



## Increased market share and high inflow of new customers

### First quarter summary

- Net sales totalled SEK 19,252 m (16,593), an increase of 16.0%.
- Retail sales totalled SEK 15,225 m (12,711), an increase of 19.8%.
- Operating profit amounted to SEK 695 m (835) including items affecting comparability of SEK -55 m (182). The operating margin was 3.6% (5.0).
- Adjusted operating profit amounted to SEK 750 m (653), an increase of 14.9%. The adjusted operating margin was 3.9% (3.9).
- Net profit for the period amounted to SEK 472 m (682) and earnings per share before dilution to SEK 2.20 (3.27).
- Axfood's holding in Mathem was revalued from SEK 206 m to SEK 34 m. The revaluation represented an adjustment of the valuation of the Company established in connection with the new share issue to be carried out in the second quarter.
- The Annual General Meeting (AGM) on 22 March approved a dividend to shareholders of SEK 8.15 (7.75) per share. The dividend amount is divided into two payments. The first payment of SEK 4.15 was made in March, and the second payment of SEK 4.00 will be made in September. Axfood's Board of Directors also resolved on the repurchase of no more than 330,000 shares related to the long-term share-based incentive programme LTIP 2023.

# 16.0%

Net sales growth  
for the Axfood Group  
during the first quarter

# 19.8%

The Axfood Group's  
growth in retail sales  
during the first quarter

Key ratios	Q1 2023	Q1 2022	Change	R12	Full-year 2022
Net sales, SEK m	19,252	16,593	16.0%	76,134	73,474
Retail sales, SEK m	15,225	12,711	19.8%	58,235	55,721
Operating profit, SEK m	695	835	-16.7%	2,961	3,101
Operating profit excl. items affecting comparability, SEK m <sup>1)</sup>	750	653	14.9%	3,326	3,229
Operating margin, %	3.6	5.0	-1.4	3.9	4.2
Operating margin excl. items affecting comparability, % <sup>1)</sup>	3.9	3.9	0.0	4.4	4.4
Net profit for the period, SEK m	472	682	-30.8%	2,160	2,370
Earnings per share before dilution, SEK <sup>2)</sup>	2.20	3.27	-32.7%	9.99	11.04
Earnings per share before dilution excl. items affecting comparability, SEK <sup>1,2)</sup>	2.40	2.43	-1.1%	11.34	11.36
Cash flow from operating activities, SEK m	481	1,429	-66.3%	4,979	5,927
Return on capital employed R12, %	20.3	26.5	-6.2	20.3	20.9
Sustainability-labelled products, share of sales, %	27.0	28.5	-1.5	26.3	26.6

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

2) Comparison figures were revalued for the bonus issue element of the rights issue that was completed in the second quarter of 2022.

For further information, please contact:  
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The information herein is such that Axfood AB (publ) is required to make public in accordance with the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person listed above, at 7:00 a.m. CET on 26 April 2023.

This interim report is an English translation of the Swedish original. In the event of any discrepancies, the Swedish version shall govern.

# CEO message

**In a challenging time for households, it is clear that growing numbers of consumers are choosing to shop with us, particularly with Willys, whose ambition is to offer Sweden's cheapest bag of groceries. This enabled Axfood to further strengthen its position during the first quarter of the year and to grow more than twice as much as the market. During the quarter, we continued to invest in our offering and made major strides in our long-term focus on logistics, which will ultimately allow us to become more competitive.**

Like in the rest of Europe, food price inflation in Sweden remained very high during the first quarter. As a result of external factors such as the effects of the pandemic, climate change and the war in Ukraine, the entire food supply chain has faced enormous cost increases over the past year. In Sweden, we have been hit particularly hard due to a weaker Swedish krona.

Higher costs for food, along with higher costs for electricity and fuel, for example, and rising interest rates, have created a challenging scenario for many households. Our focus is on protecting consumer interests. We are working hard to mitigate the cost pressure arising earlier in the food supply chain, and the prices on our store shelves do still not reflect the price increases we have received from our suppliers. In positive news, we have seen prices of certain raw materials declining for some time and the pressure faced by many of our suppliers has begun to ease. We are now working intensively together with our suppliers to ensure this is also reflected in our prices to consumers, which we have already started to see in certain categories, such as dairy, bread, and fruit and vegetables. Although many factors could still impact the situation, these are still positive signals. Our hope is that food price inflation has now peaked.

## **Strong growth mainly driven by Willys**

The fact that consumers are choosing to purchase affordable, good and sustainable food from our store concepts in these challenging times is clear proof that they appreciate what we do. We grew significantly more than the market during the quarter, both in stores and online. Axfood's growth was approximately 20%, more than double that of the market.

Once again, Willys was the main contributor to this strong trend. Willys grew by a full 24%, as a result of a growing numbers of consumers coming to appreciate the chain's offering over the past year. With various types of loyalty-promoting activities, Willys is establishing a position as the preferred choice of food store for an increasingly broad consumer base and has been the most recommended chain in the Swedish food retail market for three years.

Our cross-border grocery chain Eurocash delivered a strong quarter as it remains significantly cheaper to shop for food in Sweden than in Norway. However, we are now facing more challenging comparison figures than in the past since the pandemic restrictions were lifted in early February last year.

Hemköp once again displayed favourable growth, slightly stronger than that of the market, and continued to gain market share in the traditional grocery segment. The investments in concept development and extensive store modernisations are generating results. Hemköp is also attracting more price-conscious consumers, for example through its "Alltid bra pris" (Always a good price) marketing



"We grew more than twice as much as the market, which is clear proof that what we do and offer is appreciated by our customers."

## **Significant events during the first quarter**

- Growth that was more than double that of the market resulted in a higher market share
- High inflow of new customers
- First deliveries from the new, highly automated logistics centre in Bålsta outside Stockholm

campaign, and these consumers also appreciate Hemköp's inspirational offering, from its organic range to its meal solutions.

