

A successful year with favourable growth and profitability

Fourth quarter summary

- On 1 October, the acquisition of Bergendahl Food AB and a minority stake of 9.9% in City Gross Sverige AB was completed.
- Net sales increased 25.1% to SEK 17,062 m (13,663). Net sales excluding Bergendahls Food increased 5.6%.
- Store sales for the Axfood Group totalled SEK 12,424 m (12,047), an increase of 3.1%.
- Operating profit amounted to SEK 739 m (566) and included items affecting comparability of SEK 86 m. The operating margin was 4.3% (4.1). Adjusted operating profit amounted to SEK 653 m (566), an increase of 15.5%. The adjusted operating margin was 3.8% (4.1).
- Net profit for the period amounted to SEK 608 m (409) and earnings per share before dilution to SEK 2.92 (2.02).
- Axfood entered into an agreement for a strategic partnership with Mathem, becoming a new co-owner of the company with a shareholding of 16.5%, by divesting Mat.se in exchange for shares in Mathem. Completion of the transaction is subject to approval by the Swedish Competition Authority.
- Raised profitability target of a long-term operating margin of at least 4.5% (previously at least 4.0%).

Summary January–December

- Net sales totalled SEK 57,891 m (53,696), an increase of 7.8%. Net sales excluding Bergendahls Food increased 2.8%.
- Store sales for the Axfood Group totalled SEK 47,835 m (46,954), an increase of 1.9%.
- Operating profit amounted to SEK 2,704 m (2,510). The operating margin was 4.7% (4.7). Adjusted operating profit amounted to SEK 2,690 m (2,510), an increase of 7.2%. The adjusted operating margin was 4.6% (4.7).
- Net profit for the period amounted to SEK 2,094 m (1,862) and earnings per share before dilution to SEK 10.28 (9.12).

7.8%

Net sales growth for the Axfood Group in 2021

4.6%

Adjusted operating margin for the Axfood Group in 2021

Significant events after the balance sheet date

- The Board of Directors proposes an increased dividend of SEK 7.75 per share (7.50). The dividend is split into two payments, SEK 4.00 per share in March 2022 and SEK 3.75 per share in September 2022.

Investments and store establishments 2022

- Axfood's investments in 2022 are expected to amount to between SEK 2,600-2,700 m, excluding acquisitions and right-of-use assets.
- During 2022, Axfood plans to establish 8-13 new stores.

Key ratios

SEK m	Q4 2021	Q4 2020	Change	12 mos 2021	12 mos 2020	Change
Net sales	17,062	13,633	25.1%	57,891	53,696	7.8%
Operating profit (EBIT)	739	566	30.6%	2,704	2,510	7.7%
Operating profit (EBIT) excl. items affecting comparability ¹⁾	653	566	15.5%	2,690	2,510	7.2%
Operating margin, %	4.3	4.1	0.2	4.7	4.7	0.0
Operating margin excl. items affecting comparability, % ¹⁾	3.8	4.1	-0.3	4.6	4.7	0.0
Net profit for the period	608	409	48.7%	2,094	1,862	12.4%
Earnings per share before dilution, SEK	2.92	2.02	44.6%	10.28	9.12	12.7%
Earnings per share before dilution excl. items affecting comparability, SEK ¹⁾	2.59	2.02	28.4%	10.23	9.12	12.1%
Cash flow from operating activities	1,288	1,490	-13.6%	4,590	4,851	-5.4%
Return on capital employed, % ²⁾	22.4	24.2	-1.8	22.4	24.2	-1.8
Return on equity, % ²⁾	46.3	45.7	0.6	46.3	45.7	0.6
Equity per share, SEK	-	-	-	23.68	20.70	14.4%

¹⁾ See Note 9 Items affecting comparability for more information.

²⁾ Rolling 12-month figures.

For further information, please contact:

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

The information herein is such that Axfood AB (publ) is required to make public in accordance with the EU Market Abuse Regulation and the Securities Market Act. The information was submitted for publication, through the agency of the contact person listed above, at 7:00 a.m. CET on 3 February 2022.

Invitation to the presentation of the 2021 year-end report

Axfood will present the 2021 year-end report 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 8 505 583 74, UK: +44 333 300 9267, USA: +1 646 722 4904

2021 a historic year

As we look back on a historic year characterised by a high pace of development, we can now say that 2021 was probably the most eventful year in Axfood's history. As our concepts strengthen their market positions, we are also carrying out major structural changes that will create the prerequisites for long-term, profitable and sustainable growth.

All parts of the Group were dominated by a high level of activity during the year. We have operated during a pandemic that has challenged with new customer behaviour and purchasing patterns, during which our main focus has been the well-being of our employees and customers. At the same time, we have made comprehensive investments in our future logistics structure and digital development, and acquired the wholesale business Bergendahls Food and a minority stake in the hypermarket chain City Gross. In December, we announced another important strategic deal, the partnership with Mathem, which is currently being examined by the Swedish Competition Authority.

Strong finish to an eventful year

The intense year of 2021 concluded with a strong fourth quarter. Our growth in store sales of 3.1% meant we grew faster than the market, and we also posted improved earnings and an operating margin of 4.3%. I see this as confirmation that our concepts are continuing to develop and strengthen their market positions. However, the quarter was also characterised by increased sickness-related absence connected to a rise in Covid-19 cases, certain supply-chain disruptions and high fuel prices.

Strengthened market positions

Despite the market's highest comparison figures, Willys continued to grow during the fourth quarter. Willys' e-commerce position also developed strongly in 2021. An increasing number of consumers are choosing Willys, with its customer programme – Willys Plus – recently passing three million members, an increase of almost one million over the last five years. The performance during the quarter was also positively impacted by the recovery of cross-border shopping, and Eurocash's net sales increased markedly.

Hemköp, which is continually developing its concept and strengthening its sustainability profile, grew faster than the market during the quarter, with stores in central urban locations continuing to display a healthy recovery. Profitability also improved once again. Concluding on a strong note, Hemköp posted one of its strongest years ever, also witnessing a positive trend in customer loyalty since Klubb Hemköp was launched just over a year ago.

Snabbgross delivered a fantastic end to the year and recorded a two-figure sales increase on a full-year basis, with a record high operating margin. Snabbgross's concept, customer base and market share continued to strengthen, and the membership-based

Snabbgross Club, available for both private and B2B customers, is creating exciting new opportunities for further growth.

Dagab continued to post healthy earnings and maintained a very high activity level in many areas. We are taking significant steps in the development of a more affordable and sustainable assortment, increased store and e-commerce logistics efficiency, and a digital and data-driven work approach. The integration of Bergendahls Food is proceeding according to plan, with a current focus on integrating the wholesale operations with Dagab's business.

Forward-looking focus, high pace of development and raised long-term profitability target

We are emerging from a successful year stronger than before and with the energy for continued investments moving forward. Our ambition level in the area of sustainability remains high. With a focus on the entire value chain and sustainability activities that permeate all parts of our Group, we aim to be a positive force for change that contributes to the positive development of society.

In 2022, we anticipate an investment need of between SEK 2.6-2.7 billion, an increased level primarily as a result of investments in logistics. We intend to carry out a rights issue of SEK 1.5 billion to maintain a strong financial position. We are also planning an increased rate of expansion, with the establishment of between 8-13 new stores, while further strengthening our accessibility and presence in e-commerce.

With the investments that are now being made, favourable conditions are being created for increased profitability over time. As a result, we recently raised our profitability target to a long-term operating margin of at least 4.5%. The Board of Directors intends to propose to the Annual General Meeting an increased dividend of SEK 7.75 per share.

Major strides toward our vision

It is gratifying to finish what has perhaps been the most intense and exceptional year for Axfood to date with a strong year-end report. A year in which we took major and important steps for the continued development of our Group. And a year in which we, together with our employees across the country, made major strides toward our vision of being the leader in affordable, good and sustainable food.

Klas Balkow
President and CEO, Axfood AB



"It is gratifying to finish what has perhaps been the most intense and exceptional year for Axfood to date with a strong year-end report."

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 market is mainly affected by population growth and inflation, but also by trends such as digitalisation, demographic changes, sector convergence, health and sustainability, and price value.

In recent years, growth in food retail has been strongest in the discount segment. Food retail sales online accelerated as a result of the Covid-19 pandemic, but e-commerce still accounts for a small share of the food retail market, about 6% during full-year 2021 according to the Swedish Food Retailers Federation's food retail index. In the online segment, growth has been stronger in the past few years for the store pick-up alternative than home delivery.

According to the food retail index, total sales growth during the fourth quarter of 2021 amounted to 0.5%. Sales in e-commerce declined -16.7%. Online, sales for the store pick-up alternative declined -24.6%, while home delivery sales were -8.3%. The comparison figures for the preceding year are high as a result of greater consumption of food at home during the pandemic. During the quarter, no calendar effect was deemed to have affected the outcome.

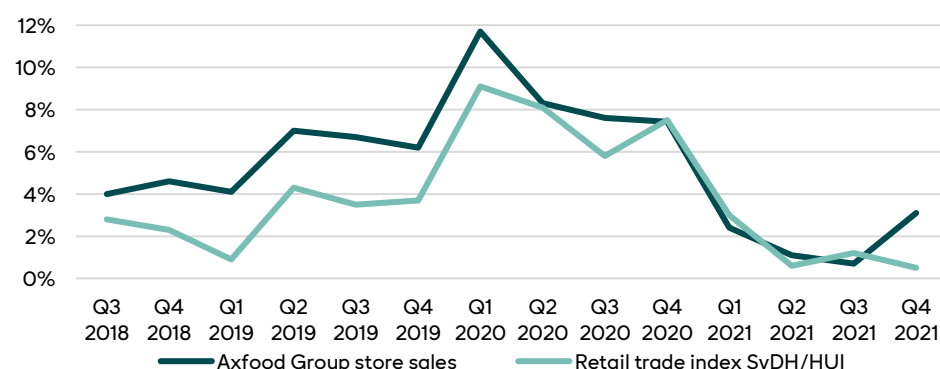
During the fourth quarter, food price inflation was 1.3% according to data from Statistics Sweden.

