

Strong quarter with high intensity

Second quarter summary

- Net sales totalled SEK 13,903 m (13 570), an increase of 2.5%.
- Store sales for the Axfood Group totalled SEK 12,059 m (11,928), an increase of 1.1%.
- Operating profit, including items affecting comparability pertaining to acquisition costs of SEK 54 m for the transaction with Bergendahl, was SEK 607 m (605). The operating margin was 4.4% (4.5%). Operating profit excluding items affecting comparability totalled SEK 661 m (605), an increase of 9.2%. The operating margin excluding items affecting comparability was 4.8% (4.5%).
- Net profit for the period was SEK 455 m (446), and earnings per share before dilution were SEK 2.27 (2.22).
- On 31 May Axfood announced that it reached an agreement to acquire 100% of Bergendahl Food AB and a minority stake corresponding to 9.9% of the shares in City Gross Sverige AB with an option to acquire shares up to a total shareholding of 30%. Completion of the transaction is subject to approval by the Swedish Competition Authority.

First half summary

- Net sales totalled SEK 27,106 m (26,636), an increase of 1.8%.
- Store sales for the Axfood Group totalled SEK 23,809 m (23,411), an increase of 1.7%.
- Operating profit was SEK 1,172 m (1,148). The operating margin was 4.3% (4.3%). Operating profit excluding items affecting comparability totalled SEK 1,225 m (1,148), an increase of 6.7%. The operating margin excluding items affecting comparability was 4.5% (4.3%).
- Net profit for the period was SEK 885 m (848), and earnings per share before dilution were SEK 4.43 (4.15).

Significant events after the balance sheet date

- To further develop and improve efficiency in the logistics operations and handle future growth, agreements have been signed for a new, automated e-commerce warehouse in Backa in Gothenburg, expansion along with automation of the existing high-bay warehouse in Backa, and automation of the new and larger nationwide warehouse for fruits and vegetables that is being built in Landskrona. Total investments in automation will amount to approximately EUR 65 m during the period 2021–2024.

1.1%

Growth in store sales for the Axfood Group during second quarter

36%

Growth in net sales online to consumers during second quarter

4.8%

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

Key ratios

SEK m	Q2 2021	Q2 2020	Change	6 mos 2021	6 mos 2020	Change	R12	Full year 2020
Net sales	13,903	13,570	2.5%	27,106	26,636	1.8%	54,166	53,696
Operating profit (EBIT)	607	605	0.4%	1,172	1,148	2.0%	2,533	2,510
Operating profit (EBIT) excl. items affecting comparability ¹⁾	661	605	9.2%	1,225	1,148	6.7%	2,587	2,510
Operating margin, %	4.4	4.5	-0.1	4.3	4.3	0.0	4.7	4.7
Operating margin excl. items affecting comparability, % ¹⁾	4.8	4.5	0.3	4.5	4.3	0.2	4.9	4.7
Profit for the period	455	446	1.9%	885	848	4.3%	1,899	1,862
Earnings per share before dilution, SEK	2.27	2.22	2.3%	4.43	4.15	6.7%	–	9.12
Earnings per share before dilution excl. items affecting comparability, SEK ¹⁾	2.48	2.22	11.6%	4.64	4.15	11.8%	–	9.12
Cash flow from operating activities	1,121	859	30.5%	2,248	2,194	2.5%	4,905	4,851
Return on capital employed, % ²⁾	25.6	24.5	1.0	25.6	24.5	1.0	25.6	24.2
Return on shareholders' equity, % ²⁾	56.1	53.6	2.6	56.1	53.6	2.6	56.1	45.7
Shareholders' equity per share, SEK	–	–	–	17.56	15.95	10.1%	–	20.70

¹⁾ See Note 10 Items affecting comparability for more information.

²⁾ Rolling 12-month figures.

For further information, please contact:

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The information herein is such that Axfood AB (publ) is required to make public in accordance with the EU Market Abuse Regulation and the Securities Market Act. The information was submitted for publication, through the agency of the contact person listed above, at 7 a.m. CET on 15 July 2021.

Invitation to presentation of the interim report for the second quarter of 2021

Axfood will present the interim report for the second 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 or ring: Sweden: +46 8 519 993 83, UK: +44 333 300 9268, USA: +1 833 823 0586.

Strong development and big leaps forward

Axfood is developing in a fast pace and is taking significant steps to ensure future competitiveness. A few weeks ago, we announced the acquisition of Bergendahls Food and of a minority stake in City Gross – a logical deal that is beneficial to our customers and strengthens the parties' market positions, and is currently being reviewed by the Swedish Competition Authority. We are also now solidifying the base of our future logistics platform with a number of new, important investments.

I can happily note that we have closed yet another strong quarter. Despite high comparison figures, a negative calendar effect and the lowest food price inflation in many years, Axfood continued to grow with growth in store sales that was higher than the market. We are also growing faster than the market in e-commerce, which is continued to be driven by the store pick-up alternative, which is highly appreciated by customers. Excluding costs related to the Bergendahls transaction, Group operating profit and profitability grew significantly.

Stronger market positions

Willys continues to grow and strengthen its position with an increasing number of customers who are also becoming more loyal, which is continually being confirmed by our brand surveys. Hemköp's franchise stores continue to show positive development, and Tempo also had a good quarter, but we still have challenges at Group-owned Hemköp stores at central urban locations, which are affected by changed customer traffic.

Snabbgross continues to perform well, and growth was very strong during the quarter, partly explained by low comparison figures from the prior year. The decision to open Snabbgross also for consumers during the pandemic has both been appreciated and contributed to sales, and Snabbgross Club continues to attract new members.

The business that has been impacted most during the pandemic is Eurocash. However, with the easing of travel restrictions since mid-June we have seen a gradual increase in customer traffic, a very gratifying development that we hope will continue. According to a new survey, the share of Norwegians looking to shop in Swedish stores along the border after the pandemic is very high and essentially the same as before the pandemic.

Large investments in logistics

Dagab's development during the past year, particularly in terms of productivity, has been outstanding, and operating profit and profitability improved significantly also during the second quarter. Dagab continues to deliver stability in product supply, and Midsummer, one of the food retail sector's biggest and most important holidays, was no exception.

To develop even more sustainable, efficient and competitive product supply we are now taking the next steps and solidifying the base for a top-class nationwide logistics platform. Today we can unveil new, exciting initiatives entailing that in the coming years we will be moving and automating our e-commerce

warehouse in Gothenburg, automating our new fruit and vegetable warehouse in Landskrona, and expanding and automating our high-bay warehouse in Backa. These investments complement our new logistics centre in Bålsta and will strengthen the entire Axfood family and external customers, and will create further conditions for growth and profitability for many years to come.

At the logistics centre in Bålsta, in recent days the first trucks loaded with automation equipment have rolled in and unloaded, and we are now entering the next phase in which we begin work on installing the automation in the dry goods warehouse section. In addition, implementation of the Group's new Transport Management System is being conducted at full speed. We are also taking the next steps in our collaboration with Scania, with the investment in Scania's first series-manufactured and delivered fully electric heavy truck in Sweden and an all new plug-in hybrid truck, which are making daily deliveries of groceries to stores in Stockholm. Dagab is one of the first actors in Europe to put electric trucks into operation in this way, a major step on our journey to fossil-free transports.

Acquisition of Bergendahls Food and partnership with City Gross

In May we announced our acquisition of Bergendahls Food and partnership with City Gross, in which we are acquiring a minority equity stake. This is an exciting and good deal that creates conditions for us to grow stronger together with Bergendahls, City Gross and Bergendahls' external customers. Completion of the transaction is subject to approval by the Swedish Competition Authority, and its review, which may take up to four months to complete, is currently in progress. The transaction lays the foundation for continued growth, and through higher volumes, improved purchasing power and more efficient solutions we can strengthen our offering, which will benefit all involved parties as well as Swedish consumers.