Snabbgross delivered a strong start to the year and is continuing to make progress with the Snabbgross Club member concept. However, a weaker restaurant market resulted in a certain decline in the volume trend, particularly towards the end of the quarter.

## **High customer traffic contributes to increased profit**

The high level of customer traffic also contributed to a positive earnings trend in the first quarter. This enabled us to deliver an operating margin for the quarter that was in line with the same quarter last year.

However, earnings were negatively impacted by the fact that we have not fully passed on our suppliers' price increases to consumers. Compared with the year-earlier period, we also had higher market investments in both our store chains and Dagab, which resulted in a higher share of campaigns. Higher rental and electricity costs in own operations also had a negative impact on earnings.

## **Focus on increased efficiency and reducing costs**

In parallel with managing the prevailing food price inflation and changing customer behaviour, we are continuing the work to be more efficient and reduce our costs. To this end, we are carrying out the largest logistics investments in the history of our Group. With these investments, we are improving the competitiveness of our

own concepts and our wholesale customers and will be able to offer a more comprehensive and affordable assortment, with further optimised deliveries of goods to stores and e-commerce customers.

In early February, the first store deliveries of the dry food range were carried out from the new, highly automated logistics centre in Bålsta outside Stockholm. This was a fantastic achievement considering the complexity of this project and at a time when the global situation was unpredictable and challenging, to put it mildly. At the time of writing, over 170 stores are receiving daily deliveries of a total of approximately 2,800 pallets of goods from Bålsta. The deployment of the new logistics centre is a work in progress that will continue throughout 2023 and into 2024, with the addition of deliveries from the refrigerated and frozen range and a gradual increase in the number of stores and e-commerce customers receiving deliveries from Bålsta.

#### **Continued sustainability efforts**

We maintain a consistently high pace in our sustainability work. In addition to our daily operational sustainability efforts, which encompass a number of areas, we focused on strengthening our organisation and governance during the quarter and established a biodiversity strategy.

We aspire to take the lead in promoting a sustainable food system, but I am concerned about the negative trend we are continuing to see when it comes to sustainability-labelled food, a trend that goes hand in hand with consumers' increased price consciousness. To be able to reverse this trend in the long term, we are continuing to

develop and broaden the assortment, but we also believe it is important that political decision-makers look at the possibility of reducing or eliminating the VAT on sustainability-labelled food in accordance with the proposal we presented last year. We recently carried out a survey that shows that Swedish consumers have responded positively to the proposal and would purchase more sustainable products if it were implemented.

#### **Strong and relevant concepts**

Food has probably never attracted as much attention as it is attracting right now, which we have much understanding for. As a food retailer, it is therefore more important than ever before that we are able to ensure a relevant and competitive offering.

With our various concepts, we once again succeeded in gaining market share and attracting even more customers during the quarter. It is our outstanding employees who make this possible, every day, which I am incredibly thankful for. The power and agility we have developed in recent years are competitive advantages. They allow us to create value for all our stakeholders, to maintain a strong financial position and to continue investing to be the leader in affordable, good and sustainable food.

Klas Balkow  
*President and CEO, Axfood AB*

### **Presentation of the interim report for the first quarter of 2023**

Axfood will present the interim report for the first quarter of 2023 in a webcast at 9:30 a.m. CET today, Wednesday, 26 April 2023. The report will be presented by Klas Balkow, President and CEO, and Anders Lexmon, CFO.

A link to the webcast is available at [axfood.com](https://axfood.com).

A link to register to participate via conference call is also available at [axfood.com](https://axfood.com). Upon registration, a telephone number and conference ID for the conference call will be provided.

### **Selection of press releases from Axfood during the first quarter of 2023**

6 February 2023

Tempo launches hybrid solution for unstaffed opening hours

24 February 2023

Axfood publishes Annual and Sustainability Report 2022

22 March 2023

Resolutions at Axfood's 2023 Annual General Meeting

### **Financial calendar**

- The interim report for the second quarter of 2023 will be published at 7:00 a.m. CET on 14 July 2023
- The interim report for the third quarter of 2023 will be published at 7:00 a.m. CET on 25 October 2023
- The year-end report for 2023 will be published at 7:00 a.m. CET on 1 February 2024

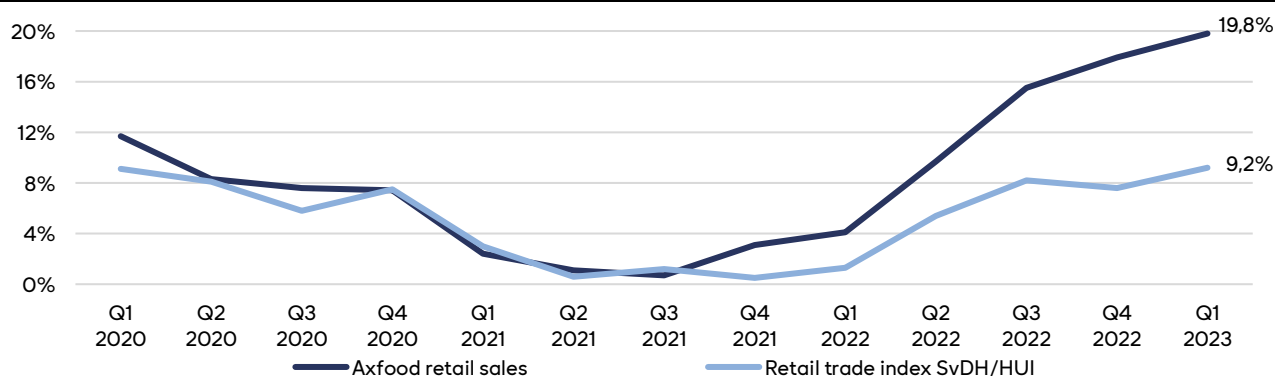
# The Swedish food retail market

According to the Swedish Food Retail Index, total sales growth during the first quarter of 2023 amounted to 9.2%. The calendar effect during the quarter is estimated at 0.5 of a percentage point. Sales in physical stores increased by 10.7%. E-commerce sales declined by 14.4%. Share of food retail sales from e-commerce amounted to 4.7% during the quarter.

