

Growth and higher profitability

First quarter summary

- Consolidated net sales totalled SEK 13,067 m (11,931), an increase of 9.5%.
- Operating profit totalled SEK 544 m (485), an increase of 12.0%. The operating margin was 4.2% (4.1%).
- Net profit for the period totalled SEK 402 m (354), and earnings per share before dilution were SEK 1.93 (1.68).
- The Annual General Meeting on 18 March resolved in favour of the Board's proposal for a shareholder dividend of SEK 7.25 (7.00) per share. The dividend amount is to be paid on two occasions. The first dividend payment of SEK 3.75 per share was made in March. The second payment of SEK 3.50 per share will be made in September.
- During the first quarter, Axfood's operations were impacted by changed shopping behaviours among consumers as a result of the spread of the novel coronavirus, COVID-19. Consumers' hoarding of groceries resulted in strong sales growth during the latter part of the period. Certain businesses within Axfood were however negatively affected, such as Axfood Snabbgross, Urban Deli, and Eurocash.

Significant events after the balance sheet date

- Axfood's Board of Directors has decided to repurchase a maximum of 310,000 shares coupled to the long-term share-based incentive programme LTIP 2020.

9.5%

Net sales growth for the Axfood Group during the first quarter of 2020.

11.7%

Growth in store sales for the Axfood Group during the first quarter of 2020.

SEK m	Q1 2020	Q1 2019	Change	R12	Full year 2019
Net sales	13,067	11,931	9.5%	51,876	50,740
Operating profit (EBIT)	544	485	12.0%	2,346	2,288
Operating margin, %	4.2	4.1	0.1	4.5	4.5
Profit for the period	402	354	13.4%	1,726	1,679
Earnings per share before dilution, SEK	1.93	1.68	14.9%	-	7.87
Cash flow from operating activities per share, SEK	6.38	3.44	85.5%	19.92	16.98
Return on capital employed, % ¹⁾	24.7	30.6	-6.0	24.7	30.1
Return on shareholders' equity, % ¹⁾	58.9	52.8	6.1	58.9	39.6
Shareholders' equity per share, SEK	14.17	13.37	6.0%	-	19.21

¹⁾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. The information was submitted for publication, through the agency of the contact person listed above, at 7 a.m. CET on 22 April 2020.

Invitation to presentation of the interim report for the first quarter of 2020

Axfood will present the interim report for the first quarter of 2020 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.se or ring:
Sweden: +46 850 558 354, UK: +44 333 300 9267, USA: +1 833 823 0586

A strong quarter in an exceptional time

We are reporting a strong first quarter for Axfood with continued high growth and improved profitability. This at the same time that we find ourselves in a tumultuous and exceptional time – a situation in which the food industry has an important and societally essential role in providing the entire country with food and groceries. The novel coronavirus, COVID-19, has had and will continue to have a major impact on our society and thus also on our operations.

The first quarter of this year was a very special one. Following a solid start to the year, the COVID-19 outbreak resulted in dramatically changed shopping behaviours among consumers during the latter part of the quarter. Virtually overnight, pressure on stores and our e-commerce operations increased as customers began hoarding basic groceries such as pasta and rice as well as paper products. This hoarding resulted in strong sales growth during the period, but it also put a major strain on the supply chain, which struggled to maintain a reasonable level of service.

The initial hoarding of groceries has eased, but demand remains high, especially in the major cities and at residential locations, as more people are opting to eat at home instead of visiting cafés and restaurants as a result of COVID-19. Businesses with exposure to the café and restaurant market are experiencing a very challenging situation, which is affecting Urban Deli as well as Axfood Snabbgross. Sales for Eurocash has in practice disappeared, as cross-border shopping has come to a halt after Norway's imposition of travel restrictions to Sweden.

High pace and a lot of creativity

Looking at the quarter as a whole, Axfood once again grew faster than the market. Our stores' growth rate amounted to almost 12 percent, of which the hoarding contributed with approximately 4 percentage points and leap day with approximately 1 percentage point. Willys posted strong growth during the quarter with improved profitability at the same time that Hemköp maintained its profitability despite a challenging situation for certain Group-owned stores in central city locations. Axfood Snabbgross showed a good first quarter, but with weaker performance during the latter part. Dagab performed strongly in supporting the chains in the best possible way.

The quarter was characterized by high activity and creativity in dealing with everything this new situation has given rise to – a higher stream of customers in many aspects, higher demand for our products, how we are dealing with a larger number of employees home on sick leave, how we are supporting the businesses that are having a tough time, and how we can come up with

various ways to help people in risk categories to shop and get their groceries home to them safely and securely. Hemköp's "Senior hour" initiative and the special online store that Mat.se has created are examples of this. We have also opened up a "fast track" for small-scale producers – many of which ordinarily supply restaurants – to give them exposure for their local food products via our sales channels. Our online pharmacy Apochem has had a hectic period in handling the sizeable increase in demand.

Sight set on the long term

Even though the focus during the latter part of the quarter has been on maintaining stable product supply in the current situation, we have continued to invest in developing our operations for future growth. The integration of the joint dark store in Gothenburg has been carried out, and we have also signed agreements on expansion of the dark store in Stockholm. The work on our new logistics centre in Bålsta is going according to plan, and an agreement has now been signed with Witron on the operation and functionality of the automation.

Humbleness for the near term task ahead

The safety and well-being of our employees and customers always come first. We are following authorities' advice, are in contact with them when we need additional guidance, and we are taking the recommended actions. We are working to prevent the spread of the virus in stores through a number of different initiatives, such as installation of plexiglass shields at checkout lanes at Willys and Hemköp stores and floor markings to help with social distancing.

It has never been more clear that Axfood, as a large and important food retailer, has a significant societal responsibility to keep its stores, warehouses and transports operating to be able to provide good and sustainable food for everyone. I am therefore very proud of all our employees who are working with dedication to achieve precisely this, which would not have been possible without the enormous dedication and ownership that has come from all parts of the organization.

Klas Balkow
President and CEO, Axfood AB



"We are reporting a strong first quarter for Axfood. Our store sales grew by almost 12 percent on a market that grew by approximately 9 percent. This at the same time that we find ourselves in a tumultuous and exceptional time."

The Swedish food retail market

The food retail industry is generally less sensitive to economic swings than other trade sectors. The industry is mainly affected by population growth and inflation, but also by megatrends such as digitalization, demographic changes, sector convergence, health and sustainability, and price value.

The share of household expenses that go to groceries has hovered around 12% during the last 20 years. At the same time, the market for prepared food has grown strongly, and the share of household expenses spent at cafés and restaurants has approached 6%, an increase from around 4% at the turn of the millennium.

While food retail sales online have grown rapidly in recent years, e-commerce still accounts for a very small share of the food retail market, 2% by certain estimates. In the online segment, growth is considerably stronger for the store pick-up alternative than home delivery.