High tempo going forward

We are emerging from the first half of 2021, which was characterized by the pandemic and changes in the market, stronger and more competitive. Our employees have worked hard and with great energy during these very special circumstances, which I am proud of and grateful for. We continue with a high tempo, not least in investments, to ensure competitiveness also in the longer term.

Klas Balkow
President and CEO, Axfood AB



"I can happily note that we have closed yet another strong quarter at the same time that we continue to maintain a very high tempo in our investments for the future."

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 – nearly 7% during the first half of 2021 according to the Swedish Food Retailers Federation's (SvDH) food retail index. In the online segment, growth is considerably stronger for the store pick-up alternative than home delivery.

According to the SvDH food retail index, total sales growth during the second quarter of 2021 was 0.6%. The comparison figures for the preceding year are high as a result of greater consumption of food at home during the pandemic. In addition to this is a calendar effect of -1.0%, largely attributable to a negative Easter effect. Growth in e-commerce was 27%. In the online segment, the store pick-up alternative grew by 38%, while home delivery grew by 16%.

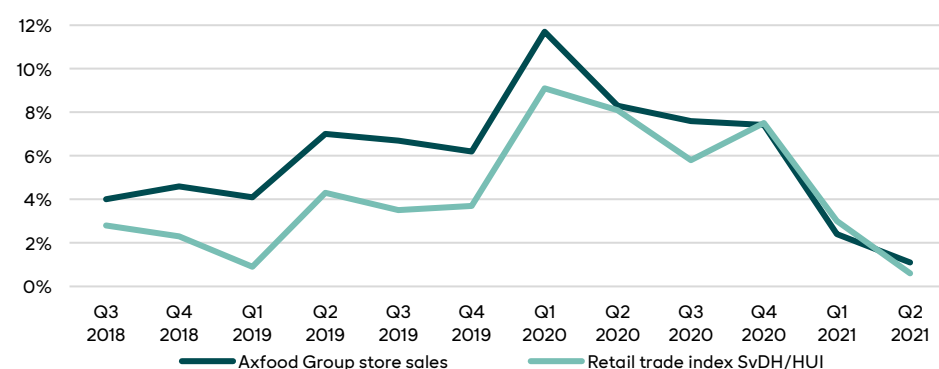
Food price inflation during the period April–June was -0.6%, according to data from Statistics Sweden.

Covid-19

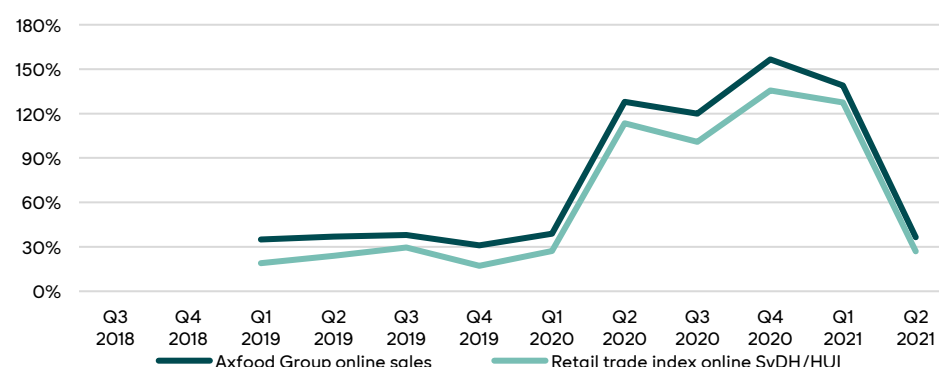
During the second quarter, the Swedish food retail market continued to be impacted by changed shopping behaviours among consumers during the coronavirus pandemic. Consumption of food at home continued to be at a high level. Even though overall demand in the food retail sector was high, the situation was challenging for certain parts of the market, such as stores in central locations in larger cities and cross-border shopping. However, the market situation for stores in the cross-border shopping segment began to improve from mid-June as Norway eased travel restrictions to Sweden. E-commerce growth was again high. Since many have chosen to eat at home instead of out, performance for the café and restaurant market was weak, however, a slight improvement was noted compared with the first quarter as a result of an easing of pandemic restrictions in June for cafés and restaurants.

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

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



Growth in online sales for the Axfood Group¹⁾ compared with SvDH's food retail index



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

Group performance

Net sales

Second quarter

Net sales grew 2.5% during the second quarter to SEK 13,903 m (13 570). The increase in net sales is mainly attributable to higher net sales for Snabbgross and Dagab.

Store sales for the Axfood Group amounted to SEK 12,059 m (11,928) during the second quarter, an increase of 1.1%. Like-for-like growth was -0.4%. Food price inflation was negative during the quarter, and added to this was a calendar effect of -1.0%. Willys and Hemköp franchise stores grew more than the market. Group-owned Hemköp stores grew at a slower rate than the market, which mainly is explained by conversions of stores to franchises. Sales growth for Eurocash in cross-border shopping was approximately 5% owing to low comparison figures and gradually higher customer traffic in pace with an easing in travel restrictions from mid-June. Sales for Snabbgross increased significantly owing to low comparison figures and a slightly improved situation in the café and restaurant market.

In online sales to consumers, demand remained high during the second quarter, and Axfood once again grew more than the market. Net sales online totalled SEK 1,001 m (734), an increase of 36%. The increase is attributable to strong like-for-like sales growth and to Willys' and Hemköp's online rollout to new cities and more stores.

Sales of private label products was 30.8% (30.9%) of the Axfood Group's total store sales.

January–June

Net sales grew 1.8% to SEK 27,106 m (26,636). Store sales for the Axfood Group increased by 1.7%, while like-for-like sales were unchanged. Net sales for e-commerce grew 75% to SEK 2,094 m (1,197).

Net sales per segment

SEK m	Q2 2021	Q2 2020	Change	6 mos 2021	6 mos 2020	Change	Full year 2020
Willys	8,141	8,068	0.9%	16,127	15,809	2.0%	31,793
Hemköp	1,554	1,591	-2.3%	3,108	3,216	-3.3%	6,354
Snabbgross	971	859	13.1%	1,708	1,636	4.4%	3,417
Dagab	12,488	12,152	2.8%	24,368	23,787	2.4%	48,091
Joint-Group	267	246	8.6%	532	494	7.7%	991
<i>Internal sales between segments that are eliminated</i>							
Dagab	-9,271	-9,117	1.7%	-18,244	-17,844	2.2%	-36,028
Joint-Group/other	-247	-229	7.9%	-493	-461	6.9%	-923
Net sales, total	13,903	13,570	2.5%	27,106	26,636	1.8%	53,696

Store sales (including online)

SEK m	Q2 2021	Q2 2020	Change	Change like-for-like stores	6 mos 2021	6 mos 2020	Change	Change like-for-like stores
Willys	8,141	8,068	0.9%	-1.1%	16,126	15,808	2.0%	-0.3%
Hemköp, Group-owned	1,514	1,552	-2.4%	1.9%	3,029	3,139	-3.5%	0.4%
Hemköp franchises	2,404	2,308	4.2%	0.5%	4,655	4,464	4.3%	1.1%
Hemköp total	3,918	3,860	1.5%	1.1%	7,684	7,603	1.1%	0.8%
Axfood Group store sales	12,059	11,928	1.1%	-0.4%	23,809	23,411	1.7%	0.0%

Change in store structure

	Dec. 2020	New establishments/ acquisitions	Sales/ closures	Conversions	June 2021	June 2020
Number of stores						
Willys ¹⁾	219	4	-	-	223	216
Hemköp	65	1	-1	-4	61	65
Snabbgross	26	-	-	-	26	25
Total, Group-owned	310	5	-1	-4	310	306
Hemköp franchises	133	1	-1	4	137	132
Tempo franchises	126	6	-2	-	130	126
Total, Group-owned and franchises	569	12	-4	-	577	564
¹⁾ Willys	162	2	-	2	166	159
¹⁾ Willys Hemma	50	1	-	-1	50	50
¹⁾ Eurocash	7	1	-	-1	7	7

1.1%

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

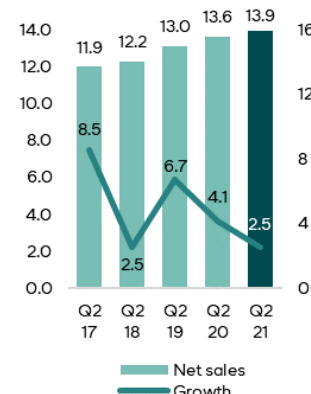
2.5%

Net sales growth for the Axfood Group during the second quarter

36%

Growth in net sales online to consumers during the second quarter

Net sales, SEK bn, and growth, %



Operating profit

Second quarter

Operating profit, which included items affecting comparability pertaining to acquisition costs of SEK 54 m for the transaction with Bergendahls, amounted to SEK 607 m (605), an increase of 0.4%. The operating margin was 4.4% (4.5%). Operating profit excluding items affecting comparability amounted to SEK 661 m (605). The operating margin excluding items affecting comparability was 4.8% (4.5%).