Covid-19 pandemic

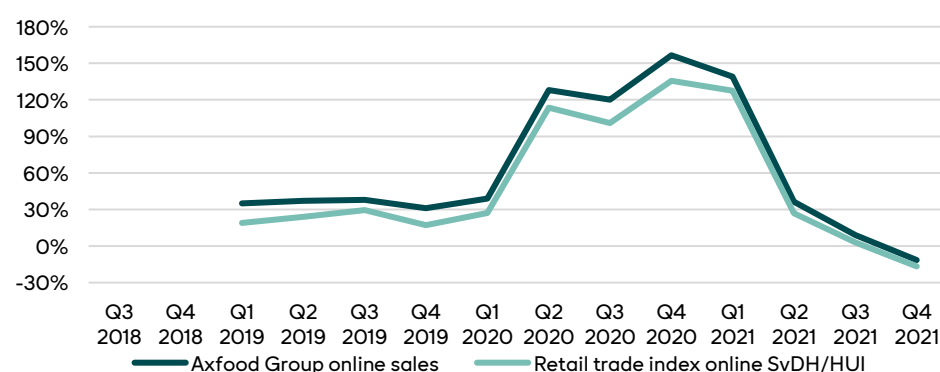
During the fourth quarter, demand in the Swedish food retail market remained strong. As restrictions were relaxed during the autumn, those market segments that experienced a challenging situation during the pandemic continued to recover, and customer traffic increased in stores in central urban locations and in cross-border shopping with Norway as well as in the café and restaurant market. However, at the end of the fourth quarter, pandemic-related restrictions were reintroduced, leading to a slowdown in these market segments, particularly in cross-border shopping. Growth in e-commerce was significantly lower than previously, partly due to high comparison figures but also as a result of increased customer traffic in physical stores.

See Note 3 Significant risks and uncertainties for more information about risks related to the impact of the Covid-19 pandemic.

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



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



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

Group performance

Net sales

Fourth quarter

Net sales grew 25.1% to SEK 17,062 m (13,633). The acquired business Bergendahls Food contributed SEK 2,672 m. Net sales excluding Bergendahls Food amounted to SEK 14,390 m (13,633), an increase of 5.6%, mainly due to new establishments and increased net sales for Eurocash, Snabbgross and Dagab.

Store sales for the Axfood Group increased 3.1% and amounted to SEK 12,424 m (12,047). Like-for-like growth was 1.4%. The comparison figures for the Willys chain were very high, mainly for large Willys stores. Eurocash's cross-border sales increased substantially. Hemköp stores grew more than the market. Group-owned Hemköp stores showed strong like-for-like growth, while overall growth was negatively affected by conversions to franchise stores. Sales for Snabbgross increased significantly, driven by low comparison figures, new establishments and a higher average ticket value. Dagab's sales were positively impacted by the recovery in convenience retail and the strong performance of Hemköp's retailer-owned stores.

The development for B2C sales online was once again better than the market although sales declined by -11.5%, and total net sales amounted to SEK 847 m (957). E-commerce sales were significantly lower than in the past as a result of high comparison figures and a return for many consumers to shopping in physical stores.

Sales of private label products accounted for 31.0% (30.8) of Axfood Group's store sales.

January–December

Net sales grew 7.8% to SEK 57,891 m (53,696). Net sales excluding Bergendahls Food totalled SEK 55,219 m (53,696), an increase of 2.8%. Store sales for the Axfood Group increased 1.9%, while like-for-like sales were essentially unchanged. Net sales online grew 31.3% to SEK 3,703 m (2,827). Sales of private label products accounted for 30.9% (30.9) of Axfood Group's store sales.

Net sales per segment

SEK m	Q4 2021	Q4 2020	Change	12 mos 2021	12 mos 2020	Change
Willys	8,424	8,123	3.7%	32,424	31,793	2.0%
Hemköp	1,635	1,656	-1.2%	6,202	6,354	-2.4%
Snabbgross	986	791	24.6%	3,825	3,417	11.9%
Dagab	15,716	12,310	27.7%	52,295	48,091	8.7%
Joint-Group	264	250	5.3%	1,059	991	6.8%
<i>Internal sales between segments</i>						
Dagab	-9,719	-9,264	4.9%	-36,935	-36,028	2.5%
Joint-Group/other	-243	-232	4.9%	-978	-923	6.0%
Net sales, total	17,062	13,633	25.1%	57,891	53,696	7.8%

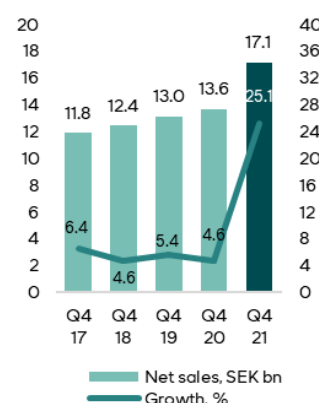
25.1%

Net sales growth for the Axfood Group during the fourth quarter

3.1%

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

Net sales and growth



Store sales (including online)¹⁾

SEK m	Q4 2021	Q4 2020	Change	Change like-for-like stores	12 mos 2021	12 mos 2020	Change	Change like-for-like stores
Willys	8,426	8,124	3.7%	1.5%	32,426	31,797	2.0%	0.0%
Hemköp, Group-owned	1,606	1,623	-1.1%	2.7%	6,085	6,241	-2.5%	1.3%
Hemköp franchises	2,392	2,300	4.0%	0.3%	9,324	8,916	4.6%	1.0%
Hemköp total	3,998	3,923	1.9%	1.2%	15,409	15,157	1.7%	1.1%
Axfood Group store sales	12,424	12,047	3.1%	1.4%	47,835	46,954	1.9%	0.3%

¹⁾ The table above shows reported store sales excluding accounting adjustments mainly attributable to customer bonuses.

Change in store structure

Number of stores	Dec 2020	New establishments/acquisitions	Sales/closures	Conversions	Dec 2021
Willys ¹⁾	219	7	-	-	226
Hemköp	65	2	-1	-3	63
Snabbgross	26	1	-	-	27
Total, Group-owned	310	10	-1	-3	316
Hemköp franchises	133	1	-3	3	134
Tempo franchises	126	6	-2	-	130
Total, Group-owned and franchises	569	17	-6	-	580
¹⁾ Willys	162	4	-	2	168
²⁾ Willys Hemma	50	2	-	-1	51
³⁾ Eurocash	7	1	-	-1	7

Operating profit

Fourth quarter

Operating profit amounted to SEK 739 m (566), an increase of 30.6%. Operating profit includes items affecting comparability of SEK 86 m, comprising revenue of SEK 112 m from Fora/AFA employer insurance based on previous premium payments, integration costs of SEK -21 m for Bergendahls Food and structural costs of SEK -6 m related to Dagab's restructuring of the logistics operations. The operating margin was 4.3% (4.1). Adjusted operating profit amounted to SEK 653 m (566), an increase of 15.5%. The adjusted operating margin was 3.8% (4.1). The consolidation of Bergendahls Food resulted in a dilution of the operating margin excluding items affecting comparability of -0.4 of a percentage point.

The increase in the adjusted operating profit was mainly due to higher operating profit for Dagab, Hemköp and Snabbgross. The increase for Hemköp and Snabbgross was due to positive sales mixes and growth in like-for-like sales as well as good cost control. Dagab's operating profit was positively impacted by the consolidation of Bergendahls Food.

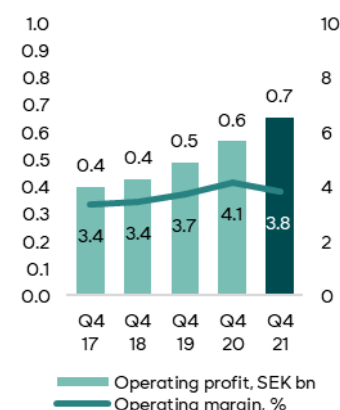
Profit after financial items amounted to SEK 705 m (535). Profit after tax amounted to SEK 608 m (409). The tax expense was positively impacted by a deferred tax asset pertaining to a tax credit on investments made in 2021, for which tax discounts are expected to apply in 2022.

January–December

Operating profit totalled SEK 2,704 m (2,510), corresponding to an operating margin of 4.7% (4.7). Operating profit excluding items affecting comparability for the period amounted to SEK 2,690 m (2,510), corresponding to an operating margin excluding items affecting comparability of 4.6% (4.7).

Net financial items for the period amounted to SEK -122 m (-116) and profit after financial items to SEK 2,582 m (2,394). Profit after tax totalled SEK 2,094 m (1,862).

Operating profit and operating margin excl. items affecting comparability¹⁾



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

Operating profit per segment excluding items affecting comparability

SEK m	Q4 2021	Q4 2020	Change	12 mos 2021	12 mos 2020	Change
Willys	343	339	1.2%	1,512	1,551	-2.6%
Hemköp	73	53	38.0%	271	229	18.4%
Snabbgross	45	28	60.0%	193	150	28.4%
Dagab	277	230	20.2%	976	829	17.7%
Joint-Group	-85	-85	0.0%	-262	-250	4.6%
Operating profit excl. items affecting comparability	653	566	15.5%	2,690	2,510	7.2%
Items affecting comparability ¹⁾	86	-		14	-	
Operating profit (EBIT)	739	566	30.6%	2,704	2,510	7.7%
Net financial items	-34	-31		-122	-116	
Profit after financial items	705	535		2,582	2,394	

¹⁾ The costs incurred during the quarter amounted to SEK -27 m and are included in their entirety in Dagab. On an accumulated basis, costs of SEK -44 m are included in Dagab, and costs of SEK -54 m in Joint-Group. During the quarter and on an accumulated basis, revenue of SEK 112 m is included in its entirety in Joint-Group. See Note 9 Items affecting comparability for more information.

Operating margin per segment excluding items affecting comparability

%	Q4 2021	Q4 2020	Change	12 mos 2021	12 mos 2020	Change
Willys	4.1	4.2	-0.1	4.7	4.9	-0.2
Hemköp	4.5	3.2	1.3	4.4	3.6	0.8
Snabbgross	4.5	3.5	1.0	5.0	4.4	0.6
Dagab	1.8	1.9	-0.1	1.9	1.7	0.1
Operating margin excl. items affecting comparability	3.8	4.1	-0.3	4.6	4.7	0.0
Operating margin	4.3	4.1	0.2	4.7	4.7	0.0

Capital expenditures

Total capital expenditures in intangible assets and property, plant and equipment during the January–December period amounted to SEK 1,825 m (1,031). Of this total, SEK 525 m (525) pertained to investments in retail operations and SEK 893 m (195) pertained to investments in wholesale operations, of which SEK 702 m (–) pertained to a part of the investment in an automation solution and SEK 407 m (310) pertained to joint-Group operations and IT. Intangible assets and property, plant and equipment have increased SEK 1,722 m as a result of the acquisition of Bergendahl Food AB.

Investments in right-of-use assets, mainly premises, amounted to SEK 1,740 m (1,725) during the January–December period, of which SEK 557 m (693) pertained to newly acquired assets and SEK 1,184 m (1,032) pertained mainly to renewals of existing leases of premises and upward indexing of rents. Of the total investments in leases, SEK 1,169 m (1,362) pertained to retail operations, SEK 363 m (347) pertained to wholesale operations and SEK 208 m (16) pertained to joint-Group operations.