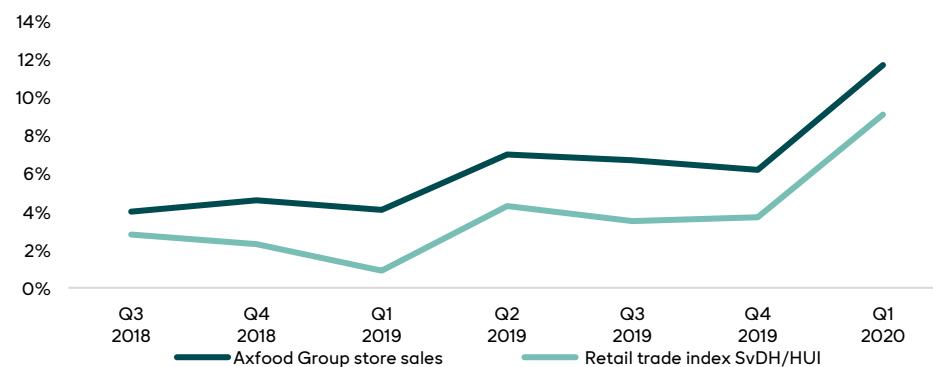
According to the Swedish Food Retailers Federation's (SvDH) food retail index, total sales growth during the first quarter of 2020 was 9.1%, including 27.1% growth for online. The leap year day in February had a positive calendar effect of approximately 1 percentage point during the quarter. Food price inflation during the period January–March was preliminarily 2.5%, according to Statistics Sweden.

COVID-19

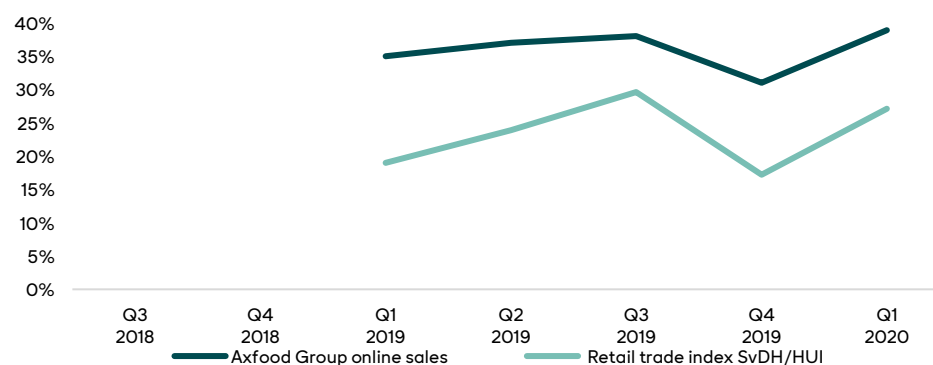
During the first quarter, the Swedish food retail market was impacted by changed shopping behaviours among consumers as a result of the spread of the novel coronavirus, COVID-19. Hoarding in stores as well as online during the period was a large contributing factor to the market's strong rate of growth over the preceding quarter. The hoarding effects were largest in early March, but eased during the latter part of the month. From mid-March, sales in the cross-border shopping segment decreased sharply as a result of Norway's imposition of restrictions on travel to Sweden. In contrast to development for the food retail market, growth in the café and restaurant market slowed during March, as many people have opted to eat at home.

More information about the risks associated with COVID-19 is available in Note 3.

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 first quarter of 2019.

Net sales

First quarter

Consolidated net sales grew 9.5% during the first quarter to SEK 13,067 m (11,931). Apart from continued strong growth for Willys and growth in other operating segments, the sales growth is attributable to hoarding both in stores and online.

Store sales for the Axfood Group (Group-owned stores and Hemköp franchises) amounted to SEK 11,483 m (10,284), an increase of 11.7%. The leap year day in February had a positive calendar effect of approximately 1 percentage point during the quarter. Axfood estimates that the hoarding effect accounted for 4 percentage points of the growth in the Group's store sales during the first quarter. The hoarding effect was larger for Willys than for Hemköp, which is partly explained by the fact that Hemköp has greater exposure to central locations in larger cities, where customer visits decreased significantly during the latter part of March. Like-for-like growth was 9.3%. Willys and retailer-owned Hemköp stores grew more than the market. Hemköp's Group-owned stores grew less than the market, which is mainly explained by conversions to retailer-owned stores. Growth for retailer-owned stores remained strong and included the addition of Östenssons' nine stores from 1 September 2019.

In online sales to consumers, Axfood once again grew more than the market during the first quarter. Net sales totalled SEK 464 m (334), representing an increase of 39%, which can be credited to favourable like-for-like sales growth and the roll-out by Willys to new cities and more stores.

Sales of private label products accounted for 31.2% (30.8%) of the Axfood Group's total stores sales during the first quarter.

9.3%

Axfood Group's like-for-like sales growth during the first quarter of 2020.

39%

Increase in the Axfood Group's online sales to consumers during the first quarter of 2020.

Net sales per segment

SEK m	Q1 2020	Q1 2019	Change	Full year 2019
Willys	7,740	6,860	12.8%	29,029
Hemköp	1,625	1,599	1.6%	6,378
Axfood Snabbgross	777	730	6.5%	3,443
Dagab	11,634	10,577	10.0%	44,895
Joint-Group	248	229	8.2%	928
<i>Internal sales between segments that are eliminated</i>				
Dagab	-8,726	-7,850	11.2%	-33,068
Joint-Group/other	-232	-214	8.2%	-865
Net sales, total	13,067	11,931	9.5%	50,740

Store sales (including online)

SEK m	Q1 2020	Q1 2019	Change	Change in like-for- like stores
Willys	7,740	6,858	12.9%	11.0%
Hemköp, Group-owned	1,587	1,563	1.5%	4.7%
Hemköp franchises	2,156	1,862	15.8%	6.8%
Hemköp total	3,743	3,426	9.2%	5.9%
Axfood Group store sales	11,483	10,284	11.7%	9.3%
Axfood Snabbgross	777	730	6.5%	6.0%

Change in store structure

Number of stores	Dec. 2019	New establish- ments/ acquisitions	Sales/ closures	Conversions	March	March
					2020	2019
Willys ¹⁾	213	2	-1	-	214	209
Hemköp	67	1	-	-2	66	68
Axfood Snabbgross	24	1	-	-	25	24
Total, Group-owned	304	4	-1	-2	305	301
Hemköp franchises	129	1	-	2	132	120
Tempo franchises	127	-	-1	-	126	130
Axfood Group total	560	5	-2	-	563	551
¹⁾ Willys	156	2	-	-	158	151
¹⁾ Willys Hemma	50	-	-1	-	49	50
¹⁾ Eurocash	7	-	-	-	7	8

Operating profit

First quarter

Consolidated operating profit for the first quarter increased to SEK 544 m (485), corresponding to an operating margin of 4.2% (4.1%).