The higher operating profit excluding items affecting comparability is mainly attributable to a higher operating profit for Dagab, Snabbgross and Hemköp. The improved operating profit for Dagab is mainly attributable to improved productivity in both store and e-commerce logistics. The increase for Snabbgross can be credited to a positive sales mix and like-for-like sales growth. The increase for Hemköp is mainly attributable to a favourable sales mix, like-for-like sales growth and good cost control. The decrease in operating profit for Willys is mainly attributable to negative like-for-like sales growth owing to very high comparison figures and a negative result for Eurocash.

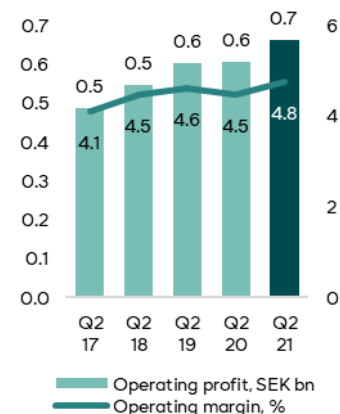
Profit after financial items amounted to SEK 574 m (569). Profit after tax was SEK 455 m (429).

January–June

Operating profit for the period was SEK 1,172 m (1,148), corresponding to an operating margin of 4.3% (4.3%). Operating profit excluding items affecting comparability for the period amounted to SEK 1,225 m (1,148), which corresponds to an operating margin excluding items affecting comparability of 4.5% (4.3%).

Net financial items for the period amounted to SEK -56 m (-63), and profit after financial items was SEK 1,116 m (1,085). Profit after tax was SEK 885 m (848).

Operating profit and operating margin excl. items affecting comparability¹⁾



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

Operating profit per segment

SEK m	Q2 2021	Q2 2020	Change	6 mos 2021	6 mos 2020	Change	Full year 2020
Willys	372	390	-4.7%	711	738	-3.7%	1,551
Hemköp	62	53	17.5%	121	114	6.3%	229
Snabbgross	57	34	64.3%	71	58	22.2%	150
Dagab	235	189	24.5%	452	353	28.1%	829
Joint-Group	-119	-62	92.8%	-184	-115	60.1%	-250
Operating profit (EBIT)	607	605	0.4%	1,172	1,148	2.0%	2,510
Items affecting comparability ¹⁾	54	–	–	54	–	–	–
Operating profit (EBIT) excl. items affecting comparability	661	605	9.2%	1,225	1,148	6.7%	2,510

¹⁾ See Note 10 Items affecting comparability for more information.

Operating margin per segment

%	Q2 2021	Q2 2020	Change	6 mos 2021	6 mos 2020	Change	Full year 2020
Willys	4.6	4.8	-0.3	4.4	4.7	-0.3	4.9
Hemköp	4.0	3.3	0.7	3.9	3.5	0.4	3.6
Snabbgross	5.8	4.0	1.8	4.1	3.5	0.6	4.4
Dagab	1.9	1.6	0.3	1.9	1.5	0.4	1.7
Axfood	4.4	4.5	-0.1	4.3	4.3	0.0	4.7
Axfood excl. items affecting comparability	4.8	4.5	0.3	4.5	4.3	0.2	4.7

Capital expenditures

Total capital expenditures during the period January–June amounted to SEK 596 m (494). Of this total, SEK 306 m (269) pertained to investments in retail operations, SEK 78 m (59) pertained to investments in wholesale operations, and SEK 212 m (166) pertained to joint-Group operations.

Investments in right-of-use assets, mainly premises, amounted to SEK 1,170 m (935) during the period January–June, of which SEK 362 m (305) pertained to newly acquired assets and SEK 808 m (630) pertained mainly to renewals of existing leases of premises and upward indexing of rents. Of total investments in leases, SEK 678 m (715) pertained to retail operations, SEK 284 m (205) pertained to wholesale operations, and SEK 207 m (14) pertained to joint-Group operations.

Other

Government support related to Covid-19

Despite challenges in parts of operations, the Axfood Group has continued to refrain from applying for so-called state reorientation and furlough support. However, Axfood has accepted 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 2,248 m (2,194) during the period January–June. Paid tax totalled SEK -220 m (-225). Net capital expenditures affected cash flow by SEK -625 m (-517). Payment of shareholder dividends affected cash flow by SEK -784 m (-785), and amortization of lease liabilities affected cash flow by SEK -779 m (-754).

Cash and cash equivalents held by the Group amounted to SEK 1,544 m, compared with SEK 1,534 m in December 2020. Interest-bearing liabilities and provisions totalled SEK 6,465 m, compared with SEK 6,111 m in December 2020. Interest-bearing net debt amounted to SEK 4,920 m at the end of the period, compared with SEK 4,577 m in December 2020.

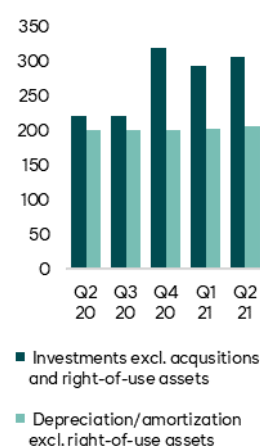
The equity ratio was 19.9%, compared with 24.3% in December 2020. The lower equity ratio is attributable to the shareholder dividend decided on in March.

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

Derivation of total investments and net capital expenditures in cash flow

SEK m	6 mos 2021	6 mos 2020
Total investments	-1,766	-1,429
Investments in leases	1,170	935
Divestment of tangible/intangible assets	1	2
Acquisition of financial assets	-32	-21
Acquisition of operations, other items	-	-3
Divested operations	2	-1
Cash flow from investing activities	-625	-517

Capital expenditures and depreciation/amortization, SEK m



Net debt/EBITDA



Operating segment performance

Willys

Second quarter

Net sales for Willys grew 0.9% in the second quarter compared with a year ago, to SEK 8,141 m (8,068). Like-for-like store sales decreased by -1.1% owing to very high comparison figures. Willys continues to develop its offering and concept at a fast pace through expansion of new stores and online as well as through modernization of existing stores. Eurocash's performance is compared against exceptionally low figures a year ago, and sales grew slightly more than 5% as a result of gradually rising customer traffic following the easing of travel restrictions between Sweden and Norway from mid-June.

At the end of the second quarter Willys had 223 stores (216), including 216 Willys (209) and 7 Eurocash (7). One Eurocash store was converted to Willys during the quarter. The Willys store in Borås was damaged by a fire in May, and the estimated reopening following restoration is planned for the autumn. Fortunately, no one was injured, and the store is fully insured. Online shopping expanded during the second quarter, and at the end of the quarter Willys offered online shopping at 117 stores (93) in 73 cities (57).

Operating profit for the second quarter decreased to SEK 372 m (390), corresponding to an operating margin of 4.6% (4.8%). The decrease is mainly attributable to the negative like-for-like sales growth and negative result for Eurocash.