Financial position and cash flow

Cash flow from operating activities amounted to SEK 4,590 m (4,851) during the January–December period. The decline was mainly the result of changes in working capital. Paid tax totalled SEK -406 m (-370). Net capital expenditures had an impact of SEK -3,842 m (-1,080) on cash flow, of which SEK -1,633 m was attributable to the acquisition of Bergendahl Food AB that was completed on 1 October, SEK -339 m pertained to the acquired stake in City Gross Sverige AB and the remaining net capital expenditures were mainly attributable to the ongoing investments in Dagab. Payment of the year's shareholder dividend had an impact of SEK -1,569 m (-1,517) on cash flow. The net of loans raised in connection with completion of the Bergendahls transaction on 1 October and amortisation of loans had a positive effect of SEK 1,600 m (–) on cash flow. Amortisation of lease liabilities had an impact of SEK -1,578 m (-1,515) on cash flow.

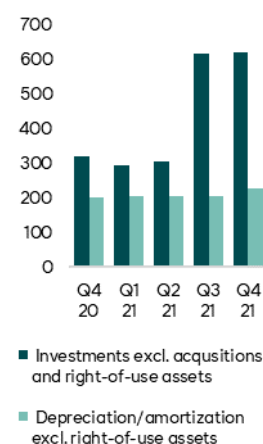
Cash and cash equivalents held by the Group amounted to SEK 734 m, compared with SEK 1,534 m in December 2020. Interest-bearing liabilities and provisions totalled SEK 8,375 m, compared with SEK 6,111 m in December 2020. The increase in interest-bearing liabilities and provisions is attributable to the newly raised loan in connection with completion of the Bergendahls transaction as well as lease liabilities attributable to Bergendahls' leases. Interest-bearing net debt amounted to SEK 7,640 m at the end of the period, compared with SEK 4,577 m in December 2020.

The equity ratio was 21.8%, compared with 24.3% in December 2020, in line with the Group's long-term financial target, but negatively affected by the completed acquisition of Bergendahls.

Net debt/EBITDA was 1.5, compared with 1.0 in December 2020. Net debt/EBITDA excluding IFRS 16 was 0.4, compared with -0.4 in December 2020.

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

Capital expenditures and depreciation/amortisation, SEK m



Net debt/EBITDA



Derivation of total investments and net capital expenditures in cash flow

SEK m	12 mos 2021	12 mos 2020
Total capital expenditures	-3,565	-2,755
Investments in leases	1,740	1,725
Divestment of property, plant and equipment/intangible assets	6	4
Acquisitions of financial assets	-397	-50
Acquisition of operations, other items	-1,633	-6
Divested operations	7	3
Cash flow from investing activities	-3,842	-1,080

Other

Government assistance related to the Covid-19 pandemic

Despite challenges in parts of operations during the Covid-19 pandemic, the Axfood Group has refrained from applying for state reorientation and furlough support. Axfood has, however, received compensation for increased sickness-related absence in accordance with the government assistance offered to employers in the form of sick pay compensation.

Operating segment performance

Willys

Fourth quarter

Net sales for Willys totalled SEK 8,424 m (8,123). Like-for-like store sales increased 1.5%.

The comparison figures for the Willys chain were very high, mainly for large Willys stores. The Willys store in Borås that was damaged by a fire in May reopened at the end of October. Willys continues to develop its offering and concept at a rapid pace, with an expansion of new stores and online and a modernisation of existing stores. Willys is the food retail concept in the Swedish market that reaches the highest share of Swedish households and recently passed the milestone of three million members in its Willys Plus loyalty programme.

Eurocash's performance was measured against low comparison figures, and sales increased significantly compared with a year ago as a result of higher customer traffic following the easing of travel restrictions between Sweden and Norway in the autumn. In December, restrictions were reintroduced between the two countries, leading to a significant negative impact on Eurocash's net sales at the end of the quarter. In relation to the fourth quarter of 2019, the development of net sales for Eurocash was -14%.

At the end of the quarter, Willys had 226 stores (219), including 219 Willys (212) and 7 Eurocash (7). At the end of the quarter, Willys offered online shopping at 126 (104) stores in 77 (65) cities.

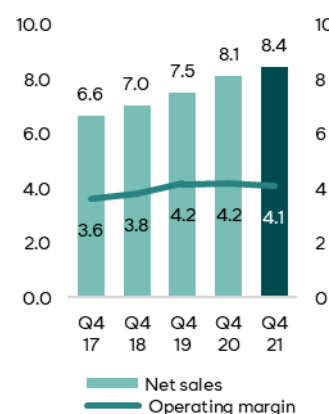
Operating profit amounted to SEK 343 m (339), corresponding to an operating margin of 4.1% (4.2). A decline in operating profit for the Willys chain as a consequence of negative growth in like-for-like sales was offset by a considerable improvement in operating profit for Eurocash attributable to a substantial increase in sales. Nevertheless, operating profit remained negative.

January–December

Willys' net sales totalled SEK 32,424 m (31,793), an increase of 2.0% compared with the preceding year. Like-for-like sales were unchanged compared with the preceding year. Operating profit amounted to SEK 1,512 m (1,551) and the operating margin to 4.7% (4.9).

Willys is Sweden's leading discount grocery chain, offering a broad range of products in both 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 and, from 1 October 2021, a minority stake of 9.9% in City Gross.

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



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

SEK m	Q4 2021	Q4 2020	Change	12 mos 2021	12 mos 2020	Change
Net sales	8,424	8,123	3.7%	32,424	31,793	2.0%
Like-for-like sales growth, %	1.5	6.7	-5.2	0.0	7.9	-7.9
Operating profit (EBIT)	343	339	1.2%	1,512	1,551	-2.6%
Operating margin, %	4.1	4.2	-0.1	4.7	4.9	-0.2
Number of Group-owned stores	–	–	–	226	219	7
Average number of employees during the period	–	–	–	6,531	6,109	422
Private label share, %	32.4	32.4	0.0	32.5	32.5	0.0
Share of sustainability-labelled products, %	28.3	28.6	-0.3	29.6	29.7	-0.1
Gender equality, share of women in management positions, %	–	–	–	34.5	34.4	0.1
Sickness-related absence, %	6.8	7.3	-0.5	6.4	6.4	0.0

Hemköp

Fourth quarter

Net sales for Group-owned Hemköp stores (including franchise fees) totalled SEK 1,635 m (1,656). Store sales growth including Hemköp franchises was higher than the market at 1.9%.

Store sales for Group-owned Hemköp stores totalled SEK 1,606 m (1,623), a decline of -1.1% owing to conversions to franchise stores. Like-for-like sales for Group-owned stores increased 2.7% owing to low comparison figures and higher customer traffic at stores in central urban locations. Despite high comparison figures for franchise stores, store sales increased 4.0% to SEK 2,392 m (2,300). Like-for-like sales increased 0.3%. The Tempo chain delivered a positive performance, but growth in the fourth quarter was negative as a result of high comparison figures.

The number of Group-owned stores decreased by two, net, compared with the year-earlier period, while one Hemköp franchise store was added, net. At the end of the quarter, Hemköp had 63 Group-owned stores (65) and 134 franchise stores (133). Hemköp continued its online roll-out and at the end of the fourth quarter offered online shopping at 70 stores (48) in 42 cities (30).

Operating profit was SEK 73 m (53), corresponding to an operating margin of 4.5% (3.2). The increase is mainly attributable to positive like-for-like sales growth, an improved sales mix and good cost control.

January–December

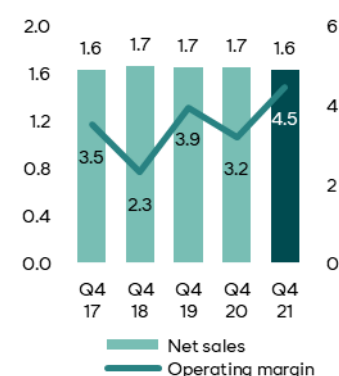
Net sales for Group-owned Hemköp stores (including franchise fees) totalled SEK 6,202 m (6,354). Growth in store sales including Hemköp franchises was 1.7%.

Store sales for Group-owned stores totalled SEK 6,085 m (6,241), a decline of -2.5%. Like-for-like sales for Group-owned stores increased 1.3%. Store sales for franchise stores totalled SEK 9,324 m (8,916), an increase of 4.6%, with a 1.0% increase in like-for-like sales.

Operating profit for the period was SEK 271 m (229), corresponding to an operating margin of 4.4% (3.6).

Hemköp offers a broad, attractively priced 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 of 2019. Comparison figures are not restated.

SEK m	Q4 2021	Q4 2020	Change	12 mos 2021	12 mos 2020	Change
Net sales	1,635	1,656	-1.2%	6,202	6,354	-2.4%
Change in like-for-like sales growth, Group-owned stores, %	2.7	2.7	0.0	1.3	2.8	-1.5
Operating profit (EBIT)	73	53	38.0%	271	229	18.4%
Operating margin, %	4.5	3.2	1.3	4.4	3.6	0.8
Number of Group-owned stores	–	–	–	63	65	-2
Average number of employees during the period	–	–	–	1,594	1,658	-64
Private label share, %	26.2	26.5	-0.3	26.4	26.3	0.1
Share of sustainability-labelled products, %	26.3	26.6	-0.3	28.0	28.2	-0.2
Gender equality, share of women in management positions, %	–	–	–	30.8	29.9	0.9
Sickness-related absence, %	6.5	7.1	-0.7	6.3	6.5	-0.2

Snabbgross

Fourth quarter

Net sales for Snabbgross totalled SEK 986 m (791), an increase of 24.6% compared with the year-earlier period. Like-for-like sales increased 21.6%. The strong growth for Snabbgross is partly attributable to low comparison figures, the easing of pandemic restrictions and favourable market development. In addition, Snabbgross's accessibility through its store network and attractive customer offerings continued to contribute to an increase in the customer base. New establishments and a higher average ticket value also contributed to the net sales growth. Snabbgross Club continued its favourable performance and is contributing to a greater extent to Snabbgross's sales.

At the end of the quarter, Snabbgross had 27 stores in total (26).

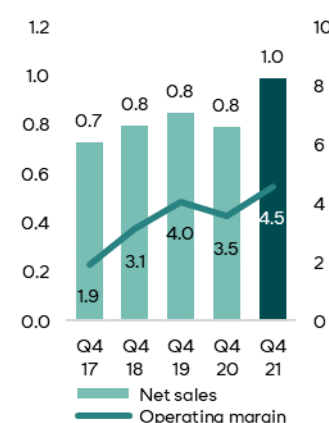
Operating profit for the period was SEK 45 m (28), an increase largely attributable to the positive like-for-like sales performance, a positive sales mix and good cost control. The operating margin was 4.5% (3.5).