The increase in operating profit is mainly attributable to strong growth in like-for-like sales and a higher operating profit for Willys and Axfood Snabbgross. The positive effects were partly offset by a lower gross margin associated with hoarding due to an unfavourable product mix, and the interruption of cross-border sales for Eurocash. Costs for handling the increased volumes, such as higher personnel and logistics costs, also weighed down operating profit. Dagab's operating profit includes costs associated with the implementation of joint-Group e-commerce logistics in Gothenburg and continued costs associated with the operation of joint-Group e-commerce logistics in Stockholm. In addition, operating profit for the quarter was charged with costs related to the closure of the dark store in Malmö and lower earnings for Urban Deli resulting from the sharp drop in demand in the restaurant market.

Profit after financial items amounted to SEK 516 m (456). Profit after tax was SEK 402 m (354).

Operating profit per segment

SEK m	Q1 2020	Q1 2019	Change	Full year 2019
Willys	348	294	18.3%	1,429
Hemköp	61	59	2.8%	243
Axfood Snabbgross	24	18	31.7%	167
Dagab	164	165	-0.4%	678
Joint-Group	-53	-51	4.7%	-229
Operating profit (EBIT)	544	485	12.0%	2,288
Net financial items	-28	-30		-115
Profit after financial items	516	456		2,173

Operating margin per segment

%	Q1 2020	Q1 2019	Change %-pts	Full year 2019
Axfood	4.2	4.1	0.1	4.5
Willys	4.5	4.3	0.2	4.9
Hemköp	3.7	3.7	0.0	3.8
Axfood Snabbgross	3.0	2.5	0.6	4.8
Dagab	1.4	1.6	-0.1	1.5

Operating segment performance

Willys

First quarter

Willys showed continued strong performance during the first quarter. Net sales grew 12.8% over the same period a year ago to SEK 7,740 m (6,860). A higher number of customer visits, a higher average ticket value, online expansion and hoarding contributed to the positive sales performance. In total, like-for-like net sales increased by 11.0%. Norway's imposition of restrictions on travel to Sweden had a negative impact on Eurocash's business as cross-border shopping from mid-March in practice has disappeared. As a consequence, a review of costs in Eurocash is being conducted to mitigate the effects of the sharply lower sales until cross-border shopping can be resumed.

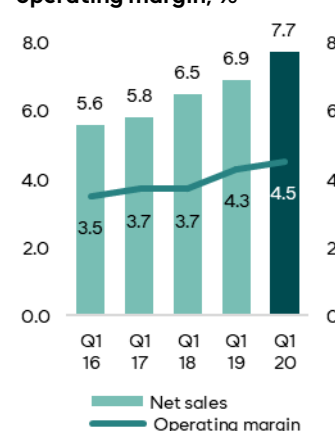
At the end of the first quarter Willys had 214 stores (209), including 207 Willys and seven Eurocash. Online shopping was expanded and at the end of the first quarter, Willys offered online shopping at 86 stores (62) in 51 cities (33).

Operating profit for the first quarter increased to SEK 348 m (294), corresponding to an operating margin of 4.5% (4.3%). The earnings improvement can be credited to continued strong like-for-like sales growth. The positive effect of the increased sales was partly offset by a lower average gross margin associated with hoarding due to an unfavourable product mix. In addition to the negative product mix effect, operating profit was also negatively affected by higher personnel costs and lower earnings for Eurocash.

SEK m	Q1 2020	Q1 2019	Change	R12	Full year 2019
Net sales	7,740	6,860	12.8%	29,910	29,029
Change in like-for-like sales, %	11.0	4.8	6.2	-	6.2
Operating profit (EBIT)	348	294	18.3%	1,483	1,429
Operating margin, %	4.5	4.3	0.2	5.0	4.9
Number of Group-owned stores	214	209	5	-	213
Average number of employees during the period	5,482	5,125	357	-	5,603
Private label share, %	32.7	32.2	0.5	-	31.6
Share of sustainability-labelled products, %	30.4	30.3	0.1	-	29.4
Share of organic sales, %	5.9	6.0	-0.1	-	5.6
Growth for plant-based protein substitutes, %	26	18	8	-	17
Share of KRAV-labelled meat, %	2.4	2.5	-0.1	-	2.3

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.

Hemköp

First quarter

Net sales for Group-owned Hemköp stores (including franchise fees) during the first quarter totalled SEK 1,625 m (1,599). Growth in store sales including Hemköp franchises and online was 9.2%.

The number of Group-owned stores decreased by two stores, net, compared with the first quarter a year ago. Since the first quarter of 2019, 12 new franchise stores, net, have been added, largely owing to the inclusion of nine stores in the Östenssons chain since 1 September. At the end of the first quarter Hemköp offered online shopping at 21 stores (18) in 12 cities (8).

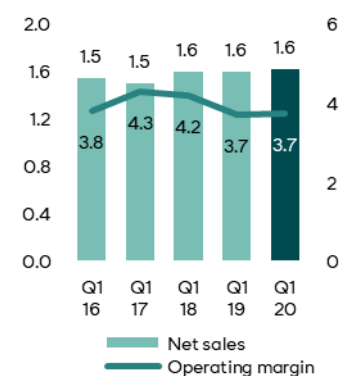
Sales for Group-owned Hemköp stores totalled SEK 1,587 m (1,563). Like-for-like sales for Group-owned stores increased by 4.7%. Sales for franchise stores grew 15.8% to SEK 2,156 m (1,862). Apart from the addition from Östenssons, the increase is attributable to the 6.8% increase in like-for-like sales. Hoarding and the positive calendar effect of the leap year day had a positive effect on sales. Sales for Group-owned Hemköp stores were negatively affected by a sharp drop in customer visits at certain stores in central locations in major cities, after many people opted to work remotely in connection with the COVID-19 outbreak.

Operating profit for the first quarter totalled SEK 61 m (59), corresponding to an operating margin of 3.7% (3.7%). Earnings were positively affected mainly by higher like-for-like sales in Group-owned stores. Costs for handling the higher volumes related to the hoarding, such as higher personnel costs, had a negative impact on operating profit.

SEK m	Q1 2020	Q1 2019	Change	R12	Full year 2019
Net sales	1,625	1,599	1.6%	6,404	6,378
Change in like-for-like sales, Group-owned stores, %	4.7	1.0	3.7	-	1.3
Operating profit (EBIT)	61	59	2.8%	245	243
Operating margin, %	3.7	3.7	0.0	3.8	3.8
Number of Group-owned stores	66	68	-2	-	67
Average number of employees during the period	1,609	1,677	-68	-	1,739
Private label share, %	26.9	26.4	0.5	-	26.0
Share of sustainability-labelled products, %	28.9	28.6	0.4	-	27.6
Share of organic sales, %	9.3	9.6	-0.3	-	8.9
Growth for plant-based protein substitutes, %	15	13	2	-	8
Share of KRAV-labelled meat, %	7.7	8.7	-1.0	-	7.8

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

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



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

Axfood Snabbgross

First quarter

Axfood Snabbgross's net sales totalled SEK 777 m (730) during the first quarter, representing growth of 6.5% over the same period a year ago. Like-for-like sales growth was strong during most of the quarter, but decreased in March especially in certain customer segments, as more people chose to eat at home in connection with the COVID-19 outbreak. During the second half of March, Axfood Snabbgross's sales decreased by approximately 25% compared with the same period a year ago. A review of costs is currently in progress to mitigate the effects of the sales decline.