January–June

Net sales for Willys for the period totalled SEK 16,127 m (15,809), an increase of 2.0% compared with a year ago. Like-for-like sales decreased by -0.3%. Operating profit was SEK 711 m (738), and the operating margin was 4.4% (4.7%).

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

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



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

SEK m	Q2 2021	Q2 2020	Change	6 mos 2021	6 mos 2020	Change	R12	Full year 2020
Net sales	8,141	8,068	0.9%	16,127	15,809	2.0%	32,111	31,793
Change in like-for-like sales, %	-1.1	7.2	-8.3	-0.3	9.1	-9.4	-1.5	7.9
Operating profit (EBIT)	372	390	-4.7%	711	738	-3.7%	1,524	1,551
Operating margin, %	4.6	4.8	-0.3	4.4	4.7	-0.3	4.7	4.9
Number of Group-owned stores	–	–	–	223	216	7	–	219
Average number of employees during the period	–	–	–	6,286	5,703	583	–	6,109
Private label share, %	32.4	32.7	-0.3	32.8	32.7	0.1	–	32.5
Sustainability-labelled products as % of total sales	29.8	30.5	-0.7	30.2	30.6	-0.4	29.6	29.7
Gender equality, share of women in senior positions, %	–	–	–	33.7	33.3	0.4	–	34.4
Sickness-related absences, %	7.0	7.7	-0.7	7.0	6.7	0.3	6.6	6.4

Hemköp

Second quarter

Net sales for Group-owned Hemköp stores (including franchise fees) during the second quarter totalled SEK 1,554 m (1,591). Growth in store sales including Hemköp franchises was 1.5%.

Store sales for Group-owned Hemköp stores totalled SEK 1,514 m (1,552), a decrease of 2.4% owing to conversions to franchise stores. Like-for-like sales for Group-owned stores increased by 1.9%. Sales for franchise stores increased by 4.2% to SEK 2,404 m (2,308). Like-for-like sales increased by 0.5%. The Tempo chain continues its positive development and demonstrated good growth during the quarter despite high comparison figures.

The number of Group-owned stores decreased by four, net, compared with the end of the second quarter a year ago. Since the second quarter of 2020, five new Hemköp franchise stores have been added, net. During the second quarter, two Group-owned stores were converted to franchises, and one franchise store was converted to a Group-owned store. Hemköp continued its online rollout and at the end of the second quarter offered online shopping at 63 stores (30) in 39 cities (16).

Operating profit for the second quarter totalled SEK 62 m (53), corresponding to an operating margin of 4.0% (3.3%). The increase is mainly attributable to positive like-for-like store growth, an improved sales mix and good cost control.

January–June

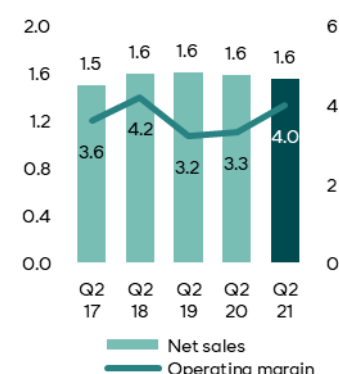
Net sales for Group-owned Hemköp stores (including franchise fees) during the period totalled SEK 3,108 m (3,216). Growth in store sales including Hemköp franchises and online was 1.1%.

Store sales for Group-owned stores totalled SEK 3,029 m (3,139) during the period, a decrease of 3.5%. Like-for-like sales for Group-owned stores increased by 0.4%. Sales for franchise stores totalled SEK 4,655 m (4,464), an increase of 4.3%, with a 1.1% increase in like-for-like sales.

Operating profit for the period was SEK 121 m (114), corresponding to an operating margin of 3.9% (3.5%).

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

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



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

SEK m	Q2 2021	Q2 2020	Change	6 mos 2021	6 mos 2020	Change	R12	Full year 2020
Net sales	1,554	1,591	-2.3%	3,108	3,216	-3.3%	6,247	6,354
Change in like-for-like sales, Group-owned stores, %	1.9	2.0	-0.1	0.4	3.3	-2.9	-0.1	2.8
Operating profit (EBIT)	62	53	17.5%	121	114	6.3%	236	229
Operating margin, %	4.0	3.3	0.7	3.9	3.5	0.4	3.8	3.6
Number of Group-owned stores	–	–	–	61	65	-4	–	65
Average number of employees during the period	–	–	–	1,519	1,620	-101	–	1,658
Private label share, %	26.5	26.2	0.3	26.7	26.6	0.1	–	26.3
Sustainability-labelled products as % of total sales	28.4	29.2	-0.8	28.7	29.2	-0.5	28.1	28.2
Gender equality, share of women in senior positions, %	–	–	–	32.4	29.1	3.3	–	29.9
Sickness-related absences, %	6.9	8.2	-1.3	6.9	7.0	-0.1	6.5	6.5

Snabbgross

Second quarter

Snabbgross's net sales during the second quarter totalled SEK 971 m (859), an increase of 13.1% compared with a year ago. Like-for-like sales increased 10.9 percent. The comparison figures for the preceding year were low as a result of weak market development during the initial phase of the pandemic. The strong growth for Snabbgross is partly attributable to the positive market development. Snabbgross's accessibility through its store network and attractive customer offerings continued to contribute to growth in the number of unique customers, where many appreciate the flexibility of being able to shop in stores. A higher average ticket value also contributed to the increase in net sales. To offer customers additional options for grocery shopping during the pandemic, Snabbgross continued its initiative to keep stores open on a temporary basis for sales directly to consumers, and a total of 20 stores were open for sales direct to consumers during the second quarter. Since its launch, the new membership-based store concept, Snabbgross Club, has been well-received, and the store in Enebyängen noted positive sales development and a steady increase in the number of paying members. A new Snabbgross Club store will open in Södertälje in August.

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

Operating profit for the period was SEK 57 m (34), an increase largely attributable to the positive like-for-like sales performance and a positive sales mix. The operating margin increased to 5.8% (4.0%).

January–June

Net sales for Snabbgross totalled SEK 1,708 m (1,636) during the period, an increase of 4.4%.

Operating profit for the period was SEK 71 m (58), and the operating margin was 4.1% (3.5%).

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

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



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

SEK m	Q2 2021	Q2 2020	Change	6 mos 2021	6 mos 2020	Change	R12	Full year 2020
Net sales	971	859	13.1%	1,708	1,636	4.4%	3,489	3,417
Change in sales, like-for-like stores, %	10.9	-8.3	19.2	1.9	-2.0	3.9	1.7	-2.2
Operating profit (EBIT)	57	34	64.3%	71	58	22.2%	163	150
Operating margin, %	5.8	4.0	1.8	4.1	3.5	0.6	4.7	4.4
Number of stores	–	–	–	26	25	1	–	26
Average number of employees during the period	–	–	–	420	401	19	–	427
Share of sustainability-labelled products, %	18.6	18.6	0.0	18.8	18.8	0.0	18.6	18.6
Gender equality, share of women in senior positions, %	–	–	–	34.0	38.8	-4.8	–	32.7
Sickness-related absences, %	6.9	8.5	-1.6	6.9	7.1	-0.2	6.9	6.9

Dagab

Second quarter

Net sales for the second quarter totalled SEK 12,488 m (12,152), an increase of 2.8%. The growth in net sales is mainly attributable to higher sales to Hemköp, Snabbgross and to convenience retailers.