January–December

Net sales for Snabbgross totalled SEK 3,825 m (3,417), an increase of 11.9%. Operating profit was SEK 193 m (150), and the operating margin was 5.0% (4.4).

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

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



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

SEK m	Q4 2021	Q4 2020	Change	12 mos 2021	12 mos 2020	Change
Net sales	986	791	24.6%	3,825	3,417	11.9%
Like-for-like sales growth, %	21.6	-8.8	30.4	9.3	-2.2	11.5
Operating profit (EBIT)	45	28	60.0%	193	150	28.4%
Operating margin, %	4.5	3.5	1.0	5.0	4.4	0.6
Number of stores	-	-	-	27	26	1
Average number of employees during the period	-	-	-	464	427	37
Share of sustainability-labelled products, %	18.4	18.3	0.1	18.6	18.6	0.0
Gender equality, share of women in management positions, %	-	-	-	34.6	32.7	2.0
Sickness-related absence, %	7.3	8.1	-0.9	6.6	6.9	-0.3

Dagab

Fourth quarter

Net sales totalled SEK 15,716 m (12,310), an increase of 27.7%. The acquired business from Bergendahls Food contributed SEK 2,672 m to net sales. Net sales excluding Bergendahls Food totalled SEK 13,044 m (12,310), an increase of 6.0%. The growth in net sales is mainly attributable to higher sales to store chains and convenience retailers.

Operating profit was SEK 250 m (230), corresponding to an operating margin of 1.6% (1.9). Operating profit included items affecting comparability of SEK -21 m related to integration costs for Bergendahls Food and structural costs of SEK -6 m connected to the restructuring of the logistics operations. Adjusted operating profit amounted to SEK 277 m (230). The adjusted operating margin was 1.8% (1.9). The consolidation of Bergendahls Food resulted in a dilution effect of -0.1 of a percentage point on the adjusted operating margin. With continued strong demand in the food retail sector and higher demand from convenience retailers, capacity utilisation and productivity remained high for both store and e-commerce logistics. However, high fuel prices had a negative impact on operating profit. Delivery reliability continued to be negatively affected by certain disruptions in the general supply chain that affected planning.

With restrictions being relaxed in the restaurant market, Urban Deli continued to report a positive sales trend. Apohem maintained its strong performance and recorded high growth with a focus on strengthening its brand.

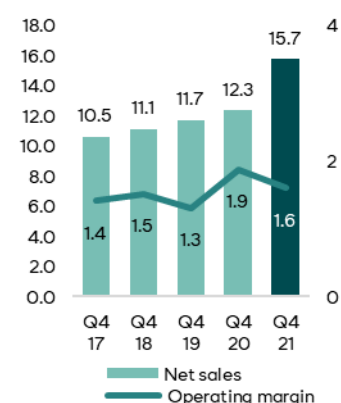
January–December

Dagab's net sales totalled SEK 52,295 m (48,091), an increase of 8.7%. Bergendahls Food contributed SEK 2,672 m to net sales. Net sales excluding Bergendahls Food totalled SEK 49,624 m (48,091), an increase of 3.2%.

Operating profit was SEK 932 m (829), corresponding to an operating margin of 1.8% (1.7). Operating profit excluding items affecting comparability was SEK 976 m (829), corresponding to an operating margin excluding items affecting comparability of 1.9% (1.7).

Dagab handles the assortment, purchasing and logistics for the entire Axfood house of brands as well as for external B2B customers. The Dagab segment also includes the online grocery store Mat.se, Middagsfrid with its 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 of 2019. Comparison figures are not restated.

SEK m	Q4 2021	Q4 2020	Change	12 mos 2021	12 mos 2020	Change
Net sales	15,716	12,310	27.7%	52,295	48,091	8.7%
Operating profit (EBIT)	250	230	8.6%	932	829	12.3%
Operating profit (EBIT) excl. items affecting comparability ¹⁾	277	230	20.2%	976	829	17.7%
Operating margin, %	1.6	1.9	-0.3	1.8	1.7	0.1
Operating margin excl. items affecting comparability, % ¹⁾	1.8	1.9	-0.1	1.9	1.7	0.1
Average number of employees during the period	–	–	–	3,126	2,823	303
Delivery reliability, %	–	–	–	95.4	94.8	0.6
Gender equality, share of women in management positions, %	–	–	–	25.4	25.4	0.0
Sickness-related absence, %	8.7	9.2	-0.5	8.5	8.5	0.1

¹⁾ See Note 9 Items affecting comparability for more information.

Acquisitions and divestments

Acquisition of Bergendahl Food AB and City Gross partnership

On 1 October, following approval from the Swedish Competition Authority, Axfood completed the acquisition of the wholesale business Bergendahl Food AB as well as a minority stake in City Gross Sverige AB as part of a strategic partnership.

On 31 May 2021, Axfood announced that it had entered into an agreement with Bergendahl & Son AB to acquire 100% of Bergendahl Food AB ("Bergendahls Food"). In addition, as part of a strategic partnership, Axfood acquired a minority stake corresponding to 9.9% of the shares in City Gross Sverige AB ("City Gross") with an option to increase its total shareholding to 30%. Completion of the deal was subject to approval by the Swedish Competition Authority, which announced on 16 September that its review had been completed and that it had granted clearance for the deal. The acquisition was completed on 1 October when Axfood assumed ownership of the agreed shares. The initial consideration amounted to SEK 1.8 bn on a cash and debt-free basis, and upon full exercise of the call option, the total consideration will amount to SEK 2.5 bn, of which SEK 1.5 bn pertains to Bergendahls Food. Payment of the initial consideration was made in cash through a combination of existing cash and credit facilities. As previously announced, Axfood intends to carry out a rights issue to maintain a strong financial position over time. Read more about the rights issue on page 16.

Through Dagab, Axfood is continuing to create a long-term future logistics structure, and together with Bergendahls Food, further economies of scale and cost synergies are expected to be achieved in time. By consolidating its volumes in the wholesale operations, Axfood will strengthen the competitiveness of its own chains and of its external customers. The partnership with Axfood strengthens City Gross's competitiveness and creates conditions for further development of the concept and a higher market share. The partnership has also given Axfood exposure to the hypermarket segment in the Swedish food retail market and increased the Group's presence and reach. The transaction is expected to create annual cost synergies of approximately SEK 200 m, which are expected to be realised 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 starting in 2022.

The integration is proceeding according to plan, and the focus until the second quarter of 2022 will be on integrating the wholesale operations into Dagab's operations. After that, the focus will be on integrating City Gross's stores into Axfood's processes and IT infrastructure. For further information on the transaction, see *Note 8 Acquired operations*.

Part ownership of Mathem through divestment of Mat.se

On 14 December 2021, Axfood announced that, as part of a strategic partnership, it had entered into an agreement to divest the operations of its own pure-play online retailer, Mat.se, to Mathem i Sverige AB ("Mathem") in exchange for newly issued shares in Mathem.

Combining Mat.se and Mathem will create synergies and economies of scale, providing improved opportunities to develop a strong offering in pure-play online retail with home delivery. At the same time, Dagab signed a seven-year delivery and cooperation agreement with Mathem that includes collaboration concerning purchases, assortment and logistics. The e-commerce logistics currently used by Mat.se, which include warehousing and transports, are part of Dagab and are not included in the transaction. The purchase consideration amounts to SEK 688 m on a cash and debt-free basis. The valuation of Mat.se is in line with the valuation of Mathem and is based on a multiple of 1.5 times the company's net sales in the last 12 months as of 30 September 2021. Following the transaction, Axfood's shareholding in Mathem will amount to 16.5%, which after closing of the transaction will make Axfood the second largest owner in Mathem. Axfood will be represented on Mathem's Board of Directors by one director. Axfood has committed to participate with up to approximately SEK 80 m in the event of a financing round in 2022 and will thereafter, like the other shareholders of Mathem, have preferential rights to subscribe for its pro rata share in future financing rounds. Completion of the transaction is subject to approval by the Swedish Competition Authority, which is expected in the first quarter of 2022.

Investments in the future

Axfood's 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. Routine approaches and behaviours are being challenged through new solutions that create efficiency, make life easier and elevate the value of food.

Establishment of automated logistics centre

Work on the new, highly automated logistics centre in Bålsta outside Stockholm is proceeding according to plan. During the fourth quarter, parts of the property were completed and the automation provider, Witron, continued 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 the distribution of groceries to stores as well as to e-commerce customers.

New, automated e-commerce warehouse in Backa in Gothenburg

In Gothenburg, Dagab plans to establish an all new, highly automated e-commerce warehouse on an existing property adjacent to the distribution centre in Backa. An agreement has been signed with the automation provider Witron to deliver the automation solution for the new warehouse, which will have five times higher capacity than the existing warehouse. During the fourth quarter, the focus was on planning and detailed design. The new warehouse is expected to be completed by year-end 2024 and will be fully operational during 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 significantly increase capacity as well as efficiency compared with the existing warehouse, where picking is done manually. The agreed investment with Witron amounts to EUR 48 m during the period from 2021 to 2024.

Expansion of existing high-bay warehouse in Backa, Gothenburg to include 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 in Gothenburg will also be expanded to include two new automated aisles. This will increase the total capacity by approximately 30% and thereby ensure that the warehouse will be able to handle future growth. Dagab's existing agreement with the automation and logistics company Daifuku has been extended, and the investment in automation amounts to EUR 3 m. During the fourth quarter, the focus was on planning and detailed design.

New, automated fruit and vegetable warehouse in Landskrona

To develop and streamline its logistics operations and accommodate future volume growth, Dagab is establishing a new, larger nationwide warehouse for fruits and vegetables in Landskrona. The warehouse, which is planned to be fully operational by the end of 2022, has an optimal location and infrastructure and will replace the current warehouse in Helsingborg. An agreement has been signed with the automation provider KNAPP to automate parts of the warehouse, and the investment amounts to EUR 14 m during the period from 2021 to 2024. Following automation, which is planned to be fully operational in 2024, the warehouse's efficiency and capacity will increase, and greater flexibility will be achieved in the event of volume increases. Groundworks for the new property continued during the fourth quarter.

New Transport Management System

As a step towards a more sustainable and efficient transport model, collaboration is under way with Descartes on the delivery of a new Transport Management System. The new system will improve Axfood's transport optimisation, provide a greater overview of transport flows, and manage flows to stores and to e-commerce customers. The system also offers consumers improved order tracking. The Transport Management System is currently rolled out across the entire organisation and will be integrated with the new logistics centre in Bålsta in 2023.