At the end of the quarter Axfood Snabbgross had 25 stores (24) following the establishment of a new store in Jönköping in February.

Operating profit for the first quarter increased to SEK 24 m (18), mainly attributable to the strong like-for-like sales growth. The operating margin increased to 3.0% (2.5%).

SEK m	Q1 2020	Q1 2019	Change	R12	Full year 2019
Net sales	777	730	6.5%	3,490	3,443
Operating profit (EBIT)	24	18	31.7%	172	167
Operating margin, %	3.0	2.5	0.6	4.9	4.8
Number of stores	25	24	1	-	24
Average number of employees during the period	402	368	34	-	411
Share of sustainability-labelled products, %	19.0	18.3	0.7	-	18.6

Dagab

First quarter

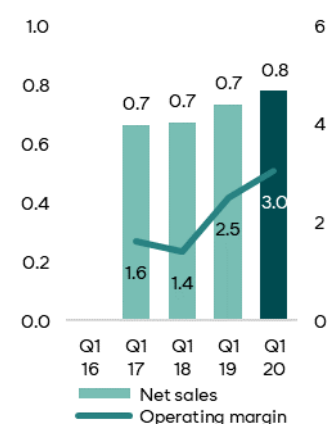
Net sales for the first quarter totalled SEK 11,634 m (10,577), an increase of 10.0%. Growth was mainly affected by strong sales to Willys and Hemköp. Dagab's sales to convenience retailers were negatively affected towards the end of the quarter by lower sales to mini-marts and service stations, for example, as many people opted to stay home due to COVID-19.

Operating profit was SEK 164 m (165), corresponding to an operating margin of 1.4% (1.6%). The level of activity during the first quarter was high to ensure product supply to retailers and meet the high demand that arose as a result of hoarding related to COVID-19, which resulted in higher costs in transports and warehousing. Dagab's earnings were also affected by costs associated with the joint-Group dark stores in Stockholm and Gothenburg. In addition, earnings for the quarter were charged with costs related to the closure of the dark store in Malmö and lower earnings for Urban Deli attributable to the sharp drop in demand in the restaurant market.

SEK m	Q1 2020	Q1 2019	Change	R12	Full year 2019
Net sales	11,634	10,577	10.0%	45,952	44,895
Operating profit (EBIT)	164	165	-0.4%	677	678
Operating margin, %	1.4	1.6	-0.1	1.5	1.5
Average number of employees during the period	2,587	2,455	132	-	2,699
Delivery reliability, %	92.7	96.9	-4.2	-	96.8

Axfood 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.

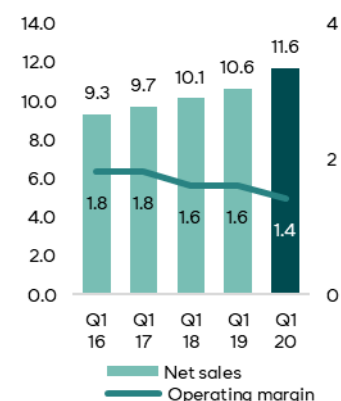
Net sales, SEK bn, and operating margin, %¹⁾



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

Dagab handles the assortment, purchasing and logistics for the entire Axfood house of brands as well as for other B2B customers. The Dagab segment includes the online grocery store Mat.se, the meal kit company Middagsfrid, the online pharmacy Apohem, and Urban Deli, a combined restaurant and market hall concept with own food production.

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



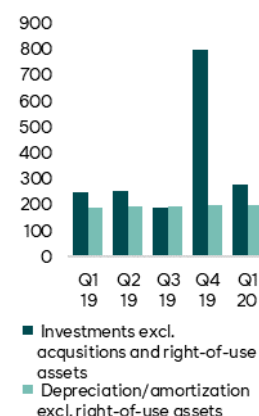
1) IFRS 16 is applied as from 2019. Comparison figures are not restated.

Capital expenditures

Total capital expenditures during the period January–March amounted to SEK 276 m (245), of which SEK 165 m (140) pertained to investments in non-current assets in the retail operations, SEK 19 m (32) pertained to non-current assets in wholesale operations, and SEK 91 m (69) pertained to IT.

Investments in right-of-use assets (mainly premises) amounted to SEK 572 m (73) during the period January–March, of which SEK 159 m (48) pertained to newly acquired assets and SEK 413 m (25) pertained to mainly extensions of existing rental agreements for premises and upward indexing of rents. Of total investments in leases, SEK 510 m (30) pertained to retail operations, SEK 49 m (11) pertained to wholesale operations, and SEK 12 m (33) pertained to joint-Group operations.

Capital expenditures, depreciation/amortization, SEK m



Logistics of the future

Establishment of automated logistics centre

During the first quarter a service agreement was signed with the German automation supplier Witron on the continuing operation and functionality of the automation for Axfood's new, highly automated logistics centre in Bålsta. In 2019 several important steps were taken in the establishment of the logistics centre, which is planned to be in full operation in 2023. Work with the logistics centre is continuing according to plan and ground work is in progress.

Efficiency improvement in dark stores

During 2019, order fulfilment for Willys and Hemköp's online sales in the greater Stockholm area was moved to Dagab's dark store in Årsta instead of being handled by the stores themselves as previously. In February a move was also made of order fulfilment for Willys' and Hemköp's online sales in the Gothenburg region. In March the joint dark store in Malmö was closed due to low online volumes for Mat.se in the Malmö region. The joint dark stores will provide better service to customers along with coordination gains, and will improve online profitability.

In April an agreement was signed with the property owner of Dagab's dark store in Årsta on the expansion of the warehouse's area. The warehouse area will be doubled from 5,000 sq. m. to 10,000 sq. m. and is planned to be completed at the end of 2020. The larger warehouse area will enable more capacity for Axfood's e-commerce.

Financial position and cash flow

Cash flow from operating activities amounted to SEK 1,335 m (720) during the period. The improved cash flow was attributable to the decreased working capital mainly explained by a temporary increase in accounts payable related to the hoarding in mid-March. Paid tax totalled SEK -114 m (-110). Net capital expenditures affected cash flow by SEK -291 m (-153). Payment of shareholder dividends affected cash flow by SEK -785 m (-1,488), and amortization of lease liabilities affected cash flow by SEK -379 m (-354).

Cash and cash equivalents held by the Group amounted to SEK 878 m, compared with SEK 798 m in December 2019. Interest-bearing liabilities and provisions totalled SEK 6,333 m, compared with SEK 5,929 m in December 2019. Interest-bearing net debt amounted to SEK 5,454 m at the end of the period, compared with SEK 5,131 m in December 2019.