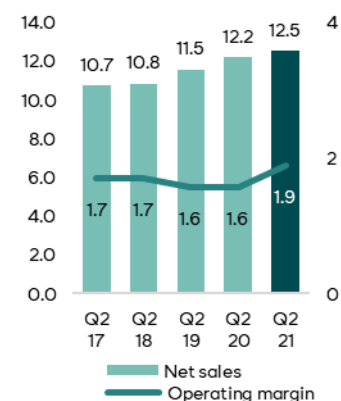
Operating profit was SEK 235 m (189), corresponding to an operating margin of 1.9% (1.6%). The increase is mainly attributable to high capacity utilization and improved productivity for both store- and e-commerce logistics. Operating profit for the second quarter of 2020 was charged with transport and inventory costs to meet the high demand that arose in connection with the initial phase of the pandemic as well as costs associated with higher sickness-related absences. Work on improving efficiency in the joint-Group dark stores contributed to higher productivity and more positive performance for Mat.se. Apohem's strong trend continues, and with the easing of restrictions in the restaurant market, Urban Deli showed improved performance over the first quarter.

January–June

Dagab's net sales for the period totalled SEK 24,368 m (23,787), an increase of 2.4%. Operating profit was SEK 452 m (353), corresponding to an operating margin of 1.9% (1.5%).

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

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



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

SEK m	Q2 2021	Q2 2020	Change	6 mos 2021	6 mos 2020	Change	R12	Full year 2020
Net sales	12,488	12,152	2.8%	24,368	23,787	2.4%	48,673	48,091
Operating profit (EBIT)	235	189	24.5%	452	353	28.1%	929	829
Operating margin, %	1.9	1.6	0.3	1.9	1.5	0.4	1.9	1.7
Average number of employees during the period	–	–	–	2,844	2,653	191	–	2,823
Delivery reliability, %	–	–	–	96.2	93.1	3.1	–	94.8
Gender equality, share of women in senior positions, %	–	–	–	26.9	24.7	2.2	–	25.4
Sickness-related absences, %	9.3	10.2	-0.9	9.0	9.0	0.0	8.5	8.5

Acquisition of Bergendahls Food and City Gross partnership

On 31 May 2021 Axfood AB ("Axfood") announced that an agreement has been reached with Bergendahl & Son AB to acquire 100% of Bergendahl Food AB ("Bergendahl Wholesale"). In addition, as part of a strategic partnership, 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%.

The acquisition will result in economies of scale, cost synergies and increased competitiveness. Through increased efficiency, product range and logistics improvements, the transaction will also benefit wholesale customers and Swedish consumers. The partnership with Axfood will strengthen City Gross' competitiveness and create conditions for further development of the concept and higher market share in the hypermarket segment. The partnership will also give Axfood exposure to hypermarket segment of the Swedish food retail market and increase the Group's presence and reach.

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 will be SEK 2.5 bn, of which SEK 1.5 bn pertains to Bergendahl Wholesale.

The acquisition is expected to generate annual cost synergies of approximately SEK 200 m, which 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.

Short-term, the acquisition will be financed through a combination of existing cash and credit facilities. To maintain a strong financial position, contribute to securing long-term financing and enable subsequent investments as a result of the integration, Axfood's Board of Directors intends to propose that an Extraordinary General Meeting resolve on a Rights Issue of SEK 1.5 bn with preferential rights for existing shareholders.

Completion of the transaction is subject to approval by the Swedish Competition Authority. The Competition Authority's review entered its second phase on 12 July, entailing that the Authority has an additional three months to make its final decision.

See *Note 9 Acquisition of Bergendahls Food and partnership with City Gross* for further 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.

New, automated e-commerce warehouse in Backa in Gothenburg

In Gothenburg, Dagab is planning to build an all new, highly automated e-commerce warehouse adjacent to the distribution centre in Backa on the property that Dagab today owns. 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 during the 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 investment with Witron will amount to EUR 48 m during the period 2021–2024. Witron is an existing provider of automation to Dagab through the automation solution that is currently being installed in the new, highly automated logistics centre in Bålsta, outside Stockholm.

Expansion of existing high-bay warehouse in Backa in 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 strengthened and 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 approximately EUR 3 m.

Automation solution for new fruit and vegetable warehouse

As previously communicated, to develop and streamline the logistics operations and accommodate future volume growth, Dagab has signed a 15-year lease with the property company NREP Logicensers for a new, larger nationwide warehouse for 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. With this new automation, which is planned to be fully operational in 2024, efficiency and capacity at the warehouse is increased, at the same time as volume increase flexibility is improved. The total investment with KNAPP will amount to EUR 14 m during the period 2021–2024. KNAPP is an existing provider of automation for Dagab through the automation solution that is currently in use at the perishables warehouse in Jönköping.

Other ongoing investments

Establishment of automated logistics centre

Work on the new, highly automated logistics centre in Bålsta, outside Stockholm, is proceeding on schedule, and Witron recently began work on installing the automation solution. The facility is planned to be fully operational in 2023 and will be one of the largest and most modern in Europe for distribution of groceries to stores as well as 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 flows and manage flows to stores and e-commerce customers. The system will also offer 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 is expected to be fully implemented by year-end 2022.

Sustainable development

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

Sustainability in everything – food, the environment and people

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

Food – less food waste

Axfood strives to make it easier for consumers to make sustainable choices. One way this is done is by offering a broad assortment of products that are produced in a sustainable way and through offerings and promotional campaigns. During the second quarter, sustainability-labelled products as a share of total sales amounted to 28.5% (29.2%), a decline compared to the prior year period attributable to a changed sales mix. The share of organic products was 5.9% (6.3%) and the share of KRAV-certified meat was 2.8% (3.2). The trend for the share of organic products is declining for the industry as a whole, and the lower share of KRAV-certified meat is estimated to follow that development. The growth rate for plant-based protein substitutes decreased to 2.7% (13.7%) owing to high comparison figures.

Food waste represents a large, negative environmental impact, and Axfood has therefore set a target to cut food waste in half from 2015 to 2025. New technical tools, clearance sales of products nearing their best-before dates and cooperation with suppliers and charity organizations are just a few initiatives that have put Axfood on track to achieving this target. For the full year 2020, the share of food waste was 1.26%, which is a decrease from 1.72% in 2015. During the second quarter approximately 400 tonnes of fruit and vegetables were sold at reduced prices instead of being tossed out, which is an increase of more than 40% compared with the same period a year ago.

Environment – climate target in line with the Paris Agreement; electrified transports

Food production as a share of the world's combined greenhouse gas emissions needs to be lowered, and toward this end, Axfood is working in a number of areas to contribute to production that has the smallest environmental impact as possible. The goal is to achieve net-zero emissions in Axfood's own operations by 2030 at the latest. According to a study conducted by the Haga Initiative company network, Axfood was assessed as one of the Stockholm Stock Exchange's large-cap companies that has climate targets that are in line with what is needed to live up to the Paris Agreement. Axfood's ambition is to continuously work for steady improvements while during the interim period offsetting its existing carbon footprint until the net-zero emissions target has been achieved. During 2021 carbon offsetting was conducted in cooperation with the organization Solvatten and the certified Pichacay Landfill Gas Renewable Energy project in Ecuador.

Transports between warehouses and stores are the part of Axfood's own operations that have the largest carbon footprint. The vehicle fleet is therefore being gradually changed over to being entirely fossil-free. During the second quarter the Group's first fully electric truck from Scania began making food deliveries to stores in Stockholm, and a brand new plug-in hybrid truck was also delivered. Charging with green electricity results in a significant reduction in carbon emissions – by an estimated amount of 40 tonnes per year for a fully electric truck compared with a diesel-powered truck. With the investments in the new trucks, fossil-free trucks account for roughly two-thirds of Dagab's delivery fleet.

Hemköp has begun a pilot test of carbon footprint guidance information in selected stores to increase knowledge about how it can help customers reduce their carbon footprint without detracting from food enjoyment. The guidance is provided on signs that provide tips on, for example, fruits and vegetables in season, plant-based protein sources and dishes made from rescued produce.

A few years ago, Axfood was the first food retailer in Sweden to introduce deposits for fruit drink and juice bottles in an effort to achieve greater circularity and thus a lower carbon footprint. The initiative has made a big impact in the industry and has opened up for bottle deposits for similar products on the market. During the second quarter several Garant-brand juice and smoothie bottles were incorporated into the national deposit system.

