserve	15	8	31	9	-43	-65
Tax	-3	-2	-6	-2	9	13
<b>Other comprehensive income for the period</b>	<b>14</b>	<b>9</b>	<b>31</b>	<b>16</b>	<b>-41</b>	<b>-56</b>
<b>Total comprehensive income for the period</b>	<b>615</b>	<b>615</b>	<b>1,517</b>	<b>1,469</b>	<b>1,853</b>	<b>1,806</b>
Profit for the period attributable to						
Owners of the parent	612	618	1,540	1,486	1,962	1,908
Non-controlling interests	-11	-12	-54	-32	-68	-46
<b>Total comprehensive income for the period attributable to</b>						
Owners of the parent	626	627	1,570	1,502	1,921	1,852
Non-controlling interests	-11	-12	-54	-32	-68	-46
Earnings per share before dilution, SEK	2.93	2.95	7.36	7.10	–	9.12
Earnings per share after dilution, SEK	2.92	2.94	7.34	7.08	–	9.09

<sup>1)</sup> Includes items affecting comparability, see Note 10 Items affecting comparability for more information.

## Condensed statement of financial position, Group

SEK m	30/9/2021	30/9/2020	31/12/2020
<b>Assets</b>			
Goodwill	2,832	2,769	2,769
Other intangible assets	773	734	750
Property, plant and equipment	3,396	2,822	2,912
Right-of-use assets	5,905	5,465	5,656
Financial assets <sup>1)</sup>	59	36	33
Deferred tax assets	237	231	253
<b>Total non-current assets</b>	<b>13,202</b>	<b>12,057</b>	<b>12,373</b>
Inventories	2,586	2,502	2,670
Accounts receivable – trade	1,075	1,141	1,033
Other current assets	1,237	1,132	1,203
Cash and bank balances	2,343	746	1,534
<b>Total current assets</b>	<b>7,242</b>	<b>5,521</b>	<b>6,441</b>
<b>Total assets</b>	<b>20,444</b>	<b>17,579</b>	<b>18,814</b>
<b>Shareholders' equity and liabilities</b>			
Equity attributable to owners of the parent	4,310	3,973	4,331
Equity attributable to non-controlling interests	226	246	232
<b>Total shareholders' equity</b>	<b>4,536</b>	<b>4,218</b>	<b>4,563</b>
Non-current lease liabilities	4,445	4,364	4,524
Other interest-bearing liabilities	381	396	403
Deferred tax liabilities	976	908	979
Other non-current liabilities	76	71	108
<b>Total non-current liabilities</b>	<b>5,879</b>	<b>5,738</b>	<b>6,014</b>
Current lease liabilities	1,498	1,171	1,184
Current interest-bearing liabilities	1,500	–	–
Accounts payable – trade	4,558	4,149	4,424
Other current liabilities	2,473	2,302	2,629
<b>Total current liabilities</b>	<b>10,029</b>	<b>7,622</b>	<b>8,237</b>
<b>Total shareholders' equity and liabilities</b>	<b>20,444</b>	<b>17,579</b>	<b>18,814</b>
<sup>1)</sup> Of which, interest-bearing assets	–	–	–

## Condensed statement of cash flows, Group

SEK m	Q3 2021	Q3 2020	9 mos 2021	9 mos 2020	R12	Full year 2020
<i>Operating activities</i>						
Operating profit	793	796	1,965	1,944	2,531	2,510
Adjustments for non-cash items	607	579	1,804	1,721	2,387	2,304
Interest paid	-31	-27	-94	-94	-118	-118
Interest received	0	5	2	9	3	10
Paid tax	-103	-93	-323	-318	-375	-370
Changes in working capital	-213	-93	-52	99	364	515
<b>Cash flow from operating activities</b>	<b>1,054</b>	<b>1,167</b>	<b>3,302</b>	<b>3,361</b>	<b>4,792</b>	<b>4,851</b>
<i>Investing activities</i>						
Acquisitions of operations	-	-4	-	-9	-	-9
Acquisitions of intangible assets	-46	-50	-206	-153	-264	-211
Acquisitions of property, plant and equipment	-567	-168	-1,003	-557	-1,263	-817
Other changes in investing activities	-17	-21	-46	-41	-48	-43
<b>Cash flow from investing activities</b>	<b>-630</b>	<b>-243</b>	<b>-1,255</b>	<b>-760</b>	<b>-1,575</b>	<b>-1,080</b>
<i>Financing activities</i>						
Loans raised	1,500	-	1,500	-	1,500	-
Amortization of debt	-389	-379	-1,168	-1,133	-1,550	-1,515
Shareholder contribution from minority owner	49	49	49	49	49	49
Share repurchases	-	-	-50	-53	-50	-53
Dividend paid out	-785	-732	-1,569	-1,517	-1,569	-1,517
<b>Cash flow from financing activities</b>	<b>375</b>	<b>-1,062</b>	<b>-1,238</b>	<b>-2,654</b>	<b>-1,620</b>	<b>-3,036</b>
<b>Cash flow for the period</b>	<b>799</b>	<b>-138</b>	<b>809</b>	<b>-53</b>	<b>1,597</b>	<b>735</b>