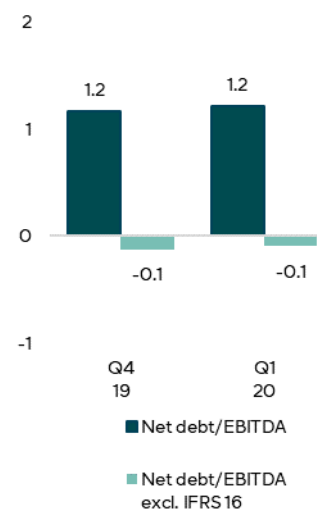
The equity ratio was 17.7%, compared with 24.6% in December 2019. The lower equity ratio is attributable to the dividend decided on in March.

Net debt/EBITDA was 1.2, compared with 1.2 in December 2019. Net debt/EBITDA excluding IFRS 16 was -0.1, compared with -0.1 in December 2019.

Derivation of total investments and net capital expenditures in cash flow

SEK m	3 mos 2020	3 mos 2019
Total investments	-847	-318
Investments in leases	572	73
Divestment of tangible/intangible assets	-	1
Acquisition of financial assets	-12	-10
Acquisition of operations, other items	-5	-
Divested operations	-1	2
Divestment/acquisition of assets held for sale	-	99
Cash flow from investing activities	-291	-153

Net debt/EBITDA



Parent Company

The Parent Company's net sales and other operating revenue during the period January–March amounted to SEK 70 m (65). After operating expenses of SEK -100 m (-93) and net financial items of SEK -1 m (23), profit after financial items was SEK -30 m (-5). Capital expenditures during the period totalled SEK 1 m (3).

The Parent Company had an interest-bearing net debt receivable of SEK 1,294 m at the end of the period, compared with SEK 141 m in December 2019. The Parent Company has no significant transactions with related parties, other than transactions with subsidiaries.

Sustainable development

Axfood's vision is to be the leader in good and sustainable food. Sustainability work is therefore extensive and permeates the entire business. Through long-term sustainable decisions, the company will grow and create new business opportunities. Sustainability work shall contribute to new business opportunities and growth.

The environment, food and people

Sustainable action is a matter of seeing the entire picture. Axfood therefore works on ensuring sustainability across all parts of the value chain. This is done by safeguarding the *environment*, the *food* that is produced and sold in stores, and the *people* who produce and consume it.

Axfood's sustainability programme is extensive and is updated yearly. Today it includes some 70 targets in these three areas. A materiality analysis was performed in 2015. During the autumn of 2019 work was begun on a new analysis, which is planned to be completed during the summer.

The environment – new water routine and less plastic

To contribute to food production with the smallest environmental impact as possible, one issue in focus for Axfood is water stress and access to fresh water. A water routine has been developed that is now being tested on selected suppliers. The aim is to measure and follow up water use in existing supply chains and thereby reduce water stress. The routine takes into account everything from average precipitation and irrigation techniques to how water-intensive the crops are. The results are analysed to be able to determine whether purchases should be made or not and what improvements are necessary.

Axfood has set a goal that the packaging of its private label products will be environmentally adapted and made from recycled or renewable material that can be recycled. Moreover, the Group aims to cut its use of plastics in half by 2025. During the past quarter the volume of plastic and the types of plastic used for private label products was mapped. The volume of plastic used in trays for packaged beef, juice bottles and fresh herb pots has been cut through packaging redesigns. Moreover, large volumes of plastic that previously could not be recycled have been replaced with plastic that can be recycled or is made of recycled plastic. Since January approximately 150 Hemköp and Tempo stores offer paper bags as an alternative to thin plastic bags in their fresh produce departments. Reusable bags have been offered by stores for some time.

Food – more green proteins and social supermarkets

Axfood strives to make it easier for consumers to make sustainable choices. This is done by offering a broad assortment of flavourful products that are produced in a sustainable way. Today's consumption of meat has a major impact on the climate as well as health. Axfood is therefore continually increasing its offering of green proteins. Growth of plant-based protein substitutes during the first quarter was 23%. During the quarter Garant launched a formable and Green Keyhole-labelled plant-based mince.

Food waste has a large, negative environmental impact, and Axfood has therefore set a goal to cut its food waste in half by 2025. New technical aids, clearance sales of products with short best-before dates, smarter packaging and collaborations with suppliers and charity organisations are a few important initiatives for success in this area. In March two social supermarkets were opened (MatRätt in Gothenburg and Matmissionen in Jakobsberg), with Axfood as a co-founder. Some 20 employees from Willys helped build up the store in Gothenburg. Several companies in the Axfood family donate food to these stores which otherwise would be tossed out.

During the quarter the share of sustainability-labelled products increased to 28.8% (28.5%). The share of organic products decreased slightly to 6.7% (6.8%). Categories with a smaller share were meat and dairy, while sales of organic fruits and vegetables increased. It is interesting to note that the share of organic products recovered in March, with a particularly large increase for Hemköp.

People – more co-determination and cleaner water

Axfood strives to work for good working conditions for everyone in the food supply chain and to be a positive force in society. Since 2015, employees at factories in China, Bangladesh and Thailand have undergone training in co-determination and employee rights, among other things. Garant organic tamari soy sauce was the first product to be furnished with a label that informs consumers about the work that is being conducted with the help of Quizrr's digital training tool. The collaboration is a step in the work on complementing audits and inspections of suppliers with preventive and improvement measures in the workplace. Another new addition to store shelves during the quarter was Fairtrade Certified organic basmati and jasmine rice.

During the quarter Axfood invested in Solvatten portable water treatment containers to give people in African countries access to clean water and thereby improved health and improved



20 tonnes

Reduction in the use of plastic in the assortment of fresh herbs from Axfood's Garant private label. The plastic used is thinner, recyclable, or is eliminated.

social conditions. The investment also has a positive climate impact since the water is heated by the sun without requiring wood fires.

Axfood has long worked with long-term targets for diversity, based on the conviction that a mix of competences and perspectives yield better results in the entire operations. Axfood strives to achieve a long-term even gender balance in management positions, i.e., that men and women will be represented within a range of 40%-60%. During the first quarter the share of women in management positions was 30.9% (30.0%).

One of Axfood's Group targets is that the work attendance rate among Axfood's employees will be at least 95%. During the first quarter the work attendance rate was 93.8% (93.7%). The work attendance rate decreased in March as a result of COVID-19, but since the work attendance rate in March pertains to time worked in February, the impact of this is not reported in the outcome below.

Key ratios, Group

	Q1 2020	Q1 2019	12 mos 2019
Share of sustainability-labelled products, %	28.8	28.5	27.5
Share of organic sales, %	6.7	6.8	6.2
Growth for plant-based protein substitutes, %	23	16	13
Share of KRAV-labelled meat, %	3.5	3.8	3.4
Number of social audits	11	11	96
Electricity consumption, kWh/m ² (stores and warehouses)	311.2	319.4	313.1
Electricity consumption (kWh) as share of net sales (SEK), %	0.52	0.55	0.53
CO ₂ , kg/tonne goods	16.7	16.9	17.2
Gender equality, share of women in management positions, %	30.9	30.0	30.0
Work attendance rate, %	93.8	93.7	94.4

For more information on these key ratios, see Axfood's 2019 Annual and Sustainability Report.