Purchasing and assortment solutions

To improve purchasing and assortment processes and to create a more efficient and attractive consumer offering, a project aimed at updating the Group's IT platforms is being carried out. The project is being conducted to improve the campaign and assortment process and entails a higher degree of automation and better decision-making documentation using data and analyses. The system is being rolled out gradually and is expected to be largely implemented in 2022.

In-store cash register system and payment terminals

The roll-out of a new cash register system and payment terminals in Axfood's stores was completed in the fourth quarter. The new, modern checkout solution will result in lower operating and maintenance costs, with a long design life. The solution will make the shopping process faster and enable more payment methods to be used in the future.

Sustainable development

Axfood's vision is to be the leader in affordable, good and sustainable food. Its sustainability efforts are comprehensive and permeate the entire operations. Long-term sustainable decisions will enable the Group to grow faster than the market, create new business opportunities and profitable growth, and contribute to sustainable development.

Sustainability in everything – food, the environment and people

For Axfood, sustainable development is about seeing the whole 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.

Axfood wants to be a force for positive change that takes the lead in promoting a sustainable food system by influencing decision-makers, leading the way through its own initiatives and driving industry issues. Over the years, Axfood has driven important social issues such as reducing the use of antibiotics in animal husbandry, tax rebates on solar electricity for private use and stopping the use of oil palm derivatives in biofuel. Issues concerning food consumption or production rank high on the agenda.

Food – circular products and reduced food waste

Axfood strives to make it easier for consumers to make sustainable choices. One way to do this is by offering a broad assortment of sustainability-labelled products. During the fourth quarter, sustainability-labelled products accounted for 26.6% (27.3) of total sales. A lower share of sales of fruits, vegetables and groceries had a negative impact on earnings. The share of organic products was 5.5% (6.0), and the share of KRAV-certified meat was 2.9% (2.9). The trend for organic products is declining in the industry as a whole, as is the trend for KRAV-certified meat. At the same time, Swedish consumers are increasingly eating plant-based food. A new survey conducted by Kantar Sifo on behalf of Axfood showed that 59% of Swedes eat plant-based food at least one day a week and a further 28% eat plant-based food occasionally.

Over 90% of the commercial fish stocks in the world's oceans are at their maximum sustainable level or overfished. Farmed fish have long been considered a possible solution to the growing demand for fish and shellfish without putting further strain on the world's oceans. At the same time, commercial fish feed often consists of imported wild fish or soy, a crop that risks contributing to the destruction of the world's rainforests. Axfood has participated in a project led by the Swedish University of Agricultural Sciences (SLU) and Axfoundation aimed at developing Sweden's first green, circular rainbow salmon mainly fed on a feed of insects, which themselves have been fed on food waste. The green rainbow salmon was sold at Urban Deli and select Hemköp stores.

The growth rate for plant-based protein substitutes during the quarter was -2.6% (10.1), mainly owing to high comparison figures. Several new plant-based products were launched, including a new vegan product introduced through a partnership. The new product is made from cashew fruit, a residual product that otherwise goes to waste. Cashewmeat contains no additives and, in addition to broadening the assortment of protein substitutes, is creating job opportunities in its country of production, Senegal, and reducing food waste.

Food waste has a large, negative environmental impact, and Axfood has therefore set a target to cut food waste in half by 2025 compared with the base year of 2015. New technical tools, clearance sales of products nearing their best-before dates and cooperation with suppliers and charity organisations are just a few initiatives that have put Axfood on track to achieving this target. During the quarter, Willys and Hemköp sold approximately 333 tonnes of fruits and vegetables at reduced prices to avoid waste.

Environment – climate data and reduced use of plastics

The share of the world's combined greenhouse gas emissions derived from food production needs to be reduced, and Axfood is working in a number of areas to promote production that has the smallest environmental impact possible. The goal is to achieve net zero emissions from the company's own operations by 2030. At the end of 2021, Axfood began the process of having one of its climate targets approved by the Science Based Targets initiative. The target must be scientifically based in line with the Paris Agreement.

An important part of the efforts to reduce the climate impact of food is to help consumers make more climate-smart choices. Urban Deli is taking part in a research project led by the Stockholm Environment Institute (SEI) to evaluate how different types of information about the environmental impact of food products could help consumers to make more sustainable food purchases. Mat.se has previously made climate data available for about 3,000 of its most common products. In addition, the Swedish Food Retailers Federation, together with the Swedish Food Federation, has initiated work on a joint carbon footprinting database for food retail.

Axfood strives for the packaging of private label products to be recycled and manufactured from recycled or renewable material. Another major challenge is to avoid chemicals on the



Thanks to an innovation from Axfoundation and the Swedish University of Agricultural Sciences (SLU), Sweden's first green rainbow salmon was introduced in stores and restaurants in November. Instead of feeding on soy and wild fish from all corners of the world, the rainbow salmon has been given a Swedish circular-based feed mainly consisting of insects, which themselves have been fed on food waste. Axfood participated in the project, and the salmon was sold at Urban Deli and select Hemköp stores.

Substitute It Now (SIN) list. The use of plastic in the Group's own operations is to decline by at least 25% by 2025. During the quarter, the amount of plastic in the largest meat trays for private label products was reduced, an initiative that is expected to save over 27 tonnes of plastic annually.

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

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

One prioritised area involves reducing sickness-related absence among the Group's employees, with a target for sickness-related absence to not exceed 5.3%. During the fourth quarter, sickness-related absence amounted to 7.0% (7.5), which is somewhat lower than the year-earlier period but still being affected by the Covid-19 pandemic. Sickness-related absence increased substantially during the end of the quarter as a result of a rise of Covid-19 cases and quarantine rules.

The starting point for Axfood's work with suppliers is a Code of Conduct that sets demands for environmental and social conditions as well as for animal welfare. Every supplier that Axfood enters into an agreement with is required to adhere to the Code of Conduct or to have its own code with corresponding requirements. In all risk countries, social audits are conducted on a regular basis to ensure compliance with the Code of Conduct, with a total of 27 audits (37) conducted in the fourth quarter. Several risk countries are still under strict pandemic restrictions, which has impeded the audit work.

Key ratios, Group

	Q4 2021	Q4 2020	Change	12 mos 2021	12 mos 2020	Change
Share of sustainability-labelled products, %	26.6	27.3	-0.7	28.1	28.3	-0.2
Share of organic sales, %	5.5	6.0	-0.5	5.8	6.1	-0.3
Growth in plant-based protein substitutes, %	-2.6	10.1	-12.7	-1.6	15.1	-16.7
Share of KRAV-certified meat, %	2.9	2.9	0.0	2.9	3.1	-0.2
Number of social audits	27	37	-10	93	123	-30
Electricity consumption, kWh/m ² (stores and warehouses)	–	–	–	289.7	297.2	-7.5
CO ₂ , kg/tonne of goods ¹⁾	15.0	15.6	2.4	16.8	15.6	1.3
Gender equality, share of women in management positions, %	–	–	–	32.3	33.2	-0.9
Sickness-related absence, %	7.0	7.5	-0.5	6.7	6.8	-0.1

¹⁾ The full year increase of the total climate impact per tonne delivered goods for own transports is mainly attributable to the inclusion of e-commerce transports with Cold Cargo without a restatement of the comparison figures. In addition, the allocation of own and purchased transports has been revised so that a larger share of the total volume of transported goods is now being calculated as Axfood's own transports.

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

Other information

Long-term targets and capital expenditures 2022

- Axfood's long-term financial targets:
 - Grow faster than the market.
 - Long-term operating margin of at least 4.5%.
 - Equity ratio of at least 20% at year-end.
- Axfood's dividend policy is that the shareholder dividend is to be at least 50% of profit after tax. The dividend is to be paid out on two occasions.
- Axfood's capital expenditures in 2022 are expected to amount to between SEK 2,600 and 2,700 m excluding acquisitions and right-of-use assets, of which SEK 1,300 m pertains to the logistics centre in Bålsta outside Stockholm (the majority of which concerns partial payment for an automation solution), SEK 100 m pertains to the nationwide warehouse for fruits and vegetables in Landskrona (the majority of which concerns partial payment for an automation solution), and SEK 110 m pertains to IT related to the acquisition of Bergendahls Food.
- During 2022, Axfood plans to establish 8-13 new stores.
- In 2022, Axfood's operating profit is expected to be charged with structural costs totalling approximately SEK 340 m, of which SEK 220 m connected to the new logistics centre in Bålsta outside Stockholm and SEK 120 m to integration costs for Bergendahls Food. The majority of the integration costs are expected to be incurred in the second half of the year.

Capital Markets Day

On 16 December, Axfood held a Capital Markets Day for analysts, institutional investors and the media. During the Capital Markets Day, the Group presented its raised profitability target of a long-term operating margin of at least 4.5% (previously at least 4.0%). More detailed information was also presented on investments for the future that will form the basis for long-term, profitable and sustainable growth. Among other things, it was announced that Willys' e-commerce operations were expected to achieve break-even in 2021 and that the other store concepts are strengthening their positions. In addition, the Group's comprehensive investments in logistics and automation will lead to cost savings and an efficient and sustainable logistics platform for many years to come. These investments are expected to generate efficiency improvements starting in 2024, which are expected to amount to between SEK 200 and 300 m per year from 2025 and thereafter increase to between SEK 300 and 400 m per year from 2027. The presentation material from the Capital Markets Day and a recording of the webcast are available on Axfood's website.

Change in Executive Committee

Sandra Brånstad has been appointed as a new member of the Axfood Executive Committee. Sandra has served as Axfood's General Counsel since 2018, having worked with Axfood since 2007 in her previous role as a lawyer. Sandra will be joining the Axfood Executive Committee from 1 February 2022.

Annual General Meeting

Axfood's Annual General Meeting (AGM) will be held on 23 March 2022. Due to the Covid-19 pandemic and in order to reduce the risk of infection, the AGM will be conducted through a postal voting procedure, provided that temporary legislation permitting this is introduced, which means that no shareholders or representatives will attend the AGM in person. Instead, shareholders will participate in the AGM by voting and submitting any questions in advance. If such temporary legislation is not introduced, a physical AGM will be held instead, but with the opportunity to participate through postal voting as an alternative to taking part physically. All AGM documentation including the Annual and Sustainability Report will be available on the Company's website not later than three weeks before the AGM. The documents will also be kept on hand at the Company's head offices and can be sent by post to shareholders who so request and provide their postal address.

Dividend

The Board of Directors proposes that the AGM resolve in favour of an increased dividend for the 2021 financial year of SEK 7.75 per share (7.50), corresponding to 75% of net profit for the year. The Board of Directors also proposes that the dividend be split into two payments, SEK 4.00 per share in March 2022 and SEK 3.75 per share in September 2022.