## Condensed statement of changes in equity, Group

SEK m	30/9/2021	30/9/2020	31/12/2020
Amount at start of year	4,563	4,249	4,249
Total comprehensive income for the period	1,517	1,469	1,806
Change in non-controlling interest	-1	-	-
Share repurchases	-50	-53	-53
Share-based payments	27	20	28
Shareholder contribution from minority owner	49	49	49
Dividend to shareholders	-1,569	-1,517	-1,517
<b>Amount at end of period</b>	<b>4,536</b>	<b>4,218</b>	<b>4,563</b>



# Financial statements, Parent Company

## Condensed income statement, Parent Company

SEK m	Q3 2021	Q3 2020	9 mos 2021	9 mos 2020	Full year 2020
Net sales	2	1	5	4	5
Selling and administrative expenses	-94	-100	-312	-309	-429
Other operating revenue	65	63	201	205	269
<b>Operating profit</b>	<b>-27</b>	<b>-36</b>	<b>-105</b>	<b>-101</b>	<b>-155</b>
Net financial items	-1	0	-2	-2	-2
<b>Profit after financial items</b>	<b>-28</b>	<b>-36</b>	<b>-107</b>	<b>-103</b>	<b>-157</b>
Appropriations, net	-	-	-	-	2,082
<b>Profit before tax</b>	<b>-28</b>	<b>-36</b>	<b>-107</b>	<b>-103</b>	<b>1,925</b>
Tax	5	7	19	19	-418
<b>Net profit for the period</b>	<b>-23</b>	<b>-29</b>	<b>-88</b>	<b>-83</b>	<b>1,508</b>
Operating profit includes depreciation/amortization totalling	2	1	5	3	4

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

## Condensed balance sheet, Parent Company

SEK m	30/9/2021	30/9/2020	31/12/2020
<b>Assets</b>			
Property, plant and equipment	38	20	35
Participations in Group companies	3,524	3,456	3,459
Other financial non-current assets	12	7	7
Deferred tax assets	6	7	7
<b>Total non-current assets</b>	<b>3,580</b>	<b>3,490</b>	<b>3,508</b>
Receivables from Group companies <sup>1)</sup>	1,268	1,388	4,527
Other current assets	356	325	25
Cash and bank balances	2,126	545	1,141
<b>Total current assets</b>	<b>3,750</b>	<b>2,258</b>	<b>5,694</b>
<b>Total assets</b>	<b>7,330</b>	<b>5,748</b>	<b>9,202</b>
<b>Shareholders' equity and liabilities</b>			
Restricted shareholders' equity	287	287	287
Unrestricted shareholders' equity	685	766	2,364
<b>Total shareholders' equity</b>	<b>973</b>	<b>1,053</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>11</b>	<b>16</b>	<b>15</b>
<b>Non-current liabilities</b>	<b>3</b>	<b>3</b>	<b>3</b>
Current interest-bearing liabilities	1,500	-	-
Accounts payable – trade	35	10	15
Liabilities to Group companies <sup>2)</sup>	1,483	1,691	3,165
Other current liabilities	132	68	160
<b>Total current liabilities</b>	<b>3,151</b>	<b>1,769</b>	<b>3,340</b>
<b>Total shareholders' equity and liabilities</b>	<b>7,330</b>	<b>5,748</b>	<b>9,202</b>
1) Of which, interest-bearing receivables	1,264	1,355	2,165
2) Of which, interest-bearing liabilities	1,483	1,691	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 tables and calculations do not always add up. 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.

Starting with the second quarter of 2021, items affecting comparability are reported separately. By items affecting comparability is meant financial effects in connection with major acquisitions and divestments or other major structural changes. The items are reported separately to facilitate an understanding of the Group's financial performance in comparisons between periods. Items affecting comparability are specified in Note 10.

### 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 7–10 of this 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 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.

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 operational disruptions. The respective operations continue to monitor development and are working continuously to adapt to the prevailing guidelines.