Other information

Long-term targets and capital expenditures 2020

- 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 2020 are expected to amount to SEK 900–1,000 m excluding acquisitions and right-of-use assets.

Annual General Meeting 2020

The Annual General Meeting (AGM) of Axfood Aktiebolag (publ) was held on Wednesday, 18 March 2020, in Stockholm. The AGM re-elected all of the board members and elected Christian Luiga as a new director. The AGM resolved to pay a dividend of SEK 7.25 per share, broken down into two payments, and to implement an additional long-term incentive programme.

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

Stockholm, 22 April 2020

Klas Balkow
President and CEO

Future reports

- The interim report for the second quarter of 2020 will be presented on 15 July 2020, at 7 a.m. CET
- The interim report for the third quarter of 2020 will be presented on 22 October 2020, at 7 a.m. CET
- The year-end report for 2020 will be presented on 4 February 2021, at 7 a.m. CET

Selection of press releases from Axfood during the first quarter

7 Jan. 2020	Willys at Täby Centrum
14 Jan. 2020	Ludvig Anderberg joins Mat.se
27 Jan. 2020	Hemköp and Tempo introduce paper bags for fruits & vegetables
31 Jan. 2020	Willys opens new store in Falköping
3 Feb. 2020	Willys invests in solar panels
17 Feb. 2020	Axfood Snabbgross opens store in Jönköping
18 Feb. 2020	Willys opens new store in Åmål
24 Feb. 2020	Garant fresh herbs shed 20 tonnes of plastic
25 Feb. 2020	Axfood publishes 2019 Annual and Sustainability Report
5 March 2020	Even gender balance among Axfood's managers
17 March 2020	Hemköp initiates "senior hour"
18 March 2020	Resolutions at Axfood's 2020 Annual General Meeting
23 March 2020	Hemköp first out with smart store app

Financial statements, Group

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

SEK m	Q1 2020	Q1 2019	R12	Full year 2019
Net sales	13,067	11,931	51,876	50,740
Cost of goods sold	-11,028	-10,055	-43,770	-42,797
Gross profit	2,039	1,876	8,106	7,942
Operating expenses	-1,495	-1,390	-5,759	-5,654
Operating profit (EBIT)	544	485	2,346	2,288
Interest income and similar profit/loss items	3	2	6	5
Interest expense and similar profit/loss items	-31	-32	-120	-120
Profit after financial items	516	456	2,233	2,173
Tax	-114	-101	-507	-494
Profit for the period	402	354	1,726	1,679
Other comprehensive income				
<i>Items that cannot be reclassified to profit or loss for the period</i>				
Revaluation of defined benefit pension plans	-1	-1	-36	-37
Tax	0	0	8	8
<i>Items that can be reclassified to profit or loss for the period</i>				
Change in hedging reserve	69	-1	30	-41
Tax	-15	0	-6	9
Other comprehensive income for the period	54	-2	-5	-61
Total comprehensive income for the period	455	352	1,721	1,617
Profit for the period attributable to				
Owners of the parent	403	353	1,699	1,648
Non-controlling interests	-1	2	28	30
Total comprehensive income for the period attributable to				
Owners of the parent	457	350	1,693	1,587
Non-controlling interests	-1	2	28	30
Earnings per share before dilution, SEK	1.93	1.68	-	7.87
Earnings per share after dilution, SEK	1.92	1.68	-	7.85

EBITDA

SEK m	Q1 2020	Q1 2019	R12	Full year 2019
Operating profit (EBIT)	544	485	2,346	2,288
Depreciation/amortisation and impairment losses	563	530	2,178	2,146
EBITDA	1,106	1,016	4,525	4,434
IFRS 16 Leasing costs	-408	-388	-1,574	-1,554
EBITDA excl. IFRS 16	699	628	2,950	2,880

Condensed statement of financial position, Group

SEK m	31/3/2020	31/3/2019	31/12/2019
Assets			
Goodwill	2,769	2,764	2,767
Other intangible assets	714	671	705
Property, plant and equipment	2,812	2,153	2,744
Right-of-use assets	5,606	5,625	5,407
Financial assets ¹⁾	50	25	22
Deferred tax assets	226	243	237
Total non-current assets	12,177	11,480	11,882
Inventories	2,592	2,436	2,387
Accounts receivable – trade	1,024	1,050	1,062
Other current assets	1,342	1,210	1,165
Cash and bank balances	878	483	798
Total current assets	5,836	5,178	5,411
Total assets	18,014	16,658	17,293
Shareholders' equity and liabilities			
Equity attributable to owners of the parent	2,966	2,801	4,020
Equity attributable to non-controlling interests	228	200	229
Total shareholders' equity	3,194	3,001	4,249
Non-current lease liabilities	4,253	4,455	4,131
Other interest-bearing liabilities	419	412	421
Deferred tax liabilities	912	834	902
Other non-current liabilities	43	51	100
Total non-current liabilities	5,627	5,752	5,554
Current lease liabilities	1,460	1,476	1,377
Other interest-bearing liabilities	200	187	-
Accounts payable – trade	4,387	3,764	3,832
Other current liabilities	3,145	2,478	2,280
Total current liabilities	9,192	7,905	7,490
Total shareholders' equity and liabilities	18,014	16,658	17,293
¹⁾ Of which, interest-bearing assets	-	-	-

Condensed statement of cash flows, Group

SEK m	Q1 2020	Q1 2019	R12	Full year 2019
<i>Operating activities</i>				
Operating profit (EBIT)	544	485	2,347	2,288
Adjustments for non-cash items	566	533	2,193	2,160
Interest paid	-31	-32	-122	-123
Interest received	3	2	6	5
Paid tax	-114	-110	-481	-477
Changes in working capital	367	-158	227	-298
Cash flow from operating activities	1,335	720	4,170	3,555
<i>Investing activities</i>				
Acquisitions of operations	-5	-	-7	-2
Acquisitions of intangible assets	-50	-26	-199	-175
Acquisitions of property, plant and equipment	-223	-219	-1,308	-1,304
Other changes in investing activities	-13	92	-10	95
Cash flow from investing activities	-291	-153	-1,524	-1,386
<i>Financing activities</i>				
Loans raised	200	187	13	-
Amortization of debt	-379	-354	-1,444	-1,419
Share repurchases	-	-	-36	-36
Dividend payout	-785	-1,488	-785	-1,488
Cash flow from financing activities	-964	-1,655	-2,252	-2,943
Cash flow for the period	80	-1,088	394	-774

Condensed statement of changes in equity, Group

SEK m	31/3/2020	31/3/2019	31/12/2019
Amount at start of year	4,249	4,528	4,528
Effect of changed accounting policy	-	-394	-394
Adjusted shareholders' equity at start of year	4,249	4,134	4,134
Total comprehensive income for the period	455	352	1,617
Share repurchases	-	-	-36
Share-based payments	6	3	21
Dividend to shareholders	-1,517	-1,488	-1,488
Amount at end of period	3,194	3,001	4,249