LTIP 2022

The Board of Directors proposes that the AGM resolve to introduce a long-term share-based incentive programme to run over a three-year period (LTIP 2022). The programme corresponds in all essential respects to LTIP 2021, with the adjustments that the number of participants is being somewhat increased and the proposed number of shares that participants will be able to purchase to the programme is increased. The programme is proposed to include approximately 80 employees, consisting of the members of Axfood's Executive Committee, members of the management teams of Axfood's subsidiaries and certain other individuals in management functions. The incentive programme entails the following in short:

- Participation requires a personal shareholding in Axfood that is allocated to LTIP 2022.
- The participants will be given the opportunity to be allotted a maximum of 6,500, 2,000 or 500 shares in the programme, depending on their participant category.
- After the set vesting period, the participants will be allotted shares in Axfood free of charge provided that certain conditions are met. To receive such shares, participants must, in short, remain employed in the Axfood Group during the vesting period and continue to own shares in Axfood during the same period of time, and certain performance targets must be met related to Axfood's share price, sales, earnings and sustainability.
- The maximum combined number of shares in Axfood that may be allotted under LTIP 2022 is limited to 575,000.
- Based on an unchanged share price during the term of the programme, a three-year vesting period and certain other assumptions, the total cost for LTIP 2022 including social security contributions will be a maximum of SEK 110 m.

The Board of Directors will issue a notice of the AGM shortly and, in connection with this, make public the Board's complete proposals for resolution. Three long-term share-based incentive programmes are currently in effect. The term of the first of these, LTIP 2019, expires in April 2022.

Rights issue

In conjunction with the announcement of the acquisition of Bergendahls Food, it was also announced that the Group intends to carry out a new share issue of about SEK 1.5 billion, with preferential rights for existing shareholders, in order to maintain a strong financial position. The rights issue will help ensure the long-term financing for the acquisition and enable subsequent investments as a result of the integration of Bergendahls Food.

According to the Board's assessment, the most suitable way of enabling flexibility ahead of the rights issue is to authorise the Board to make decisions concerning the rights issue. A proposal will be made to Axfood's AGM on 23 March 2022 to authorise the Board to carry out the rights issue. The terms will be disclosed in conjunction with the Board's decision on the issue with the support of the AGM's authorisation.

As previously announced, Axfood's largest shareholder, Axel Johnson AB, which represents 50.1% of the shares, has undertaken to vote in favour of the Board's proposal and to subscribe for its pro rata share in the rights issue.

The rights issue is intended to be carried out in the second quarter of 2022 with the following preliminary dates:

- Publication of prospectus 29 April
- Record date 3 May
- Subscription period 5–23 May
- Settlement date 25 May

This year-end report has not been subject to an audit or been reviewed by Axfood's auditor.

Stockholm, 3 February 2022

Klas Balkow,
President and CEO

Financial calendar

- The 2021 Annual and Sustainability Report will be published in February 2022 on Axfood's website
- The 2022 Annual General Meeting will be held on 23 March 2022
- The interim report for the first quarter of 2022 will be presented at 7:00 a.m. CET on 21 April 2022
- The interim report for the second quarter of 2022 will be presented at 7:00 a.m. CET on 15 July 2022
- The interim report for the third quarter of 2022 will be presented at 7:00 a.m. CET on 20 October 2022

Selection of press releases from Axfood during the fourth quarter

1 Oct 2021	Axfood completes acquisition of Bergendahls Food, enters partnership with City Gross
14 Oct 2021	Cashewmeetly and Axfood launch new sustainable vegetarian meat
21 Oct 2021	Axfood building Sweden's largest solar park
2 Nov 2021	The Nominating Committee's recommendations for changes in the Board of Directors of Axfood
10 Nov 2021	Circular feed turns Swedish rainbow salmon green
14 Dec 2021	Axfood becomes new partner in Mathem as Mat.se and Mathem merge
16 Dec 2021	Axfood Capital Markets Day 2021: Raised profitability target – Willys' e-commerce to break even before the end of the year

Parent Company

The Parent Company's net sales and other operating income during the January–December period amounted to SEK 278 m (275). After operating expenses of SEK -430 m (-429) and net financial items of SEK -4 m (-2), profit after financial items was SEK -156 m (-157). Capital expenditures during the period totalled SEK 13 m (27).

The Parent Company had an interest-bearing net receivable of SEK 299 m at the end of the period, compared with SEK 127 m in December 2020. The Parent Company has no significant transactions with related parties, other than transactions with subsidiaries.

Financial statements, Group

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

SEK m	Q4 2021	Q4 2020	12 mos 2021	12 mos 2020
Net sales	17,062	13,633	57,891	53,696
Cost of goods sold	-14,733	-11,482	-48,945	-45,148
Gross profit	2,329	2,152	8,946	8,548
Selling and administrative expenses, etc. ¹⁾	-1,590	-1,586	-6,242	-6,038
Operating profit	739	566	2,704	2,510
Interest income and similar profit/loss items	4	3	12	16
Interest expense and similar profit/loss items	-38	-34	-134	-132
Profit after financial items	705	535	2,582	2,394
Tax	-97	-126	-488	-531
Net profit for the period	608	409	2,094	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	4	-17	12	-6
Tax	-1	4	-2	1
<i>Items that can be reclassified to profit or loss for the period</i>				
Change in hedging reserve	23	-75	54	-65
Tax	-5	15	-11	13
Other comprehensive income for the period	21	-72	52	-56
Total comprehensive income for the period	629	337	2,146	1,806
<i>Net profit for the period attributable to</i>				
Owners of the parent	610	423	2,150	1,908
Non-controlling interests	-3	-14	-56	-46
Total comprehensive income for the period attributable to				
Owners of the parent	632	350	2,202	1,852
Non-controlling interests	-3	-14	-56	-46
Earnings per share before dilution, SEK	2.92	2.02	10.28	9.12
Earnings per share after dilution, SEK	2.91	2.01	10.24	9.09

¹⁾ Includes items affecting comparability, see Note 9 Items affecting comparability for more information.

Condensed statement of financial position, Group

SEK m	31 Dec 2021	31 Dec 2020
Assets		
Goodwill	3,846	2,769
Other intangible assets	1,449	750
Property, plant and equipment	3,815	2,912
Right-of-use assets	6,384	5,656
Financial assets ¹⁾	385	33
Deferred tax assets	346	253
Total non-current assets	16,225	12,373
Inventories	3,136	2,670
Trade receivables	2,292	1,033
Other current assets	1,344	1,203
Cash and bank balances	734	1,534
Total current assets	7,506	6,441
Total assets	23,731	18,814
Equity and liabilities		
Equity attributable to owners of the parent	4,952	4,331
Equity attributable to non-controlling interests	224	232
Total equity	5,176	4,563
Non-current lease liabilities	4,856	4,524
Other interest-bearing liabilities	371	403
Deferred tax liabilities	1,212	979
Other non-current liabilities	57	108
Total non-current liabilities	6,496	6,014
Current lease liabilities	1,548	1,184
Current interest-bearing liabilities	1,600	–
Trade payables	5,845	4,424
Other current liabilities	3,067	2,629
Total current liabilities	12,059	8,237
Total equity and liabilities	23,731	18,814
¹⁾ Of which, interest-bearing assets	–	–

Condensed statement of cash flows, Group

SEK m	Q4 2021	Q4 2020	12 mos 2021	12 mos 2020
<i>Operating activities</i>				
Operating profit	739	566	2,704	2,510
Adjustments for non-cash items	657	583	2,461	2,304
Interest paid	-30	-24	-124	-118
Interest received	2	1	4	10
Paid tax	-83	-52	-406	-370
Changes in working capital	3	416	-49	515
Cash flow from operating activities	1,288	1,490	4,590	4,851
<i>Investing activities</i>				
Acquisitions of operations	-1,633	-	-1,633	-9
Acquisitions of intangible assets	-103	-58	-309	-211
Acquisitions of property, plant and equipment	-513	-260	-1,516	-817
Acquisitions of financial assets	-339	-8	-397	-50
Other changes in investing activities	1	6	13	7
Cash flow from investing activities	-2,587	-320	-3,842	-1,080
<i>Financing activities</i>				
Loans raised	400	-	1,900	-
Amortisation of debt	-710	-382	-1,878	-1,515
Shareholder contribution from minority owners	-	-	49	49
Share repurchases	-	-	-50	-53
Dividend paid out	-	-	-1,569	-1,517
Cash flow from financing activities	-310	-382	-1,548	-3,036
Cash flow for the period	-1,609	788	-800	735

Condensed statement of changes in equity, Group

SEK m	31 Dec 2021	31 Dec 2020
Amount at start of year	4,563	4,249
Total comprehensive income for the period	2,146	1,806
Change in non-controlling interests	-1	-
Share repurchases	-50	-53
Share-based payments	37	28
Shareholder contribution from minority owners	49	49
Dividend to shareholders	-1,569	-1,517
Amount at end of period	5,176	4,563

Financial statements, Parent Company

Condensed income statement, Parent Company

SEK m	Q4 2021	Q4 2020	12 mos 2021	12 mos 2020
Net sales	2	1	7	5
Selling and administrative expenses	-118	-120	-430	-429
Other operating income	70	64	271	269
Operating loss	-47	-54	-152	-155
Net financial items	-3	-1	-4	-2
Loss after financial items	-49	-54	-156	-157
Appropriations, net	2,326	2,082	2,326	2,082
Profit before tax	2,276	2,028	2,170	1,925
Tax	-475	-437	-456	-418
Net profit for the period	1,801	1,591	1,714	1,508
Operating profit includes depreciation/amortisation totalling	2	1	7	4

Net profit for the period corresponds to total comprehensive income for the period.

Condensed balance sheet, Parent Company

SEK m	31 Dec 2021	31 Dec 2020
Assets		
Property, plant and equipment	37	35
Participations in Group companies	3,529	3,459
Other financial assets	12	7
Deferred tax assets	6	7
Total non-current assets	3,584	3,508
Receivables from Group companies ¹⁾	6,481	4,527
Other current assets	37	25
Cash and cash equivalents	321	1,141
Total current assets	6,838	5,694
Total assets	10,423	9,202
Equity and liabilities		
Restricted equity	287	287
Non-restricted equity	2,497	2,364
Total equity	2,784	2,652
Untaxed reserves	3,487	3,192
Provisions	10	15
Non-current liabilities	4	3
Current interest-bearing liabilities	1,600	–
Trade payables	20	15
Liabilities to Group companies ²⁾	2,277	3,165
Other current liabilities	241	160
Total current liabilities	4,138	3,340
Total equity and liabilities	10,423	9,202
¹⁾ Of which, interest-bearing receivables	3,844	2,165
²⁾ Of which, interest-bearing liabilities	2,256	3,165

Notes

Note 1 Accounting policies

Axfood applies the International Financial Reporting Standards (IFRS) as endorsed by the EU. 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 Chapter 9 Interim Financial Reporting of the Swedish Annual Accounts Act. The same accounting policies and calculation methods have been used in this interim report as in the 2020 Annual and Sustainability Report, except for what is stated below.