## Food price inflation

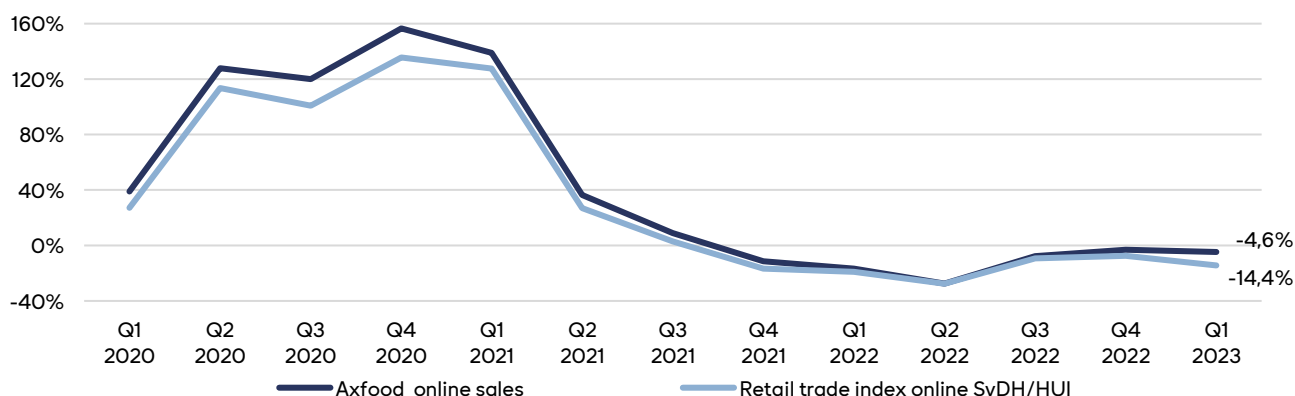
During the first quarter of 2023, food prices increased by 20.1% compared to the prior year period, according to Statistics Sweden. Inflation was broad and covered all product categories, but most notable was the price increases in the categories of dairy, oils and fats, and fish. Higher fuel and electricity prices are examples of underlying causes of inflation.

Growth in Axfood's retail sales<sup>1)</sup> compared with the Swedish Food Retail Index



1) Includes retail sales growth in the Tempo concept as of the first quarter of 2022. Comparison figures are not restated.

Growth in Axfood's online sales<sup>1)</sup> compared with the Swedish Food Retail Index



1) Mat.se is included in the sales figures until February 2022.

# Group performance

## Net sales

### First quarter

Net sales totalled SEK 19,252 m (16,593), an increase of 16.0%. This increase is attributable to high food price inflation and an increase in new customers.

Retail sales totalled SEK 15,225 m (12,711), an increase of 19.8%, which was significantly higher than the market's growth of 9.2%. Like-for-like sales growth was 17.5%, primarily driven by Willys' strong performance, but also good growth for Hemköp relative to the market.

Online sales totalled SEK 880 m (925), a decline of 4.6%, mainly as a result of the divestment of Mat.se on 1 March last year. Excluding Mat.se, sales increased by 2.0%. The share of retail sales attributable to e-commerce was 5.8% (7.3), which was higher than the market.

The share of retail sales attributable to private label products was 33.1% (31.5).

*Read about the performance of the Willys, Hemköp, Snabbgross and Dagab operating segments on pages 9-12.*

# 16.0%

Net sales growth for the Axfood Group during the first quarter

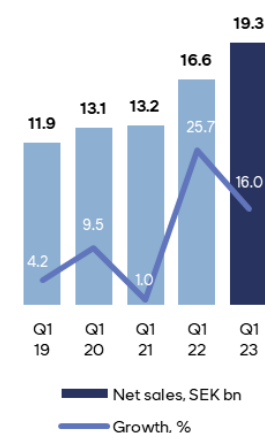
# 19.8%

The Axfood Group's growth in retail sales during the first quarter

### Net sales per segment

SEK m	Q1 2023	Q1 2022	Change	R12	Full-year 2022
Willys	10,465	8,418	24.3%	39,498	37,451
Hemköp	1,818	1,589	14.4%	6,878	6,650
Snabbgross	1,147	934	22.7%	4,939	4,727
Dagab	17,753	15,062	17.9%	69,690	66,999
Joint-Group	331	281	17.9%	1,285	1,234
<i>Internal sales between segments</i>					
Dagab	-11,977	-9,431	27.0%	-45,036	-42,490
Joint-Group/other	-283	-259	9.0%	-1,120	-1,097
<b>Total</b>	<b>19,252</b>	<b>16,593</b>	<b>16.0%</b>	<b>76,134</b>	<b>73,474</b>

### Net sales and growth



### Retail sales

SEK m	Q1 2023	Q1 2022	Change	Change like-for-like stores	R12	Full-year 2022
Willys	10,467	8,420	24.3%	21.5%	39,505	37,458
Hemköp <sup>1)</sup>	4,758	4,291	10.9%	9.4%	18,730	18,263
<b>Total</b>	<b>15,225</b>	<b>12,711</b>	<b>19.8%</b>	<b>17.5%</b>	<b>58,235</b>	<b>55,721</b>

<sup>1)</sup> Refers to Hemköp (Group-owned and retailer-owned) and Tempo.

# Operating profit

## First quarter

Operating profit amounted to SEK 695 m (835), a decrease of 16.7%. Operating profit includes items affecting comparability totalling SEK -55 m (182), which entirely pertained to parallel warehouse operations during the transition to the new logistics centre in Bålsta. In the year-earlier period, items affecting comparability included integration costs of SEK -33 m for Bergendahls Food, structural costs of SEK -6 m pertaining to the logistics operations, and a capital gain of SEK 221 m for the sale of Mat.se. The operating margin was 3.6% (5.0).