Key ratios and other data, Group

	31/3/2020	31/3/2019	Full year 2019
Operating margin, %	4.2	4.1	4.5
Margin after financial items, %	3.9	3.8	4.3
Equity ratio, %	17.7	18.0	24.6
Net debt (+)/net receivable (-), SEK m	5,454	6,047	5,131
Net debt (+)/net receivable (-) excl. IFRS 16	-259	116	-377
Net debt/EBITDA, multiple	1.2	-	1.2
Net debt/EBITDA excl. IFRS 16, multiple	-0.1	0.0	-0.1
Net debt-equity ratio (+)/Net receivable equity ratio (-), multiple	1.7	2.0	1.2
Net debt-equity ratio (+)/Net receivable equity ratio (-) excl. IFRS 16, multiple	-0.1	0.0	-0.1
Capital employed, SEK m	9,526	9,531	10,178
Return on capital employed, %	24.7	30.6	30.1
Return on shareholders' equity, %	58.9	52.8	39.6
Average number of employees during the period	10,476	10,000	10,854
Capital expenditures, SEK m	847	318	2,452
Investments in intangible non-current assets and in property, plant and equipment, SEK m	276	245	1,481
Number of shares outstanding at the end of the period	209,298,712	209,494,712	209,298,712
Average number of shares outstanding before dilution	209,298,712	209,494,712	209,380,332
Average number of shares outstanding after dilution	209,870,712	209,870,712	209,878,569
Key data per share			
Earnings per share before dilution, SEK	1.93	1.68	7.87
Earnings per share after dilution, SEK	1.92	1.68	7.85
Ordinary dividend per share, SEK	-	-	7.25 ¹⁾
Shareholders' equity per share, SEK	14.17	13.37	19.21
Cash flow per share, SEK	0.38	-5.19	-3.70

1) Paid out on two occasions in 2020.

Quarterly overview

SEK m	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020
Net sales	12,221	12,050	12,370	11,931	13,038	12,731	13,040	13,067
Operating profit (EBIT)	545	620	425	485	601	715	487	544
Operating margin, %	4.5	5.1	3.4	4.1	4.6	5.6	3.7	4.2
Earnings per share before dilution, SEK	2.01	2.24	1.54	1.68	2.01	2.50	1.68	1.93
Shareholders' equity per share, SEK	16.83	19.06	20.54	13.37	15.15	17.64	19.21	14.17
Return on shareholders' equity, %	43.8	38.7	36.2	52.8	46.8	42.1	39.6	58.9
Cash flow from operating activities per share, SEK	2.39	3.54	3.90	3.44	5.18	3.10	5.26	6.38
Investments in intangible non-current assets and in property, plant and equipment	232	178	422	245	252	192	792	276
Net debt (+)/net receivable (-)	-6	-581	-1,047	6,047	5,449	5,082	5,131	5,454
Share price, SEK	172.30	166.40	151.70	173.00	183.75	209.10	208.40	202.20

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

Financial statements, Parent Company

Condensed income statement, Parent Company

SEK m	Q1 2020	Q1 2019	Full year 2019
Net sales	1	1	4
Operating expenses	-100	-93	-402
Other operating revenue	69	64	261
Operating profit (EBIT)	-29	-28	-136
Net financial items	-1	23	25
Profit after financial items	-30	-5	-111
Appropriations, net	-	-	1,825
Profit before tax	-30	-5	1,714
Tax	5	5	-364
Net profit for the period	-25	0	1,350
Operating profit includes depreciation/amortization totalling	1	0	3

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

Condensed balance sheet, Parent Company

SEK m	31/3/2020	31/3/2019	31/12/2019
Assets			
Property, plant and equipment	17	7	17
Participations in Group companies	3,399	3,387	3,397
Other financial non-current assets	0	-	0
Deferred tax assets	7	9	8
Total non-current assets	3,423	3,403	3,421
Receivables from Group companies ¹⁾	1,523	1,210	3,360
Other current assets	138	93	33
Cash and bank balances	678	0	373
Total current assets	2,339	1,303	3,765
Total assets	5,763	4,707	7,187
Shareholders' equity and liabilities			
Restricted shareholders' equity	287	287	287
Unrestricted shareholders' equity	863	1,067	2,399
Total shareholders' equity	1,150	1,354	2,686
Untaxed reserves	2,907	2,639	2,907
Provisions	18	23	20
Non-current liabilities	3	2	3
Current interest-bearing liabilities	200	187	-
Accounts payable – trade	14	15	18
Liabilities to Group companies ²⁾	662	419	1,482
Other current liabilities	808	67	71
Total current liabilities	1,684	687	1,571
Total shareholders' equity and liabilities	5,763	4,707	7,187
¹⁾ Of which, interest-bearing receivables	1,496	1,182	1,180
²⁾ Of which, interest-bearing liabilities	662	414	1,392

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.

Preparation of the financial statements in accordance with IFRS requires the Board and company management to make estimations and assumptions that affect the Company's result and position as well as other disclosures in general. These estimations and assumptions are based on historical experience and are reviewed on a regular basis.

The same accounting policies and calculation methods have been used in this interim report as in the most recent annual 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 2020 and later

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

Note 2 Operating segments

Axfood's operating segments have been determined based on the information considered by the Group's Executive Committee and which is used to evaluate the result of operations and allocate resources to the segments. The Executive Committee monitors sales and operating profit for each of the business areas, which make up the Group's operating segments. The operating segments that have been identified are Willys, Hemköp, Dagab and Axfood Snabbgross. For information about Axfood's operating segments, see pages 6–8 of this interim report. For a more detailed description of the segments, please refer to Axfood's 2019 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. COVID-19 can result in long-term effects with risks related to higher unemployment and recession. This gives rise to uncertainty around consumption which can affect the Axfood Group, in addition to the clear impact that has already been seen on the cross-border trade and the restaurant market.

For a thorough account of the risks that affect the Group, please refer to Axfood's 2019 Annual and Sustainability Report.

Note 4 Seasonal effects

Axfood's sales are affected to some degree by seasonal variations. Sales increase in the quarter in which Easter falls, which is either the first or second quarter. Sales also increase ahead of Midsummer during the second quarter, as well as ahead of the major holiday season during the fourth quarter.

Note 5 Acquired operations

No significant acquisitions have been made during the year.

Note 6 Disclosures about financial assets and liabilities

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

Amount at start of year	-46
Change recognized in other comprehensive income	69
Realized changes	16
Amount at end of period	39

In addition to the change in currency forward contracts measured at fair value, the contingent consideration that was measured at fair value according to Level 3 as per 31 December 2019 was dissolved in its entirety during the period, based on an assessment of the future sales and earnings performance of the Urban Deli group. The change in value has been recognized in operating profit.