All amounts in the interim report are rounded off to the nearest million Swedish kronor (SEK m), unless indicated otherwise, entailing that tables and calculations do not always add up. In texts 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 recognised separately. Items affecting comparability refer to financial effects in conjunction with major acquisitions and divestments or other major structural changes and material non-recurring items. The items are recognised separately to facilitate an understanding of the Group's financial performance in comparisons between periods. Items affecting comparability are specified in Note 9.

Significant assumptions and assessments

Preparing the financial statements in accordance with IFRS requires the Board and Executive Committee to make judgements and estimates as well as assumptions that affect the application of the accounting policies and the Company's result and position as well as other disclosures in general. Estimates and assumptions are based on historical experience and are reviewed on a regular basis. The actual outcome may deviate from these estimates and judgements.

Note 2 Operating segments

Segments have been defined based on how Axfood's Executive Committee monitors and governs the operations to evaluate performance and allocate resources. The Executive Committee reviews the segments' operating profit or loss, both including and excluding items affecting comparability.

The operating segments that have been identified are Willys, Hemköp, Snabbgross and Dagab. Joint-Group pertains to head office support functions, such as the Executive Committee, Finance/Accounting, Legal Affairs, Communications, Business Development, HR and IT. For information about Axfood's operating segments, see pages 7–10 of this year-end 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 placed on preventive work, and the organisation for this is well developed, as is the Company's planning to maintain operating continuity in the event of unforeseen events.

The ongoing Covid-19 pandemic has led to a new dimension in terms of risk management. The risks that the pandemic has given rise to, including the risk of disruptions in the logistics chain, supplier risks and employee risks, have been managed within existing crisis organisations in the Group without any significant disruptions in operations. The individual operations are continuing to monitor developments and continuously adapting to the prevailing guidelines.

The carrying amounts of the Group's assets are tested on a regular basis to determine any need to recognise impairment. The carrying amounts are 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 forward exchange contracts measured at fair value, SEK m

Amount at start of year	-114
Change recognised in other comprehensive income	54
Realised changes	12
Amount at end of period	-49

During the third quarter, an agreement was signed to extend the tenor of the Group's existing revolving credit facility of SEK 3,500 m. The tenor was extended by two years and now continues until the end of 2026. An agreement was also signed in 2021 for a new bank overdraft facility of SEK 300 m.

Note 6 Pledged assets and contingent liabilities

Group, SEK m	31 Dec 2021	31 Dec 2020
Pledged assets	-	-
Contingent liabilities	20	19
Parent Company, SEK m	31 Dec 2021	31 Dec 2020
Pledged assets	-	-
Contingent liabilities	244	256

Note 7 Long-term share-based incentive programmes

The 2021 Annual General Meeting resolved to adopt a new long-term share-based incentive programme that runs over a three-year period, LTIP 2021, which in all essential respects corresponds to the previous programmes when it comes to principles and scope. Allotment was carried out for 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 for conditional performance shares under LTIP 2021, Axfood repurchased 192,000 shares for a total of SEK 45 m during the second quarter of 2021, at an average price of SEK 233.68 per share. The holding of treasury shares thereby amounts to 765,980 shares and is sufficient to secure the delivery of shares for all of the Company's incentive programmes.

Note 8 Acquired operations

During the second quarter of 2021, Axfood entered into an agreement with Bergendahl & Son AB to acquire 100% of the wholesale business Bergendahl Food AB ("Bergendahls Food") as well as of a minority stake of 9.9% in City Gross Sverige AB ("City Gross") as part of a strategic partnership with an option to acquire additional shares up to a total shareholding of 30% in City Gross, gradually during a five-year period.

Completion of the deal was subject to approval by the Swedish Competition Authority, which announced on 16 September that its review had been completed and that it had granted clearance for the deal. The acquisitions were completed on 1 October. As from this date, Bergendahl Food AB is consolidated in the Axfood Group and City Gross Sverige AB is recognised as an associated company. The acquisition of Bergendahls Food will be included in the Dagab segment. The minority stake in City Gross will be recognised in the Willys segment in accordance with the equity method, since Axfood is deemed to have gained a significant influence through the agreement and the intention is to exercise the option to acquire additional shares.

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 amount to SEK 2.5 bn, of which SEK 1.5 bn pertains to Bergendahls Food. In connection with transfer of possession, payment was made in cash through a combination of existing cash and credit facilities.

Bergendahls Food is a strong wholesaler in the Swedish food retail industry with approximately 800 employees. Its wholesale operations are conducted from a central warehouse in Hässleholm mainly to City Gross, but also to approximately 170 independent retailers and online retailers. City Gross is a Swedish food retail chain with approximately 2,800 employees. City Gross has 42 stores and an estimated share of the Swedish food retail market of approximately 4%. City Gross will continue to be a standalone grocery chain, but will be integrated with Axfood's IT system and will be supported by the new, coordinated purchasing and logistics operation in Dagab through a 15-year delivery and cooperation agreement that is part of the partnership.

The total consideration for Bergendahl Food AB amounted to SEK 1,893 m, which exceeded the net of the fair value of all identifiable assets and liabilities by SEK 1,011 m. Acquisition costs of SEK 54 m were expensed as other operating expense in the statement of profit or loss and other comprehensive income. These items are classified as items affecting comparability in the Group's operational monitoring. The surplus values are attributable to customer relationships and goodwill. Customer relationships relate to the 15-year delivery and cooperation agreement signed with City Gross in conjunction with the transaction and to agreements with independent customers. Goodwill is attributable to the synergy effects expected to arise from the acquisition, including synergy effects related to purchasing, distribution, assortment optimisation, logistics and organisation. Goodwill is not deemed to be tax deductible.

The acquisition of Bergendahl Food AB had an impact of SEK 2,672 m on net sales and SEK 27 m on net profit for the year including adjustments for the transition to IFRS and amortisations on identified customer relationships but excluding impact from acquisition and integration costs. Bergendahl Food AB underwent a restructuring prior to the acquisition and changed its financial year in conjunction with the transaction, making the effect of the acquisition if it had taken place on 1 January 2021 difficult to assess.

The fair value according to the preliminary purchase price allocation is presented in the table below. The purchase price allocation may change after the valuation of the acquired assets is complete.

Fair value according to preliminary purchase price allocation, SEK m

Customer relationships	599
Intangible assets	30
Property, plant and equipment	82
Right-of-use assets	580
Inventories	359
Trade receivables	904
Cash and bank balances	260
Other current assets	45
Deferred tax, net	-127
Lease liability	-580
Trade payables	-1,072
Other current liabilities	-197
Total acquired identifiable net assets	882
Goodwill	1,011
Total acquired identifiable net assets including goodwill	1,893
Purchase consideration paid	1,893
Cash and cash equivalents in Bergendahl Food AB	-260
Change in consolidated cash and cash equivalents	1,633

Note 9 Items affecting comparability

Acquisition and integration costs totalled SEK -21 m (–) during the quarter and SEK -92 m accumulated (–) and pertain in their entirety to the Bergendahl Food AB transaction, which is described in Note 8. Acquisition costs consist of costs for financial and legal consulting connected to the acquisition. Integration costs consist of costs for external consultants connected to the ongoing integration project. The costs are recognised in other operating expenses, which are part of the line *Selling and administrative expenses* in the statement of profit or loss and other comprehensive income. Structural costs in the quarter amounted to SEK -6 m (–) and pertain to the upcoming restructuring of Dagab's logistics operations. Structural costs pertain to personnel costs and are recognised in administrative expenses, which are part of the line *Selling and administrative expenses* in the statement of profit or loss and other comprehensive income. Fora/AFA in the quarter amounted to SEK 112 m (–) and pertains to the payments announced in the third quarter from Fora/AFA employer's liability insurance, which were received in the fourth quarter based on earlier premium payments. This revenue is recognised in other operating income, which is part of the line *Selling and administrative expenses* in the statement of profit or loss and other comprehensive income.

		Q4 2021	Q4 2020	12 mos 2021	12 mos 2020
Acquisition costs	Joint-Group	–	–	-54	–
Integration costs	Dagab	-21	–	-39	–
Structural costs	Dagab	-6	–	-6	–
Fora/Afa	Joint-Group	112	–	112	–
Total		86	–	14	–

Note 10 Significant events after the balance sheet date

The Board of Directors proposes an increased dividend of SEK 7.75 per share (7.50). The dividend is split into two payments, SEK 4.00 per share in March 2022 and SEK 3.75 per share in September 2022.

Key ratios

Quarterly overview, Group

SEK m	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021
Net sales	13,067	13,570	13,426	13,633	13,203	13,903	13,723	17,062
Operating profit (EBIT)	544	605	796	566	565	607	793	739
Operating profit (EBIT) excl. items affecting comparability	544	605	796	566	565	661	811	653
Operating margin, %	4.2	4.5	5.9	4.1	4.3	4.4	5.8	4.3
Operating margin excl. items affecting comparability, %	4.2	4.5	5.9	4.1	4.3	4.8	5.9	3.8
Net profit for the period	402	446	605	409	430	455	601	608
Earnings per share before dilution, SEK	1.93	2.22	2.95	2.02	2.16	2.27	2.93	2.92
Earnings per share before dilution excl. items affecting comparability, SEK	1.93	2.22	2.95	2.02	2.16	2.48	3.00	2.59
Cash flow from operating activities	1,335	859	1,167	1,490	1,127	1,121	1,054	1,288
Cash flow from operating activities per share, SEK	6.38	4.10	5.58	7.12	5.39	5.36	5.04	6.16
Return on capital employed, % ¹⁾	24.7	24.5	24.5	24.2	26.6	25.6	22.6	22.4
Return on equity, % ¹⁾	58.9	53.6	47.9	45.7	63.0	56.1	47.4	46.3
Equity per share, SEK	14.17	15.95	18.99	20.70	15.51	17.56	20.61	23.68
Investments in intangible assets and property, plant and equipment	276	218	219	318	292	304	613	616
Items affecting comparability	-	-	-	-	-	-54	-18	86
Net debt (+)/net receivable (-)	5,454	5,218	5,185	4,577	5,016	4,920	5,481	7,640
Share price, SEK	202.20	203.40	205.40	191.80	208.80	236.70	209.70	260.40

¹⁾Rolling 12-month figures.