The carrying amount of the Group's assets is tested on a regular basis to determine any need to recognize impairment. The carrying amount is also tested when an indication of a decrease 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 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	31
Realized changes	10
<b>Amount at end of period</b>	<b>-73</b>

During the quarter an agreement was signed to extend the tenor of the Group's existing revolving credit facility of SEK 3,500 m. The tenor was extended by two years and now continues through the end of 2026. In addition, an agreement was entered into for a new bank overdraft facility of SEK 300 m.

## Note 6 Pledged assets and contingent liabilities

Group, SEK m	30/9/2021	30/9/2020	31/12/2020
Pledged assets	-	-	-
Contingent liabilities	19	19	19

Parent Company, SEK m	30/9/2021	30/9/2020	31/12/2020
Pledged assets	-	-	-
Contingent liabilities	256	267	256

## Note 7 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 were made under LTIP 2018 in April 2021 using treasury shares. For more information about incentive programmes, see Axfood's 2020 Annual and Sustainability Report.

To secure the Company's obligation to provide conditional performance shares under LTIP 2021, during the second quarter of 2021 Axfood repurchased 192,000 shares at an average price of SEK 233.68 per share, for a total of SEK 45 m. Axfood's holding of treasury shares thereby amounts to 765,980 shares, which secure delivery of shares for all of the Company's incentive programmes.

## Note 8 Acquired operations

No significant acquisitions were made during the quarter. On 1 October Axfood completed its acquisition of the wholesale business Bergendahl Food AB and of the minority stake of 9.9% of City Gross Sverige AB, which is part of a strategic partnership. See Note 9 for more information.

## Note 9 Acquisition of Bergendahl Food AB and partnership with City Gross Sverige AB

During the second quarter, Axfood entered into an agreement with Bergendahl & Son AB to acquire 100% of the wholesale business Bergendahl Food AB ("Bergendahls Food") as well as of a minority stake of 9.9% in City Gross Sverige AB ("City Gross") as part of a strategic partnership with an option to acquire additional shares up to a total shareholding of 30% in City Gross, gradually during a five-year period.

Completion of the deal was subject to approval by the Swedish Competition Authority, which announced on 16 September that its review had been completed and that it had granted clearance for the deal. The decision was reached after Axfood made certain voluntary undertakings with respect to wholesale customers pertaining to extensions of contracts with existing terms and with respect to certain new actors which shall have the right to sign delivery agreements with Axfood. The acquisitions were completed on 1 October. As from this date, Bergendahl Food AB is consolidated in the Axfood Group and City Gross Sverige AB is reported as an associate company. The acquisition of Bergendahls Food will be included in the Dagab

segment. The minority stake in City Gross will be reported in the Willys segment in accordance with the equity method, as the intention is to exercise the option to acquire additional shares.

Integration between Bergendahls Food and Axfood's purchasing and logistics company Dagab has been started in connection with completion of the transaction. City Gross will continue to be a standalone grocery chain, but will be integrated with Axfood's IT system and will be supported by the new, coordinated purchasing and logistics operation in Dagab through a 15-year delivery and cooperation agreement that is part of the partnership.

The initial consideration amounts to SEK 1.8 bn on a cash and debt-free basis, and upon full exercise of the call option, the total consideration amounts to SEK 2.5 bn, of which SEK 1.5 bn pertains to Bergendahls Food.

The transaction is expected to create annual cost synergies of approximately SEK 200 m, which are expected to be realized successively through 2025 in purchasing, distribution, assortment optimization, logistics and organization, among other areas. Axfood expects to invest approximately SEK 100 m in IT and logistics during the period 2021–2023 to achieve the synergies. It is estimated that integration and transaction costs related to the acquisition will amount to approximately SEK 200 m during the period 2021–2023, and that non-cash IT impairment losses of approximately SEK 100 m will be recognized during the same period. See Note 10 for further information on integration and transaction costs during the period.

Excluding integration and transaction costs, it is expected that the acquisition will make a positive contribution to Axfood's earnings per share starting in 2022. After recognition of the integration costs, the synergies have begun to be realized, and having taken into account the expected effects of the rights issue, it is expected that the transaction will make a positive contribution to earnings per share starting in 2023.