People – updated Code of Conduct and diversity measurement

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



Scania and Dagab have had an established collaboration to jointly drive development of electrification of heavy transports. During the second quarter this collaboration entered the next phase when Dagab began daily deliveries to several stores in the greater Stockholm area using Scania's first series-production fully electric heavy truck in Sweden and an all-new plug-in hybrid. This is contributing to a significant reduction in carbon footprint and environmental impact.

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. During the quarter the Code of Conduct was updated with environmental stipulations and ethical requirements. Every supplier that is contracted is required to adhere to the Code of Conduct or to have its own code with corresponding demands. In all risk countries, social audits are conducted on a regular basis to ensure compliance with the Code of Conduct. A total of 26 audits (33) were conducted during the second quarter.

Axfood advocates for diversity and inclusion with the conviction that a mix of competencies and perspectives yields better results. A study by the sustainability magazine *Aktuell Hållbarhet* showed among other things that of the 100 largest companies on the Stockholm Stock Exchange, only two measure cultural diversity among their employees and managers. Axfood is one of these companies. Axfood is also participating in a research collaboration to develop a recruitment process that strengthens diversity.

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 second quarter, sickness-related absences were 7.3% (8.2%). The level of sickness-related absences was higher during the prior year quarter, but is still being affected by the coronavirus pandemic.

Key ratios, Group

	Q2 2021	Q2 2020	Change	6 mos 2021	6 mos 2020	Change	R12	Full year 2020
Sustainability-labelled products as % of total sales	28.5	29.2	-0.7	28.9	29.1	-0.2	28.3	28.3
Sales of organic products as % of total food sales	5.9	6.3	-0.4	6.1	6.6	-0.5	6.0	6.1
Growth in plant-based protein substitutes, %	2.7	13.7	-11.0	0.3	18.3	-18.0	5.8	15.1
KRAV-certified meat as % of total meat sales	2.8	3.2	-0.4	2.9	3.4	-0.5	2.9	3.1
Number of social audits	26	33	-7	46	44	2	118	123
Electricity consumption, kWh/m ² (stores and warehouses)	-	-	-	-	-	-	293.5	297.2
CO ₂ , kg/tonne goods	16.9	14.6	2.3	17.8	15.3	2.5	17.4	15.6
Gender equality, share of women in senior positions, %	-	-	-	33.3	31.9	1.4	-	33.2
Sickness-related absences, %	7.3	8.2	-0.9	7.2	7.2	0.0	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 five to ten new stores.

Financial calendar

- The interim report for the third quarter of 2021 will be presented at 7 a.m. CET on 21 October 2021
- Axfood's Capital Markets Day 2021 will be held on 16 December 2021
- The year-end report for 2021 will be presented 7 a.m. CET on 3 February 2022

Selection of press releases from Axfood during the second quarter

13 April 2021	Willys establishes new store in Älvängen
13 April 2021	Restaurant wholesaler Snabbgross opens in Gävle
16 April 2021	Willys establishes new store in Vagnhärad
21 April 2021	Mat.se and Apohem first in Sweden to offer co-deliveries of groceries and prescription medicines
22 April 2021	Dagab to establish new nationwide fruit and vegetable warehouse in Landskrona
4 May 2021	Malin Wiklander new head of growing Middagsfrid
11 May 2021	Hemköp offers carbon footprint guidance in stores
19 May 2021	Willys seeks to open new store in Arvika
26 May 2021	Hemköp opens store no. 200 in Lerum
27 May 2021	New Willys Hemma on Första Långgatan in Gotheburg
31 May 2021	Axfood acquires the wholesale business Bergendahl Food and enters into partnership with City Gross
15 June 2021	Restaurant wholesaler Snabbgross opens new premises in Karlstad
15 June 2021	First fully electric Scania truck in operation as Dagab gears up electrification of transports

Parent Company

The Parent Company's net sales and other operating revenue during the period January–June amounted to SEK 140 m (144). After operating expenses of SEK -218 m (-210) and net financial items of SEK -1 m (-1), profit after financial items was SEK -79 m (-67). Capital expenditures during the period totalled SEK 12 m (2).

The Parent Company had an interest-bearing net debt receivable of SEK 1,369 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.

The interim report for the period January–June 2021 gives a fair overview of the Parent Company's and Group's operations, financial position and results of operations, and describes significant risks and uncertainties facing the Parent Company and companies included in the Group.

Stockholm, 15 July 2021

Mia Brunell Livfors
Chairman of the Board

Stina Andersson
Director

Fabian Bengtsson
Director

Caroline Berg
Director

Christian Luiga
Director

Peter Ruzicka
Director

Christer Åberg
Director

Anders Helsing
Director, employee representative

Michael Sjören
Director, employee representative

Lars Östberg
Director, employee representative

Klas Balkow
President and CEO

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

Financial statements, Group

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

SEK m	Q2 2021	Q2 2020	6 mos 2021	6 mos 2020	R12	Full year 2020
Net sales	13,903	13,570	27,106	26,636	54,166	53,696
Cost of goods sold	-11,668	-11,420	-22,730	-22,448	-45,431	-45,148
Gross profit	2,236	2,150	4,376	4,189	8,735	8,548
Selling and administrative expenses, etc. ¹	-1,629	-1,545	-3,204	-3,040	-6,202	-6,038
Operating profit (EBIT)	607	605	1,172	1,148	2,533	2,510
Interest income and similar profit/loss items	0	1	8	4	19	16
Interest expense and similar profit/loss items	-33	-36	-64	-67	-128	-132
Profit after financial items	574	569	1,116	1,085	2,424	2,394
Tax	-120	-123	-231	-237	-525	-531
Profit for the period	455	446	885	848	1,899	1,862
Other comprehensive income						
<i>Items that cannot be reclassified to profit or loss for the period</i>						
Revaluation of defined benefit pension plans	5	8	5	7	-9	-6
Tax	-1	-2	-1	-2	2	1
<i>Items that can be reclassified to profit or loss for the period</i>						
Change in hedging reserve	-17	-68	16	1	-50	-65
Tax	3	15	-3	-0	10	13
Other comprehensive income for the period	-10	-47	17	7	-46	-56
Total comprehensive income for the period	445	399	901	855	1,853	1,806
Profit for the period attributable to						
Owners of the parent	476	465	928	868	1,968	1,908
Non-controlling interests	-21	-19	-43	-20	-69	-46
Total comprehensive income for the period attributable to						
Owners of the parent	466	418	944	875	1,922	1,852
Non-controlling interests	-21	-19	-43	-20	-69	-46
Earnings per share before dilution, SEK	2.27	2.22	4.43	4.15	-	9.12
Earnings per share after dilution, SEK	2.27	2.21	4.42	4.14	-	9.09

¹⁾ Includes items affecting comparability, see Note 10 Items affecting comparability for more information.