Key ratios and other data, Group

SEK m	12 mos 2021	12 mos 2020
Operating margin, %	4.7	4.7
Operating margin excl. items affecting comparability, %	4.6	4.7
Equity ratio, %	21.8	24.3
Net debt (+)/net receivable (-), SEK m	7,640	4,577
Net debt (+)/net receivable (-) excl. IFRS 16	1,236	-1,131
Net debt/EBITDA, multiple	1.5	1.0
Net debt/EBITDA excl. IFRS 16, multiple	0.4	-0.4
Net debt-equity ratio (+)/Net receivable-equity ratio (-), multiple	1.5	1.0
Net debt-equity ratio (+)/Net receivable-equity ratio (-), excl. IFRS 16, multiple	0.2	-0.2
Capital employed, SEK m	13,550	10,674
Return on capital employed, %	22.4	24.2
Return on equity, %	46.3	45.7
Average number of employees during the year	12,202	11,451
Total capital expenditures, SEK m	3,565	2,755
Investments in intangible assets and property, plant and equipment, SEK m	1,825	1,031
Number of shares outstanding at end of period	209,104,732	209,198,604
Average number of shares outstanding before dilution	209,158,470	209,253,740
Average number of shares outstanding after dilution	209,875,766	209,877,099
Key data per share		
Earnings per share before dilution, SEK	10.28	9.12
Earnings per share before dilution excl. items affecting comparability, SEK	10.23	9.12
Earnings per share after dilution, SEK	10.24	9.09
Ordinary dividend per share, SEK ¹⁾	7.75	7.50
Equity per share, SEK	23.68	20.70
Cash flow per share, SEK	-3.82	3.51

¹⁾ Proposed by the Board of Directors, paid out on two occasions.

Financial key ratios

In addition to the financial key ratios prepared in accordance with IFRS, Axfood presents financial key ratios that are not defined by IFRS or by the Swedish Annual Accounts Act, so-called alternative performance measures (APMs). These APMs aim to provide supplementary information that contributes to analysing Axfood's operations and development. 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 APMs are defined below under the financial key ratio definitions.

Some APMs are also reported excluding IFRS 16 to enable a follow-up of operational development excluding the technical accounting effects as a result of IFRS 16. Some APMs are also reported excluding items affecting comparability since the adjusted performance measure provides a better understanding of the operations' underlying development when comparing between periods.

Reconciliation of EBITDA

SEK m	Q4 2021	Q4 2020	12 mos 2021	12 mos 2020
Operating profit (EBIT)	739	566	2,704	2,510
Depreciation, amortisation/Impairment	634	571	2,399	2,252
EBITDA	1,373	1,137	5,103	4,762
IFRS 16 Lease fees	-443	-409	-1,702	-1,617
EBITDA excl. IFRS 16	930	728	3,401	3,145

Financial key ratio definitions

Key ratios marked with an asterisk* are defined in IFRS.

Capital employed: Total assets less non-interest-bearing liabilities and non-interest-bearing provisions. Measures the Group's capital use and efficiency.

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. Indicates cash flow generated from operating activities.

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

Earnings per share*: Net profit for the period attributable to owners of the parent divided by the average number of shares outstanding. Reported both before and after dilution. Earnings per share are also reported based on earnings excluding items affecting comparability.

EBITDA: Operating profit before depreciation, amortisation and impairment. Also reported excluding the effects of reporting in accordance with IFRS 16. Indicates the underlying development of the operations.

Equity per share: Share of equity attributable to owners of the parent divided by the number of shares outstanding at the end of the period. Indicates shareholders' share of the Company's total equity per share.

Equity ratio: Equity including non-controlling interests as a percentage of total assets. An equity ratio of at least 20% at year-end is one of the Group-wide strategic targets.

Items affecting comparability: Financial effects in connection with major acquisitions and divestments or other major structural changes as well as material non-recurring items that are relevant in order to understand the results when comparing between periods.

Net debt/EBITDA: Net debt divided by EBITDA on a rolling 12-month basis. Also reported excluding the effects of reporting in accordance with IFRS 16. Indicates the Group's ability to pay its debt.

Net debt-equity ratio/net receivable-equity ratio: Net debt/net receivable divided by equity including non-controlling interests. Also reported excluding the effects of reporting in accordance with IFRS 16. Indicates the

Company's debt-equity ratio.

Net debt/net receivable: Interest-bearing non-current and current receivables and liabilities less cash and cash equivalents and interest-bearing financial assets. Used to show the net interest-bearing assets and liabilities.

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.

Operating margin: Operating profit as a percentage of net sales for the period. An operating margin of at least 4.5% is one of Axfood's strategic Group-wide targets.

Operating margin excluding items affecting comparability: Operating profit excluding items affecting comparability as a percentage of net sales for the period. Also referred to as adjusted operating margin.

Operating profit: Profit before net financial items and tax. Indicates profitability for operating activities.

Operating profit excluding items affecting comparability: Profit before net financial items and tax adjusted for items affecting comparability. Also referred to as adjusted operating profit.

Return on capital employed: Profit after financial items, plus financial expenses on a rolling 12-month basis as a percentage of average capital employed. Indicates profitability in both equity and borrowed capital.

Return on equity: The share of net profit for the period on a rolling 12-month basis attributable to owners of the parent as a percentage of the share of average equity attributable to owners of the parent. Indicates the return that owners receive on capital invested.

Sales growth: Percentage change in sales between two periods. Axfood reports both store sales growth and net sales growth. One of Axfood's Group-wide strategic targets is to grow faster than the market and store sales is the target used to measure this.

Operating key ratio definitions and glossary

Average number of employees: Total number of hours worked divided by the number of hours worked per year of 1,920.

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

Axfood Group store sales: Reported store sales in Willys and Hemköp stores including Hemköp franchise stores and e-commerce and excluding accounting adjustments mainly attributable to customer bonuses.

Delivery reliability: Share of delivered goods in relation 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 meat, 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.

Key ratio definitions for sustainability

Electricity consumption in stores and warehouses: Reported as the number of kilowatt hours (kWh) of purchased electricity used per square metre (m²). The selection includes electricity consumption under joint contracts for a total of 281 of Axfood's Group-owned stores and six of Dagab's warehouses. The number of square metres corresponds to the total area of all stores/warehouses. The number of square metres for Dagab's warehouses has been updated, and the comparison figures from previous reporting periods have thus been restated. 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. As of the first quarter of 2021, Cold Cargo is also included in reported data. Comparison figures have not been restated. Reported data for the quarter and full year are presented with a one-month lag.

Gender equality: The share of women in management positions at the end of the current period. Management position 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 rolling 12-month basis.

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

Number of social audits: On-site visits and inspections to ensure suppliers fulfil the requirements of Axfood's Code of Conduct. The selection includes on-site visits conducted by Axfood and on-site visits conducted by the organisation Amfori BSCI.

Share of KRAV-certified meat: Sales from KRAV-certified meat items (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 store chains.

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

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

Sickness-related absence: The number of reported hours of sickness-related absence in relation to scheduled work time. The selection includes all active employees in the Axfood Group. Active employees pertains to all employees in the Group except for employees of Urban Deli AB and Hall Miba AB. Internal consultants and employees on parental leave/leave of absence are not included. Sickness-related absence for the fourth quarter pertains to time worked during the September–November period.

About Axfood

Axfood aspires to be the leader in affordable, good and sustainable food. Our family of companies includes the Willys and Hemköp chains as well as Tempo and Handlar'n. B2B sales are handled through Snabbgross, and our support company Dagab is responsible for the Group's product development, purchasing and logistics. The Axfood family also includes Mat.se, Middagsfrid and Urban Deli as well as the partly owned companies Apohem, Eurocash and City Gross. The Group has more than 12,000 employees and sales of approximately SEK 58 bn. Axfood's shares have been listed on Nasdaq Stockholm since 1997, and the principal owner is Axel Johnson AB.

Purpose

Better quality of life for everyone.

Vision

Axfood aspires to be the leader in affordable, good and sustainable food.

Business concept

A family of different concepts in 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 its stakeholders.

Long-term financial targets and dividend policy

- Axfood's long-term financial targets:
 - Grow faster than the market.
 - Long-term operating margin of at least 4.5%.
 - Equity ratio of at least 20% at year-end.
- Axfood's dividend policy is that the shareholder dividend is to be at least 50% of profit after tax. The dividend is to be paid out on two occasions.

Strategy

Axfood pursues a strategy of growth-promoting and efficiency enhancing priorities. The strategy is built on six strategic focus areas: customer offering, customer meeting, expansion, supply chain, work approach and our people. To promote growth, the 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 roll-out and establishment of new formats and more stores. Efficiency in the organisation will be achieved through a more data-driven work approach and continued development of logistics solutions of the future. To stay at the forefront, we need to continue building a culture that enables the industry's best employees to be attracted and developed. Axfood aspires to take the lead in promoting a sustainable food system and to be and to be recognised as a strong force for change in society. Together with our owners, suppliers, customers and decision-makers, we are driving progress towards more sustainable food consumption.

Investment case – seven reasons to invest in Axfood

- The food retail market 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 faster than the market with a long-term operating margin of at least 4.5%.
- Axfood is a house of brands with strong positions in their respective segments – a way of meeting customers' varying needs and diversifying risk.
- Scale and cost efficiency are achieved through close collaboration between central staff functions and Group companies. Efficient and modern logistics convey many advantages and create the conditions for profitable growth and continuous improvement of the customer offering. Major emphasis is placed on cultivating good supplier relationships and increasing control and responsibility across the supply chain.
- With a clear expansion plan, a focus on developing the customer meeting regardless of channel, and the 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 averaged 89% of profit after tax.
- Axfood has long been working to be a positive force in society. Through private labels, Axfood launches innovative products and eagerly takes the charge for sustainability.

Operating segments

- Willys is Sweden's leading discount grocery chain, offering a broad range of products in both Group-owned stores and online. With Sweden's cheapest bag of groceries, Willys aspires to lead and develop the discount segment of food retail. Willys also includes the partly owned cross-border grocery chain Eurocash as well as City Gross.
- Hemköp offers a broad, attractively priced 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. Snabbgross offers personal service, accessibility and quality in stores and online.
- Dagab handles the assortment, purchasing and logistics for the entire Axfood house of brands as well as for external B2B customers. The Dagab segment includes the online grocery store Mat.se, Middagsfrid with its pre-planned meal kits, the online pharmacy Apohem, and the Urban Deli restaurant chain.

Axfood

Axfood AB, SE-107 69 Stockholm
Sölnavägen 4
Tel. (switchboard): +46 8 553 990 00
info@axfood.se, axfood.com
Corporate reg. number: 556542-0824

WILLYS

Hemköp

apohem

DAGAB

HANDLAR'n

CITY
GROSS

Tempo

UP
URBAN DELI

mat.se

MIDDAGS
FRID

eurocash

Snabbgross