Note 7 Pledged assets and contingent liabilities

Group, SEK m	31/3/2020	31/3/2019	31/12/2019
Pledged assets	-	-	-
Contingent liabilities	20	26	21
Parent Company, SEK m	31/3/2020	31/3/2019	31/12/2019
Pledged assets	-	-	-
Contingent liabilities	302	309	302

Note 8 Long-term share-based incentive programmes

The 2020 Annual General Meeting resolved to adopt a fourth long-term share-based incentive programme, LTIP 2020, the principles and scope of which in all essential respects correspond to the previously adopted programmes. Full grants will be made for LTIP 2017 in April 2020 using treasury shares. For more information about the three earlier incentive programmes, see Axfood's 2019 Annual and Sustainability Report.

Note 9 Events after the balance sheet date

Axfood's board of directors has decided to repurchase a maximum of 310,000 shares coupled to the long-term share-based incentive programme LTIP 2020.

Key ratios

The Axfood Group uses various financial measures in its interim reports that are not defined in IFRS. Axfood believes that these key ratios are relevant for readers of Axfood's financial reports as a complement in assessing Axfood's performance. Since not all companies calculate financial measures in the same way, these are not always comparable with measures used by other companies. These financial measures are therefore not to be regarded as a substitute for measures defined in IFRS. Definitions of the key ratios are provided below.

Operating key ratio definitions and glossary

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

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

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

LTIP: Long-Term Incentive Programme (share-based).

Financial key ratio definitions

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

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

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

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

Earnings per share: Net profit for the period attributable to owners of the parent divided by a weighted average number of shares outstanding.

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.

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

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

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

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

Margin after financial items: Profit after financial items as a percentage of net sales for the period.

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

Net debt/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-equity ratio/net receivable-equity ratio: Interest-bearing liabilities and provisions less cash and cash

equivalents and interest-bearing receivables, divided by shareholders' equity including non-controlling interests.

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

Net debt/net receivable: Interest-bearing non-current and current receivables and liabilities including cash and bank balances, plus interest-bearing financial assets.

Net debt/net receivable excluding IFRS 16: Interest-bearing non-current and current receivables and liabilities excluding lease liabilities, including cash and bank balances, plus interest-bearing financial assets.

Net sales growth: Percentage increase in net sales between two periods.

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

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

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

Return on capital employed: Profit after financial items, plus financial expenses, as a percentage of average capital employed.

Return on shareholders' equity: Net profit for the period attributable to owners of the parent as a percentage of average equity attributable to owners of the parent. Average equity is calculated as shareholders' equity at the end of the period plus shareholders' equity at the same point in time in the preceding year, divided by two.

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

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

Share price: Closing share price.

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

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

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

Key ratio definitions for sustainability

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 Axfood 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 Axfood Snabbgross chains.

Growth for plant-based protein substitutes: Sales of plant-based protein substitutes in relation to the preceding year's sales. Plant-based protein substitutes pertain to all items included in the main categories refrigerated vegetarian and the presentation category frozen vegetarian. The selection includes Group-owned stores in the Willys, Eurocash, Hemköp and Axfood Snabbgross chains.

Share of KRAV-labelled meat: Sales of KRAV-labelled 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 Axfood Snabbgross chains.

Number of social audits: Pertains to performed site visits and inspections to gain an assurance that our 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.

Electricity consumption in stores and warehouses: Reported as the number of used kilowatt hours (KWh) of purchased electricity per square metre. The selection includes electricity consumption under joint contracts for a total of 263 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. Reported data is presented on a rolling 12-month basis.

Energy intensity: Electricity consumption (KWh) under joint contracts as a percentage of the Axfood Group's total net sales (SEK). 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. Reported data is presented on a rolling 12-month basis.

Gender equality: The share of women in management positions. Management positions refers to employees, including members of the Executive Committee, who are defined as managers with employee responsibility.

Work attendance rate: The number reported hours of sick leave in relation to scheduled work time. The selection includes active employees in the Axfood Group. Active employees refers to all employees in the Group except for employees of Urban Deli AB and Hall Miba AB. Internal consultants and persons on parental leave/leaves of absence are not included. Sickness-related absences for the first quarter pertains to time worked during the period December–February.

About Axfood

Axfood aspires to be the leader in good and sustainable food. Axfood includes the Willys and Hemköp chains as well as Tempo and Handlar'n. B2B sales are conducted through Axfood Snabbgross, and 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. Together they reach more than 4 million customers every week. Axfood's shares are listed on Nasdaq Stockholm, 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 is built upon three processes, where every detail in the process is important for the Company's success. It begins with the choice of suppliers by Axfood's joint-Group assortment and purchasing function for all of the Group's concepts. Efficient logistics then create conditions for favourable and profitable growth together with sustainable transports and efficient use of energy. A distinct sustainability profile, attentive customer service and smart store layout are key aspects in creating an inspiring in-store experience.

Long-term financial targets and investments 2020

- 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 2020 are expected to amount to SEK 900–1,000 m excluding acquisitions and right-of-use assets.

Strategy

Axfood's strategy is built upon six strategic areas: the customer offering, the customer meeting, expansion, supply chain, work approach, and our people. Axfood will offer an affordable and wide product range of good and sustainable food that is a mix of own and popular brands. With sustainable and efficient product supply, customers will be served wherever they may be at any time of the day or night – both in physical stores and online.

Through new sales channels featuring new and innovative services and segments we will meet our customers' needs. Aside from these areas it is essential that we attract and develop the industry's top talent as part of our efforts to also have a customer-centric and dynamic organization in which efficiency and cost control are in focus. For Axfood it goes without saying that sustainability and community engagement run like a common thread through all our operations.

Investment case – value drivers

Factors that Axfood believes are important regarding an investment in Axfood:

- The food retail industry, which is driven by population growth and inflation, is relatively insensitive to economic swings. Axfood's strategy also addresses drivers such as digitalization, discount retailing and convenience.
- Axfood has a solid balance sheet, and its business model generates stable cash flow. During the last five years the dividend has amounted to 90% of profit after tax.
- With a refined focus on food and distinctive concepts, Axfood is a house of brands that are all strongly positioned in their respective segments. The Group's joint purchasing and logistics operation creates economies of scale and cost efficiency.
- Axfood aspires to be a positive force in society and has clear goals for sustainability. Axfood's private label products gladly lead the charge with respect to sustainability and health.

Our 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. Hemköp's Group-owned stores, franchise stores and online business aim to inspire good meals in a simple and painstaking manner. Hemköp also includes Tempo, a mini-mart format comprising retailer-owned stores.
- Axfood 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.
- Dagab handles the assortment, purchasing and logistics for the entire Axfood house of brands as well as for other B2B customers. Dagab includes the online grocery store Mat.se, the meal kit company Middagsfrid, the online pharmacy Apohem, and Urban Deli, a combined restaurant and market hall concept with own food production.

Axfood

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WILLYS

dagab

Tempo

mat.se

eurocash

Hemköp

HANDLARN

URBAN DELI

MIDDAGSFRID

Snabbgross

apohem