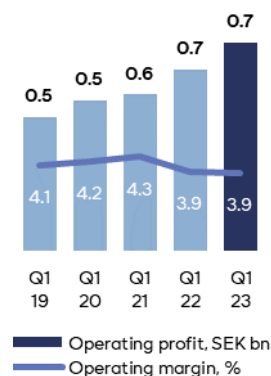
Operating profit excluding items affecting comparability amounted to SEK 750 m (653), an increase of 14.9%. The

increase was mainly the result of strong growth and effective cost control. Overall, this compensated for lower gross margins in the segments and higher market investments. Operating profit was also negatively impacted by higher costs for rent and electricity. The operating margin excluding items affecting comparability was 3.9% (3.9).

Net financial items for the period amounted to SEK -80 m (-41), a change mainly attributable to higher interest expenses related to increased lease liabilities and higher interest compared with the year-earlier period. Profit after financial items amounted to SEK 615 m (794) and profit after tax to SEK 472 m (682).

*Read about the performance of the Willys, Hemköp, Snabbgross and Dagab operating segments on pages 9-12.*

## Operating profit and operating margin excl. items affecting comparability



## Operating profit per segment excluding items affecting comparability

SEK m	Q1 2023	Q1 2022	Change	R12	Full-year 2022
Willys	454	367	23.7%	1,946	1,859
Hemköp	71	66	7.4%	288	283
Snabbgross	30	30	-0.7%	252	252
Dagab	261	247	5.9%	1,154	1,139
Joint-Group	-67	-58	15.7%	-312	-303
<b>Operating profit excl. items affecting comparability</b>	<b>750</b>	<b>653</b>	<b>14.9%</b>	<b>3,326</b>	<b>3,229</b>
Items affecting comparability <sup>1)</sup>	-55	182		-365	-129
<b>Operating profit</b>	<b>695</b>	<b>835</b>	<b>-16.7%</b>	<b>2,961</b>	<b>3,101</b>
Net financial items	-80	-41		-205	-166
<b>Profit after financial items</b>	<b>615</b>	<b>794</b>	<b>-22.5%</b>	<b>2,756</b>	<b>2,935</b>

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

## Operating margin per segment excluding items affecting comparability

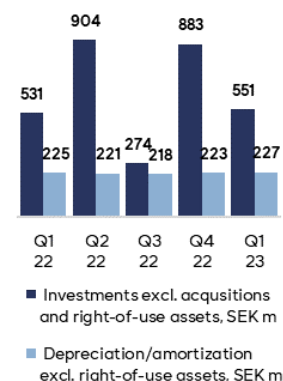
%	Q1 2023	Q1 2022	Change	R12	Full-year 2022
Willys	4.3	4.4	-0.0	4.9	5.0
Hemköp	3.9	4.2	-0.3	4.2	4.3
Snabbgross	2.6	3.2	-0.6	5.1	5.3
Dagab	1.5	1.6	-0.2	1.7	1.7
<b>Operating margin excl. items affecting comparability</b>	<b>3.9</b>	<b>3.9</b>	<b>0.0</b>	<b>4.4</b>	<b>4.4</b>
<b>Operating margin</b>	<b>3.6</b>	<b>5.0</b>	<b>-1.4</b>	<b>3.9</b>	<b>4.2</b>

## Capital expenditures

Total capital expenditures in intangible assets and property, plant and equipment during the quarter amounted to SEK 551 m (531). Of these capital expenditures, SEK 197 m (341) pertained to investments in wholesale operations, of which SEK 124 m (203) related to investments in automation solutions. The year-earlier period also included an investment in land amounting to SEK 79 m. Investments in the retail operations amounted to SEK 225 m (99), and joint-Group and IT investments amounted to SEK 128 m (91).

Investments in right-of-use assets, mainly premises, amounted to SEK 866 m (605) during the quarter, of which SEK 167 m (130) pertained to newly acquired assets and SEK 699 m (475) pertained to revaluations of existing leases, primarily due to upward indexation. Of the total investments in leases, SEK 147 m (80) pertained to wholesale operations, SEK 714 m (521) pertained to retail operations and SEK 5 m (3) pertained to joint-Group operations.

### Capital expenditures and depreciation/amortisation



## Financial position and cash flow

Cash flow from operating activities amounted to SEK 481 m (1,429) during the first quarter. The decrease was mainly due to changes in working capital as a result of a build-up of inventory ahead of Easter and the transition to the new logistics centre in Bålsta. Paid tax totalled SEK -233 m (-213).

Net capital expenditures had an impact of SEK -644 m (-581) on cash flow. Cash and cash equivalents held by the Group amounted to SEK 311 m, compared with SEK 559 m at 31 December 2022.

Interest-bearing liabilities and provisions totalled SEK 11,201 m, compared with SEK

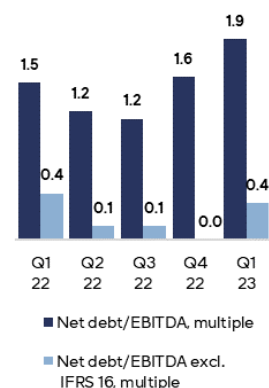
9,542 m at 31 December 2022.

Interest-bearing net debt amounted to SEK 10,889 m at the end of the period, compared with SEK 8,982 m at 31 December 2022, which is primarily attributable to loans raised and increased lease liabilities.

The equity ratio was 18.1%, compared with 24.1% at 31 December 2022 and 17.6% at 31 March 2022.

Net debt/EBITDA was 1.9, compared with 1.6 at 31 December 2022. Net debt/EBITDA excluding IFRS 16 was 0.4, compared with 0.0 at 31 December 2022.

### Net debt/EBITDA



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

SEK m	Q1 2023	Q1 2022
Total capital expenditures	-1,417	-1,135
Investments in leases	866	605
Divestment of property, plant and equipment/intangible assets	0	1
Acquisitions of financial assets	-103	-12
Acquisitions of operations	-	12
Divested operations	-	-51
Dividends from joint ventures and associated companies	10	-
<b>Cash flow from investing activities</b>	<b>-644</b>	<b>-581</b>

## Parent Company

The Parent Company's net sales and other operating income amounted to SEK 96 m (75) for the first quarter. After operating expenses of SEK -132 m (-108) and net financial items of SEK 2 m (1), the Parent Company reported a loss after financial items of SEK -34 m (-32). Investments during the period was SEK 1 m (1).