Condensed statement of financial position, Group

SEK m	30/6/2021	30/6/2020	31/12/2020
Assets			
Goodwill	2,832	2,769	2,769
Other intangible assets	765	726	750
Property, plant and equipment	2,998	2,815	2,912
Right-of-use assets	6,042	5,611	5,656
Financial assets ¹⁾	46	24	33
Deferred tax assets	241	233	253
Total non-current assets	12,924	12,179	12,373
Inventories	2,585	2,559	2,670
Accounts receivable – trade	1,222	1,258	1,033
Other current assets	1,170	1,280	1,203
Cash and bank balances	1,544	883	1,534
Total current assets	6,521	5,980	6,441
Total assets	19,445	18,159	18,814
Shareholders' equity and liabilities			
Equity attributable to owners of the parent	3,673	3,338	4,331
Equity attributable to non-controlling interests	188	209	232
Total shareholders' equity	3,861	3,547	4,563
Non-current lease liabilities	4,577	4,532	4,524
Other interest-bearing liabilities	389	405	403
Deferred tax liabilities	975	906	979
Other non-current liabilities	91	78	108
Total non-current liabilities	6,032	5,921	6,014
Current lease liabilities	1,499	1,164	1,184
Accounts payable – trade	4,544	4,239	4,424
Other current liabilities	3,509	3,288	2,629
Total current liabilities	9,552	8,692	8,237
Total shareholders' equity and liabilities	19,445	18,159	18,814
¹⁾ Of which, interest-bearing assets	–	–	–

Condensed statement of cash flows, Group

SEK m	Q2 2021	Q2 2020	6 mos 2021	6 mos 2020	R12	Full year 2020
<i>Operating activities</i>						
Operating profit (EBIT)	607	605	1,172	1,148	2,533	2,510
Adjustments for non-cash items	614	575	1,197	1,142	2,359	2,304
Interest paid	-32	-36	-63	-67	-114	-118
Interest received	1	1	2	4	8	10
Paid tax	-104	-111	-220	-225	-365	-370
Changes in working capital	36	-175	161	192	484	515
Cash flow from operating activities	1,121	859	2,248	2,194	4,905	4,851
<i>Investing activities</i>						
Acquisitions of operations	-	-	-	-5	-4	-9
Acquisitions of intangible assets	-61	-53	-160	-103	-268	-211
Acquisitions of property, plant and equipment	-243	-166	-436	-389	-864	-817
Other changes in investing activities	-13	-7	-29	-20	-52	-43
Cash flow from investing activities	-317	-226	-625	-517	-1,188	-1,080
<i>Financing activities</i>						
Amortization of debt	-391	-575	-779	-754	-1,540	-1,515
Shareholder contribution from minority owner	-	-	-	-	49	49
Share repurchases	-50	-53	-50	-53	-50	-53
Dividend paid out	-	-	-784	-785	-1,516	-1,517
Cash flow from financing activities	-441	-628	-1,613	-1,592	-3,057	-3,036
Cash flow for the period	363	5	10	85	660	735

Condensed statement of changes in equity, Group

SEK m	30/6/2021	30/6/2020	31/12/2020
Amount at start of year	4,563	4,249	4,249
Total comprehensive income for the period	901	855	1,806
Change in non-controlling interest	-1	-	-
Share repurchases	-50	-53	-53
Share-based payments	16	13	28
Shareholder contribution from minority owner	-	-	49
Dividend to shareholders	-1,569	-1,517	-1,517
Amount at end of period	3,861	3,547	4,563

Financial statements, Parent Company

Condensed income statement, Parent Company

SEK m	Q2 2021	Q2 2020	6 mos 2021	6 mos 2020	Full year 2020
Net sales	2	1	3	3	5
Selling and administrative expenses	-113	-110	-218	-210	-429
Other operating revenue	71	73	136	142	269
Operating profit (EBIT)	-40	-36	-78	-65	-155
Net financial items	-1	-1	-1	-1	-2
Profit after financial items	-41	-36	-79	-67	-157
Appropriations, net	-	-	-	-	2,082
Profit before tax	-41	-36	-79	-67	1,925
Tax	7	7	14	12	-418
Net profit for the period	-33	-29	-65	-54	1,508
Operating profit includes depreciation/amortization totalling	2	1	3	2	4

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

Condensed balance sheet, Parent Company

SEK m	30/6/2021	30/6/2020	31/12/2020
Assets			
Property, plant and equipment	40	17	35
Participations in Group companies	3,467	3,401	3,459
Other financial non-current assets	12	0	7
Deferred tax assets	6	7	7
Total non-current assets	3,526	3,425	3,508
Receivables from Group companies ¹⁾	1,166	1,383	4,527
Other current assets	195	232	25
Cash and bank balances	1,344	652	1,141
Total current assets	2,705	2,267	5,694
Total assets	6,231	5,693	9,202
Shareholders' equity and liabilities			
Restricted shareholders' equity	287	287	287
Unrestricted shareholders' equity	697	787	2,364
Total shareholders' equity	985	1,074	2,652
Untaxed reserves	3,192	2,907	3,192
Provisions	12	17	15
Non-current liabilities	3	3	3
Accounts payable – trade	19	7	15
Liabilities to Group companies ²⁾	1,072	887	3,165
Other current liabilities	947	797	160
Total current liabilities	2,038	1,691	3,340
Total shareholders' equity and liabilities	6,231	5,693	9,202
¹⁾ Of which, interest-bearing receivables	1,109	1,371	2,165
²⁾ Of which, interest-bearing liabilities	1,072	887	3,165

Notes

Note 1 Accounting policies

Axfood applies International Financial Reporting Standards (IFRS) as endorsed by the European Union. This interim report has been prepared for the Group in accordance with IAS 34 Interim Financial Reporting and applicable provisions of the Swedish Annual Accounts Act. Disclosures in accordance with IAS 34 Interim Financial Reporting are presented in notes as well as in other parts of the interim report. For the Parent Company, the interim report has been prepared in accordance with recommendation RFR 2 – Accounting for Legal Entities, issued by the Swedish Financial Reporting Board (RFR), and Ch. 9 – Interim Financial Reporting, of the Swedish Annual Accounts Act. The same accounting policies and calculation methods have been used in this interim report as in the 2020 Annual and Sustainability Report, except for what is stated below.

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

New accounting policies effective in 2021 and later

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

As of the second quarter 2021, items affecting comparability are reported separately. Items affecting comparability refer to financial effects in combination with major acquisitions and divestments or other major structural changes. The items are reported separately to facilitate understanding of the Group's financial performance when comparing different 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 interim report. For a more detailed description of the segments, please refer to the 2020 Annual and Sustainability Report.

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

Note 3 Significant risks and uncertainties

In the course of their business 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 disruptions for our operations. The work on minimizing disruptions over the longer term is ongoing, and the respective operations are monitoring and continuously working to handle the effects of the coronavirus pandemic. Covid-19 may have long-term impacts, with the risk for a rise in unemployment and recession, which represents an uncertainty regarding the general level of consumption that may affect the Axfood Group on top of the clear impact that we are already seeing on cross-border shopping

and the restaurant market. 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	16
Realized changes	9
Amount at end of period	-89

Note 6 Pledged assets and contingent liabilities

Group, SEK m	30/6/2021	30/6/2020	31/12/2020
Pledged assets	-	-	-
Contingent liabilities	19	20	19
Parent Company, SEK m	30/6/2021	30/6/2020	31/12/2020
Pledged assets	-	-	-
Contingent liabilities	256	302	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.

Note 9 Acquisition of Bergendahls Food and partnership with City Gross

During the quarter, Axfood – through Dagab – entered into an agreement with Bergendahl & Son AB to acquire 100% of the wholesale business Bergendahl Food AB ("Bergendahl Wholesale"). The acquisition will result in economies of scale, cost synergies and increased competitiveness. Axfood is also acquiring a minority equity stake of 9.9% in City Gross Sverige AB ("City Gross") as part of a strategic partnership to strengthen City Gross's position in the market, with a call option to acquire additional shares up to a total shareholding of 30% in City Gross, gradually during a five-year period. Dagab and City Gross have signed a 15-year delivery agreement that includes cooperation around assortment and IT infrastructure, among other areas.

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

Bergendahl Wholesale is a strong wholesaler within Swedish food retail, with approximately 800 employees. The wholesale business is conducted from a main warehouse in Hässleholm mainly to City Gross, but also to approximately 170 independent retailers and e-commerce actors. City Gross is a Swedish food retail store chain with approximately 2,800 employees. City Gross has 42 stores and an estimated market share in the Swedish food retail market of approximately 4%.

The acquisition of Bergendahl Wholesale, including effects of the delivery agreement signed with City Gross, is expected to generate 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. In addition, integration and transaction costs of approximately SEK 200 m and non-cash IT impairment losses of approximately SEK 100 m are expected to be recognized during the same period.

Excluding integration and transaction costs, the transaction is expected to make a positive contribution to Axfood's earnings per share from 2022. After the integration costs have been incurred and synergies have started to be attained, and also accounting for effects from the rights issue, the transaction is expected to make a positive contribution to earnings per share from 2023.