In connection with transfer of possession, payment was made in cash through a combination of existing cash and credit facilities. To maintain a strong financial position over time, Axfood intends to carry out a new share issue of SEK 1.5 bn with preferential rights for existing shareholders. The rights issue will help ensure the long-term financing of the acquisition and enable subsequent investments as a result of the integration of Bergendahls Food with Axfood and investments in automation in the logistics chain. Axfood's board of directors has decided to adjust the timing of the issue to Axfood's capital structure and capital requirements. A proposal will be made to Axfood's Annual General Meeting on 23 March 2022 to authorize the Board to decide on a new issue of shares for implementation in 2022. It was previously communicated that the rights issue was planned to take place during the fourth quarter of 2021. Axfood's largest shareholder, Axel Johnson AB, which represents 50.1% of the shares, has undertaken to vote in favour of the Board's proposal and to subscribe for its pro rata share in the rights issue.

Axfood has a financial target to maintain an equity ratio of at least 20% at the end of each year. Following implementation of the transaction and despite the delayed execution of the rights issue, this financial target is expected to be met as per 31 December 2021.

Bergendahls Food is a strong wholesaler in the Swedish food retail industry with approximately 800 employees. Its wholesale operations are conducted from a central warehouse in Hässleholm mainly to City Gross, but also to approximately 170 independent retailers and online retailers. City Gross is a Swedish food retail chain with approximately 2,800 employees. City Gross has 42 stores and an estimated market share of approximately 4%.

As the time is short from the acquisition date until the date of publication of this interim report, sufficient information is not available to be able to provide further disclosures on the financial effects of the acquisition. Disclosures of the financial effects of the acquisition will be presented in the year-end report for 2021.

## Note 10 Items affecting comparability

Acquisition and integration costs totalled SEK -18 m (–) during the quarter and SEK -72 m (–) accumulated, and pertain in their entirety to the Bergendahl Food AB transaction, which is described in Note 9. The costs incurred during the quarter are included in their entirety in Dagab. On an accumulated basis, SEK -18 m are included in Dagab and SEK -54 m in Joint-Group. See the financial key ratio definitions for further information.

	Q3 2021	Q3 2020	9 mos 2021	9 mos 2020	R12	Full year 2020
Acquisition costs	–	–	-54	–	-54	–
Integration costs	-18	–	-18	–	-18	–
<b>Total</b>	<b>-18</b>	<b>–</b>	<b>-72</b>	<b>–</b>	<b>-72</b>	<b>–</b>

## Note 11 Significant events after the balance sheet date

- On 1 October Axfood completed the acquisition of the wholesale business Bergendahl Food AB and of the minority stake of 9.9% of the shares in City Gross Sverige AB.
- In October Axfood received a payout of SEK 110 m from Fora/AFA employer-financed insurances based on previous premium payments, which will result in a positive effect on the operating profit in the fourth quarter 2021.

# Key ratios

## Quarterly overview, Group

SEK m	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021
Net sales	13,040	13,067	13,570	13,426	13,633	13,203	13,903	13,723
Operating profit (EBIT)	487	544	605	796	566	565	607	793
Operating profit (EBIT) excl. items affecting comparability	487	544	605	796	566	565	661	811
Operating margin, %	3.7	4.2	4.5	5.9	4.1	4.3	4.4	5.8
Operating margin excl. items affecting comparability, %	3.7	4.2	4.5	5.9	4.1	4.3	4.8	5.9
Net profit for the period	359	402	446	605	409	430	455	601
Earnings per share before dilution, SEK	1.68	1.93	2.22	2.95	2.02	2.16	2.27	2.93
Earnings per share before dilution excl. items affecting comparability, SEK	1.68	1.93	2.22	2.95	2.02	2.16	2.48	3.00
Cash flow from operating activities	1,101	1,335	859	1,167	1,490	1,127	1,121	1,054
Cash flow from operating activities per share, SEK	5.26	6.38	4.10	5.58	7.12	5.39	5.39	5.04
Return on capital employed, % <sup>1)</sup>	30.1	24.7	24.5	24.5	24.2	26.6	25.6	22.6
Return on shareholders' equity, % <sup>1)</sup>	39.6	58.9	53.6	47.9	45.7	63.0	56.1	47.4
Shareholders' equity per share, SEK	19.21	14.17	15.95	18.99	20.70	15.51	17.56	20.61
Investments in intangible non-current assets and in property, plant and equipment	792	276	218	219	318	292	304	613
Items affecting comparability	-	-	-	-	-	-	-54	-18
Net debt (+)/net receivable (-)	5,131	5,454	5,218	5,185	4,577	5,016	4,920	5,481
Share price, SEK	208.40	202.20	203.40	205.40	191.80	208.80	236.70	209.70