The Parent Company had an interest-bearing net receivable of SEK 2,595 m at the end of the quarter, compared with SEK 1,449 m at 31 December 2022. The Parent Company has no significant transactions with related parties, other than transactions with subsidiaries.



# Sustainable development

For Axfood, sustainable development is about seeing the whole picture and the relentless pursuit of improvements. Sustainability permeates all operations and encompasses the entire food system, taking into account the environment, animal welfare, and the people who produce, sell and consume food. Axfood will take the lead in promoting a sustainable food system by influencing decisionmakers, leading the way through its own initiatives and driving industry issues.

The foundation of Axfood's efforts is a sustainability programme designed to strengthen its operations while contributing to the UN SDGs and Sweden's Environmental Objectives. The sustainability programme is an important governance instrument that includes a sustainability policy and some 40 targets.

To remain at the forefront of sustainability, it is important to encourage engagement. During the quarter, Axfood organised a "Sustainability Week" during which the Group's various initiatives in the area were highlighted. Leadership within the Group also received recognition during the quarter when Axfood's Head of Sustainability Åsa Domeij was named "Sustainability Manager of the Year for 2022" by the publication Aktuell Hållbarhet.

## Food

Axfood strives to make it easier for consumers to make sustainable choices through a broad assortment of sustainability-labelled products.

During the first quarter, the share of sales attributable to sustainability-labelled products declined to 27.0% (28.5) and the share of sales attributable to organic products declined to 4.8% (5.8). These changes were the result of the current food price inflation, which is a disadvantage for products that are priced slightly higher. Moreover, the sales trend for organic products has been in decline for the industry as a whole for some time. The share of KRAV-certified meat declined to 2.6% (3.3), and the growth rate for vegetarian protein substitutes was 5.6% (-2.0).

Axfood is working to cut food waste in half by 2025 compared with the base year of 2015, an initiative that is mainly being driven by in-store clearances, improved routines and partnerships with charity organisations. During the quarter, Willys and Hemköp stores sold approximately 550 tonnes of fruits and vegetables at reduced prices to avoid waste. To increase awareness about food waste, Willys also conducted a major campaign featuring a "Leftover Rescue Service" that helped consumers use up their leftover food instead of throwing it away.

## Environment

Axfood is striving to reduce the climate impact of food production as far as possible. The Group's climate targets encompass both its own and suppliers' operations as well as reducing the climate impact per kilo of food sold.

A biodiversity strategy has been established including areas such as purchasing and sales, food waste, store establishments and having a positive social impact. It summarises the Company's view on biodiversity, describes the work today and provides guidelines for future work.

The CO<sub>2</sub> effect per tonne of delivered goods for the Group's own transports was 14.9 CO<sub>2</sub>e (14.2) during the quarter. Axfood is continuing its transition efforts in order to reduce the climate impact from transports, and 12 new biogas vehicles were deployed during the quarter.

Energy intensity declined to 225.1 kWh per square metre. As of the first quarter, more warehouses are included in the calculation since they are now part of Axfood's central power purchase agreement. Comparison figures have not been restated. The new logistics centre in Bålsta is now also included, and its energy intensity is expected to increase as it is gradually being automated.

Axfood is working to make its operations more circular. At the new fruit and vegetable warehouse in Landskrona, all 1.4 million wooden pallets have been replaced with reusable pallets that are part of a circular system. This will reduce emissions by at least 100 tonnes CO<sub>2</sub>e per year.

## People

Axfood aspires to be a positive force in society and is working to improve work and social conditions throughout the food supply chain, including customers and agricultural and production workers as well as its own employees.

Social audits are conducted in all risk countries in order to ensure compliance with Axfood's Code of Conduct among suppliers of private label products. All of the audits during the quarter, a total of 18 (14), were carried out in China and showed acceptable or positive results.

The share of women in management positions was 50.8% (48.9), in line with the Group's long-term target. The definition of the key ratio has been revised to also include team managers in stores.

A prioritised area involves reducing sickness-related absence among employees. Sickness-related absence during the first quarter was 7.2% (9.4). The level in the year-earlier period was high, mainly due to the easing of pandemic restrictions and a high rate of infection.

*For more information on Axfood's sustainability work and key ratios, see the website and the 2022 Annual and Sustainability Report.*

Sustainability key ratios	Q1 2023	Q1 2022	Change	R12	Full-year 2022
Sustainability-labelled products, share of sales, %	27.0	28.5	-1.5	26.3	26.6
Organic products, share of sales, %	4.8	5.8	-1.0	4.8	5.1
KRAV-certified meat, share of sales, %	2.6	3.3	-0.7	2.6	2.7
Growth in vegetarian protein substitutes, %	5.6	-2.0	7.6	3.7	1.7
Share of approved social audits, %	100.0	100.0	0.0	96.9	96.8
Electricity consumption, kWh/m <sup>2</sup> (stores and warehouses)	–	–	–	225.1	276.2
CO <sub>2</sub> e, kg/tonne of goods	14.9	14.2	0.7	13.6	13.6
Share of women in management positions, %	50.8	48.9	1.9	–	50.7
Sickness-related absence, %	7.2	9.4	-2.2	6.5	7.0



# Operating segment performance

## Willys

### First quarter

Net sales totalled SEK 10,465 m (8,418), an increase of 24.3%.

Growth in retail sales amounted to 24.3%, which was more than double as much as the market. Growth in like-for-like sales amounted to 21.5%. As food price inflation has been increasing, value for money is becoming increasingly relevant to consumers, which is benefiting Willys as Sweden's leading discount player. The Willys chain's strong development was attributable to pricing and volume growth from increased in-store customer traffic. The positive trend in cross-border shopping continued, and Eurocash's sales increased considerably compared with the first quarter of the preceding year, which was partly negatively affected by pandemic-related restrictions.