Short-term, the acquisition will be financed through a combination of existing cash and credit facilities. To maintain a strong financial position, Axfood's Board of Directors intends to propose that an Extraordinary General Meeting resolve on a Rights Issue of SEK 1.5 bn with preferential rights for existing shareholders. The Rights Issue will contribute to securing the long-term financing of the acquisition and will enable subsequent investments as a result of the integration of Bergendahl Wholesale with Axfood. Axfood's largest shareholder, Axel Johnson AB, has undertaken to vote in favour of the Board's proposal for a Rights Issue and to subscribe for its pro rata share in the Rights Issue. The Rights Issue is planned to be completed during the fourth quarter of 2021.

The acquisition of Bergendahl Wholesale will be reported in the Dagab segment. The acquisition of 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 call option to acquire additional shares.

Axfood has a financial target of an equity ratio of at least 20% at year-end. Immediately following completion of the acquisition, assuming that the Rights Issue of SEK 1.5 bn has been completed and based on Axfood's and Bergendahl Wholesale's balance sheets as per 31 March, 2021, Axfood expects that the equity ratio will exceed the financial target.

Completion of the acquisition is subject to approval by the Swedish Competition Authority. The Competition Authority's review entered its second phase on 12 July, entailing that the Authority has an additional three months to make its final decision.

Note 10 Items affecting comparability

Acquisition costs totalled SEK -54 m (–) during the quarter and SEK -54 m accumulated (–) and pertain in their entirety to the Bergendahl transaction, which is described in note 9. The costs are included in their entirety in joint-Group costs.

	Q2 2021	Q2 2020	6 mos 2021	6 mos 2020	R12	Full year 2020
Acquisition costs	-54	–	-54	–	-54	–

See definitions of financial key ratios for more information.

Note 11 Significant events after the balance sheet date

To further develop and improve efficiency in the logistics operations and handle future growth, agreements have been signed for a new, automated e-commerce warehouse in Backa in Gothenburg, expansion along with automation of the existing high-bay warehouse in Backa, and automation of the new and larger nationwide warehouse for fruits and vegetables that is being built in Landskrona. Total investments in automation will amount to approximately EUR 65 m during the period 2021–2024.

Key ratios

Quarterly overview, Group

SEK m	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021
Net sales	12,731	13,040	13,067	13,570	13,426	13,633	13,203	13,903
Operating profit (EBIT)	715	487	544	605	796	566	565	607
Operating profit (EBIT) excl. items affecting comparability	715	487	544	605	796	566	565	661
Operating margin, %	5.6	3.7	4.2	4.5	5.9	4.1	4.3	4.4
Operating margin excl. items affecting comparability, %	5.6	3.7	4.2	4.5	5.9	4.1	4.3	4.8
Net profit for the period	536	359	402	446	605	409	430	455
Earnings per share before dilution, SEK	2.50	1.68	1.93	2.22	2.95	2.02	2.16	2.27
Earnings per share before dilution excl. items affecting comparability, SEK	2.50	1.68	1.93	2.22	2.95	2.02	2.16	2.48
Cash flow from operating activities	649	1,101	1,335	859	1,167	1,490	1,127	1,121
Cash flow from operating activities per share, SEK	3.10	5.26	6.38	4.10	5.58	7.12	5.39	5.36
Return on capital employed, % ¹⁾	30.6	30.1	24.7	24.5	24.5	24.2	26.6	25.6
Return on shareholders' equity, % ¹⁾	42.1	39.6	58.9	53.6	47.9	45.7	63.0	56.1
Shareholders' equity per share, SEK	17.64	19.21	14.17	15.95	18.99	20.70	15.51	17.56
Investments in intangible non-current assets and in property, plant and equipment	192	792	276	218	219	318	292	304
Items affecting comparability	-	-	-	-	-	-	-	-54
Net debt (+)/net receivable (-)	5,082	5,131	5,454	5,218	5,185	4,577	5,016	4,920
Share price, SEK	209.10	208.40	202.20	203.40	205.40	191.80	208.80	236.70

¹⁾ Rolling 12-month figures.

Key ratios and other data, Group

	6 mos 2021	6 mos 2020	Full year 2020
Operating margin, %	4.3	4.3	4.7
Operating margin excl. items affecting comparability, %	4.5	4.3	4.7
Equity ratio, %	19.9	19.5	24.3
Net debt (+)/net receivable (-), SEK m	4,920	5,218	4,577
Net debt (+)/net receivable (-) excl. IFRS 16, SEK m	-1,156	-478	-1,131
Net debt/EBITDA, multiple	1.0	1.1	1.0
Net debt/EBITDA excl. IFRS 16, multiple	-0.4	-0.2	-0.4
Net debt-equity ratio (+)/Net receivable-equity ratio (-), multiple	1.3	1.5	1.0
Net debt-equity ratio (+)/Net receivable-equity ratio (-), excl. IFRS 16, multiple	-0.3	-0.1	-0.2
Capital employed, SEK m	10,326	9,648	10,674
Return on capital employed, %	25.6	24.5	24.2
Return on shareholders' equity, %	56.1	53.6	45.7
Average number of employees during the period	11,544	10,785	11,451
Capital expenditures, SEK m	1,766	1,429	2,755
Investments in intangible non-current assets and in property, plant and equipment, SEK m	596	494	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	209,212,208	209,308,876	209,253,740
Average number of shares outstanding after dilution	209,880,820	209,883,486	209,877,099
Key data per share			
Earnings per share before dilution, SEK	4.43	4.15	9.12
Earnings per share before dilution excl. items affecting comparability, SEK	4.64	4.15	9.12
Earnings per share after dilution, SEK	4.42	4.14	9.09
Ordinary dividend per share, SEK ²⁾	-	-	7.50
Shareholders' equity per share, SEK	17.56	15.95	20.70
Cash flow per share, SEK	0.05	0.41	3.51

¹⁾ Rolling 12-month figures.

²⁾ 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	Q2 2021	Q2 2020	6 mos 2021	6 mos 2020	R12	Full year 2020
Operating profit (EBIT)	607	605	1,172	1,148	2,533	2,510
Depreciation/amortisation and impairment losses	588	563	1,169	1,125	2,296	2,252
EBITDA	1,195	1,167	2,341	2,274	4,829	4,762
IFRS 16 Leasing costs	-418	-403	-834	-811	-1,641	-1,617
EBITDA excl. IFRS 16	777	764	1,506	1,463	3,188	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.

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

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

Private label share: Sales of private label products, excluding meats and fruits and vegetables, as a percentage of the Axfood Group's store sales.

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 275 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 (CO₂ 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 employees 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 second quarter pertain to time worked during the period March–May.

About Axfood

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

Vision

Axfood will be the leader in good and sustainable food.

Mission

Axfood enables a better day where everyone can enjoy affordable, good and sustainable food.

Business concept

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

Business model

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

Long-term financial targets and investments 2021

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

Strategy

To be the leader in good and sustainable food, Axfood is pursuing a strategy of growth-promoting and efficiency enhancing priorities. The strategy is built upon six strategic focus areas: the customer offering, the customer meeting, expansion, the supply chain, the work approach and our people. 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 relationships with suppliers and increasing control and responsibility across the supply chain.
- With a clear expansion plan, focus on developing the customer meeting regardless of channel, and development of sustainable and easy meal solutions, Axfood is catering to customers' evolving behaviours in the food retail market.
- Axfood has a solid balance sheet, and the business model generates stable cash flow. During the last five years the dividend has averaged 91% of profit after tax.
- Axfood has long been working to be a positive force in society. Through private labels Axfood launches innovative products and leads the way in sustainability.

Operating segments

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

Axfood

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WILLYS

Hemköp

apohem

DAGAB

HANDLAR'N

Tempo

URBAN DELI

mat.se

MIDDAGS
FRID

eurocash

Snabbgross