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

## Key ratios and other data, Group

SEK m	9 mos 2021	9 mos 2020	Full year 2020
Operating margin, %	4.8	4.9	4.7
Operating margin excl. items affecting comparability, %	5.0	4.9	4.7
Equity ratio, %	22.2	24.0	24.3
Net debt (+)/net receivable (-), SEK m	5,481	5,185	4,577
Net debt (+)/net receivable (-) excl. IFRS 16, SEK m	-462	-350	-1,131
Net debt/EBITDA, multiple	1.1	1.1	1.0
Net debt/EBITDA excl. IFRS 16, multiple	-0.1	-0.1	-0.4
Net debt-equity ratio (+)/Net receivable-equity ratio (-), multiple	1.2	1.2	1.0
Net debt-equity ratio (+)/Net receivable-equity ratio (-), excl. IFRS 16, multiple	-0.1	-0.1	-0.2
Capital employed, SEK m	12,360	10,149	10,674
Return on capital employed, % <sup>1)</sup>	22.6	24.5	24.2
Return on shareholders' equity, % <sup>1)</sup>	47.4	47.9	45.7
Average number of employees during the period	12,128	11,406	11,451
Capital expenditures, SEK m	2,636	1,870	2,755
Investments in intangible non-current assets and in property, plant and equipment, SEK m	1,209	713	1,031
Number of shares outstanding at the end of the period	209,104,732	209,198,604	209,198,604
Average number of shares outstanding before dilution	209,176,383	209,272,119	209,253,740
Average number of shares outstanding after dilution	209,877,451	209,879,228	209,877,099
<b>Key data per share</b>			
Earnings per share before dilution, SEK	7.36	7.10	9.12
Earnings per share before dilution excl. items affecting comparability, SEK <sup>1)</sup>	7.63	7.10	9.12
Earnings per share after dilution, SEK	7.34	7.08	9.09
Ordinary dividend per share, SEK <sup>2)</sup>	-	-	7.50
Shareholders' equity per share, SEK	20.61	18.99	20.70
Cash flow per share, SEK	3.87	-0.25	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	Q3 2021	Q3 2020	9 mos 2021	9 mos 2020	R12	Full year 2020
Operating profit (EBIT)	793	796	1,965	1,944	2,531	2,510
Depreciation/amortisation and impairment losses	596	556	1,765	1,681	2,336	2,252
EBITDA	1,389	1,351	3,730	3,625	4,867	4,762
IFRS 16 Leasing costs	-425	-397	-1,259	-1,208	-1,668	-1,617
EBITDA excl. IFRS 16	965	954	2,471	2,417	3,199	3,145

## Financial key ratio definitions

Key ratio marked with an asterisk\* is defined in 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.

**Earnings per share excluding items affecting comparability:** Net profit for the period attributable to owners of the parent adjusted for items affecting comparability 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.

**Items affecting comparability:** Financial effects in combination with major acquisitions and divestments or other major structural changes, which are relevant for gaining an understanding of performance when comparing different periods.

**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 margin excluding items affecting comparability:** Operating profit excluding items affecting comparability as a percentage of net sales for the period.

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

**Operating profit (EBIT) excluding items affecting comparability:** Profit before net financial items and tax adjusted for items affecting comparability.

**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.

**Share price:** Closing share price.

**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 & 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 276 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 of 2021, 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 refers to employees, including members of the Executive Committee, who are defined as managers with employee responsibility. Reported data is presented only on an accumulated six-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 the Axfood Group'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 the Axfood Group'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 the Axfood Group'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 employee in the Axfood Group. 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 third quarter pertain to time worked during the period June–August.

# About Axfood

Axfood aspires to be the leader in good and sustainable food. Our family of companies includes the Willys and Hemköp store 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, Eurocash and City Gross. The Group has more than 12,000 employees and sales of more than SEK 54 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. To drive growth, focus is on 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. Efficiency in the organization will be achieved through a more data-driven work approach and continued development of logistics solutions of the future. Staying at the forefront requires that Axfood continues to build a culture that enables the company to attract and develop the industry's best employees. Axfood aspires to be and to be recognized as a strong force for change in society. Together with owners, suppliers, customers and decision-makers, the company is driving 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. Emphasis is put on cultivating good supplier relationships 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 solid 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 partly owned cross-border grocery chain Eurocash and City Gross.
- 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, the meal kit company Middagsfrid, the online pharmacy Apohem, and the Urban Deli restaurant chain.

# Axfood

Axfood AB, 107 69 Stockholm  
Solvägen 4  
Tel (växel): 08-553 990 00  
info@axfood.se, axfood.se  
Org. nr: 556542-0824

WILLYS

Hemköp

apohem

DAGAB

HANDLAR'N

Tempo

UP  
URBAN DELI

mat.se

MIDDAGS  
FRID

eurocash

Snabbgross