The number of stores in the segment amounted to 236 (227), of which 176 (169) were Willys stores, 53 (51) were Willys Hemma stores and 7 (7) were Eurocash stores. The e-commerce rollout continued, and at the end of the quarter online shopping was offered in 151 (129) stores.

Operating profit increased significantly and amounted to SEK 454 m (367), corresponding to an operating margin of 4.3% (4.4). Continued price increases by suppliers were not fully reflected in prices for consumers, which had a negative effect on the gross margin. Operating profit was also negatively impacted by increased market investments, which resulted in a higher share of campaigns, as well as higher costs for premises related to rent and electricity. The effects of this on profit were offset by the growth in like-for-like sales.

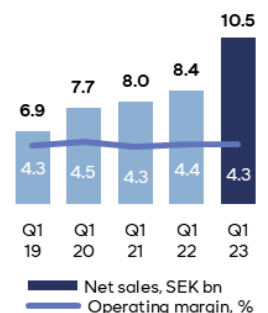


With the business concept of offering Sweden's cheapest bag of groceries, Willys is the country's leading discount grocery chain, offering a broad assortment both in Group-owned stores and online. The Willys operating segment includes the concepts Willys, Willys Hemma, the partly owned cross-border grocery chain Eurocash and a minority stake in the City Gross hypermarket chain.

Willys key ratios	Q1 2023	Q1 2022	Change	R12	Full-year 2022
Net sales, SEK m	10,465	8,418	24.3%	39,498	37,451
Operating profit, SEK m	454	367	23.7%	1,946	1,859
Operating margin, %	4.3	4.4	0.0	4.9	5.0
Retail sales, SEK m	10,467	8,420	24.3%	39,505	37,458
Like-for-like sales growth, %	21.5	4.1	17.4	–	13.5
Number of stores	236	227	9	–	232
of which, Willys	176	169	7	–	173
of which, Willys Hemma	53	51	2	–	52
of which, Eurocash	7	7	0	–	7
Stores offering online shopping	151	129	22	–	149
Private label products, share of sales, %	34.8	33.2	1.6	–	33.1
Sustainability-labelled products, share of sales, %	28.5	30.3	-1.8	27.9	27.4
Average number of employees	6,555	6,267	288	–	6,669
Share of women in management positions, % <sup>1)</sup>	60.1	59.7	0.5	–	60.6
Sickness-related absence, %	7.1	9.4	-2.2	6.3	6.8

1) The definition of "Share of women in management positions" has been revised to also include team managers. Comparison figures have been restated.

Net sales and operating margin



# Hemköp

## First quarter

Net sales (including franchise fees) amounted to SEK 1,818 m (1,589), an increase of 14.4%.

Growth in retail sales (including Tempo) amounted to 10.9%, which is slightly more than the market and higher than the rate of growth in the traditional grocery segment. Growth in like-for-like sales amounted to 9.4%. Hemköp continuously develops its concept, strengthens its sustainability profile and invests in an increased presence and modernisations of existing stores. The development in larger stores in central urban locations was more favourable than the development in stores in residential areas and the Tempo chain.

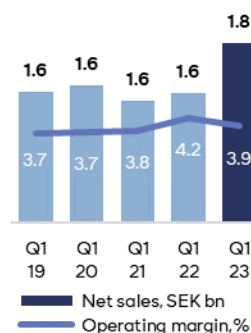
The number of stores amounted to 332 (329), of which 65 (64) were Group-owned Hemköp stores, 136 (135) were retailer-owned Hemköp stores and 131 (130) were retailer-owned Tempo stores. At the end of the quarter, online shopping was offered in 68 (72) stores.

Operating profit totalled SEK 71 m (66), corresponding to an operating margin of 3.9% (4.2). Continued price increases by suppliers were not fully reflected in prices for consumers, which had a negative effect on the gross margin. Operating profit was also negatively impacted by a higher share of campaigns and increased costs for premises related to rent and electricity. During the quarter, Hemköp intensified the "Alltid bra pris" (Always a good price) marketing campaign, which had a negative impact on the gross margin. The overall negative impact on profit was offset by the growth in like-for-like sales.



Hemköp offers a broad, attractively priced assortment with a rich offering of fresh products. Through Group-owned stores, retailer-owned stores and an online business, Hemköp inspires good meals. The Hemköp operating segment also includes Tempo, a mini-mart format comprising retailer-owned stores.

## Net sales and operating margin



Hemköp key ratios	Q1 2023	Q1 2022	Change	R12	Full-year 2022
Net sales, SEK m	1,818	1,589	14.4%	6,878	6,650
Operating profit, SEK m	71	66	7.4%	288	283
Operating margin, %	3.9	4.2	-0.3	4.2	4.3
Retail sales, SEK m	4,758	4,291	10.9%	18,730	18,263
Like-for-like sales growth, %	9.4	1.3	8.1	-	4.5
Number of stores	332	329	3	-	332
of which, Group-owned Hemköp/Tempo stores	65	64	1	-	64
of which, retailer-owned Hemköp stores	136	135	1	-	137
of which, retailer-owned Tempo stores	131	130	1	-	131
Hemköp stores offering online shopping	68	72	-4	-	68
Private label products, share of sales, %	28.0	27.1	0.9	-	26.2
Sustainability-labelled products, share of sales, %	27.1	28.2	-1.1	26.7	27.0
Average number of employees	1,550	1,565	-15	-	1,632
Share of women in management positions, % <sup>1)</sup>	50.7	49.8	0.9	-	49.4
Sickness-related absence, %	6.8	9.0	-2.2	6.1	6.7

1) The definition of "Share of women in management positions" has been revised to also include team managers. Comparison figures have been restated.

# Snabbgross

## First quarter

Net sales totalled SEK 1,147 m (934), an increase of 22.7%. Growth in like-for-like sales amounted to 19.2%.

Snabbgross's strong sales growth was mainly due to the recovery of the café and restaurant market after the pandemic as well as food price inflation. Developments in newly established stores and sales to consumers through the member-based Snabbgross Club store concept also contributed. Towards the end of the quarter, a slowdown was noted in the café and restaurant market, which had a negative impact on volumes.

The number of stores in the segment amounted to 29 (27), of which 24 (25) were Snabbgross stores and 5 (2) were Snabbgross Club stores.

Operating profit amounted to SEK 30 m (30), corresponding to an operating margin of 2.6% (3.2). Some negative product mix effects, costs related to new stores and marketing for Snabbgross Club were charged against profit. Operating profit was also negatively impacted by higher costs for premises related to rent and electricity.

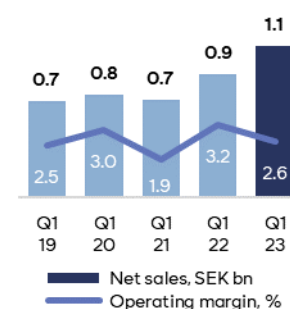


Snabbgross is one of Sweden's leading restaurant wholesalers with a customer base of restaurants, fast food operators and cafés. Snabbgross offers personal service, accessibility, and quality at its stores and online. The Snabbgross operating segment also includes the concept Snabbgross Club, which is directed at consumers.

Snabbgross key ratios	Q1 2023	Q1 2022	Change	R12	Full-year 2022
Net sales, SEK m	1,147	934	22.7%	4,939	4,727
Operating profit, SEK m	30	30	-0.7%	252	252
Operating margin, %	2.6	3.2	-0.6	5.1	5.3
Wholesale sales, SEK m	1,151	938	22.6%	4,961	4,748
Like-for-like sales growth, %	19.2	24.7	-5.5	–	20.1
Number of stores	29	27	2	–	29
of which, Snabbgross	24	25	-1	–	24
of which, Snabbgross Club	5	2	3	–	5
Sustainability-labelled products, share of sales, %	19.4	19.4	-0.1	18.8	18.8
Average number of employees	495	448	47	–	524
Share of women in management positions, % <sup>1)</sup>	43.6	38.5	5.2	–	40.7
Sickness-related absence, %	7.7	9.5	-1.8	7.1	7.5

1) The definition of "Share of women in management positions" has been revised to also include team managers. Comparison figures have been restated.

## Net sales and operating margin



# Dagab

## First quarter

Net sales totalled SEK 17,753 m (15,062), an increase of 17.9%. The growth in net sales was mainly attributable to the sharp increase in sales to store chains.

Operating profit amounted to SEK 207 m (429), corresponding to an operating margin of 1.2% (2.8). Operating profit included a total of SEK -55 m (182) in items affecting comparability, which entirely pertained to parallel warehouse operations during the transition to the new logistics centre in Bålsta. In the year-earlier period, items affecting comparability included a capital gain of SEK 221 m for the sale of Mat.se, integration costs of SEK -33 m for Bergendahls Food, and SEK -6 m related to Dagab's restructuring of its logistics operation.

Adjusted operating profit amounted to SEK 261 m (247) and the adjusted operating margin was 1.5% (1.6). The higher operating profit was primarily attributable to strong growth. Despite major restructuring within logistics, productivity remained strong. However, operating profit was impacted negatively by increased market investments to support Dagab's customers and higher logistics costs as a result of lower delivery reliability, mainly due to high volatility in demand.

The work on the Group's new warehouse and logistics structure is proceeding. During the first quarter, some 100 stores began receiving deliveries of products from the dry assortment from the new logistics centre in Bålsta.



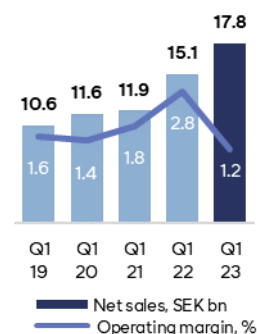
Dagab operates and develops the Group's assortment, purchasing and logistics, but also conducts sales to external customers. The Dagab operating segment also includes retailer-owned Handlar'n and Matöppet, the meal kit company Middagsfrid, the online pharmacy Apohem and the restaurant chain Urban Deli.

Dagab key ratios	Q1 2023	Q1 2022	Change	R12	Full-year 2022.
Net sales, SEK m	17,753	15,062	17.9%	69,690	66,999
Operating profit, SEK m	207	429	-51.8%	755	978
Operating profit excl. items affecting comparability, SEK m <sup>1)</sup>	261	247	5.9%	1,154	1,139
Operating margin, %	1.2	2.8	-1.7	1.1	1.5
Operating margin excl. items affecting comparability, % <sup>1)</sup>	1.5	1.6	-0.2	1.7	1.7
Delivery reliability, %	91.8	93.9	-2.1	-	90.6
Average number of employees	3,295	3,431	-136	-	3,438
Share of women in management positions, % <sup>2)</sup>	28.2	25.0	3.2	-	28.8
Sickness-related absence, %	7.9	10.5	-2.6	7.3	7.9

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

2) The definition of "Share of women in management positions" has been revised to also include team managers. Comparison figures have been restated.

## Net sales and operating margin



# Other information

## Long-term targets and capital expenditures 2023

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.

Investments in 2023 are expected to amount to between SEK 1,800 and SEK 1,900 m, excluding acquisitions and right-of-use assets, of which approximately SEK 400 m pertains to the new logistics centre in Bålsta outside Stockholm and SEK 170 m pertains to the nationwide warehouse for fruits and vegetables in Landskrona (the majority of which concerns automation).

During 2023, Axfood plans to speed up its rate of expansion by establishing 10–15 new stores.

Costs affecting comparability of approximately SEK 250 m are expected to be charged against Axfood's operating profit for 2023 in order to ensure stable operation and a transition to the new logistics centre in Bålsta outside Stockholm. The investments are expected to result in SEK 200–300 m in annual efficiency improvements beginning in the second half of 2024, which will then increase to SEK 300–400 m at full capacity.

## 2023 Annual General Meeting

Axfood's AGM was held on 22 March 2023 in Stockholm. The AGM re-elected all proposed directors except Christer Åberg, who declined re-election, and elected Thomas Ekman as a new director. The AGM also resolved to pay a dividend of SEK 8.15 per share. The first dividend payment of SEK 4.15 was made in March and the second payment of SEK 4.00 will be made in September. The AGM also resolved to implement an additional long-term incentive programme, LTIP 2023.

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

Stockholm, 26 April 2023

Klas Balkow,  
*President and CEO, Axfood AB*

# Financial statements, Group

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

SEK m	Q1 2023	Q1 2022	R12	Full-year 2022
Net sales	19,252	16,593	76,134	73,474
Cost of goods sold <sup>1)</sup>	-16,528	-14,301	-65,618	-63,392
<b>Gross profit</b>	<b>2,724</b>	<b>2,291</b>	<b>10,516</b>	<b>10,083</b>
Selling expenses <sup>1)</sup>	-1,003	-883	-3,740	-3,620
Administrative expenses <sup>1)</sup>	-1,171	-937	-4,473	-4,239
Share of profit in associated companies and joint ventures	-7	-17	-56	-66
Other operating income <sup>1)</sup>	161	416	780	1,034
Other operating expenses <sup>1)</sup>	-10	-36	-66	-92
<b>Operating profit</b>	<b>695</b>	<b>835</b>	<b>2,961</b>	<b>3,101</b>
Interest income and similar profit/loss items	4	2	28	26
Interest expense and similar profit/loss items	-84	-43	-233	-193
<b>Profit before tax</b>	<b>615</b>	<b>794</b>	<b>2,756</b>	<b>2,935</b>
Tax	-143	-112	-596	-565
<b>Net profit for the period</b>	<b>472</b>	<b>682</b>	<b>2,160</b>	<b>2,370</b>
<b>Other comprehensive income</b>				
<i>Items that cannot be reclassified to profit or loss for the period, net after tax</i>				
Revaluation defined benefit pensions	1	-1	72	70
Change in holdings measured at fair value <sup>2)</sup>	-273	-	-908	-635
<i>Items that can be reclassified to profit or loss for the period, net after tax</i>				
Change in hedging reserve	-9	16	62	86
<b>Other comprehensive income for the period</b>	<b>-281</b>	<b>14</b>	<b>-774</b>	<b>-479</b>
<b>Total comprehensive income for the period</b>	<b>191</b>	<b>696</b>	<b>1,387</b>	<b>1,892</b>
<i>Net profit for the period attributable to</i>				
Owners of the parent	475	690	2,146	2,360
Non-controlling interests	-3	-8	15	10
<b>Total comprehensive income for the period attributable to</b>				
Owners of the parent	194	704	1,372	1,882
Non-controlling interests	-3	-8	15	10
Earnings per share before dilution, SEK <sup>3)</sup>	2.20	3.27	9.99	11.04
Earnings per share after dilution, SEK <sup>3)</sup>	2.19	3.26	9.94	10.99

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

2) See Note 5 Financial assets and liabilities for more information.

3) Comparison figures were revalued for the bonus issue element of the rights issue that was completed in the second quarter of 2022.



## Condensed statement of financial position, Group

SEK m	31 Mar 2023	31 Mar 2022	31 Dec 2022
<b>Assets</b>			
Goodwill	3,606	3,406	3,526
Other intangible assets	1,499	1,403	1,464
Property, plant and equipment	5,502	4,056	5,294
Right-of-use assets	9,413	6,570	9,025
Financial assets	420	1,138	598
Deferred tax assets	243	337	253
<b>Total non-current assets</b>	<b>20,682</b>	<b>16,909</b>	<b>20,159</b>
Inventories	4,521	3,239	3,839
Trade receivables	2,070	2,207	2,143
Other current assets	1,911	1,407	1,917
Cash and bank balances	311	378	559
Assets held for sale	–	46	–
<b>Total current assets</b>	<b>8,813</b>	<b>7,276</b>	<b>8,459</b>
<b>Total assets</b>	<b>29,496</b>	<b>24,185</b>	<b>28,618</b>
<b>Equity and liabilities</b>			
Equity attributable to owners of the parent	5,059	4,045	6,609
Equity attributable to non-controlling interests	289	216	292
<b>Total equity</b>	<b>5,348</b>	<b>4,261</b>	<b>6,901</b>
Non-current lease liabilities	7,667	4,988	7,388
Provisions for pensions	281	366	292
Deferred tax liabilities	1,290	1,201	1,289
Other non-current liabilities	6	42	6
<b>Total non-current liabilities</b>	<b>9,245</b>	<b>6,597</b>	<b>8,975</b>
Current lease liabilities	1,754	1,590	1,662
Current interest-bearing liabilities	1,499	1,660	200
Trade payables	7,130	6,208	7,190
Other current liabilities	4,520	3,869	3,691
<b>Total current liabilities</b>	<b>14,902</b>	<b>13,327</b>	<b>12,743</b>
<b>Total equity and liabilities</b>	<b>29,496</b>	<b>24,185</b>	<b>28,618</b>

## Condensed statement of cash flows, Group

SEK m	Q1 2023	Q1 2022	R12	Full-year 2022
<i>Operating activities</i>				
Operating profit	695	835	2,961	3,101
Adjustments for non-cash items	48	-200	123	-125
Depreciation, amortisation, impairment	703	644	2,674	2,615
Interest paid	-84	-38	-213	-167
Interest received	4	1	15	12
Paid tax	-233	-213	-588	-568
Changes in working capital	-652	400	6	1,058
<b>Cash flow from operating activities</b>	<b>481</b>	<b>1,429</b>	<b>4,979</b>	<b>5,927</b>
<i>Investing activities</i>				
Acquisitions of operations	-	12	-2	10
Acquisitions of intangible assets	-159	-71	-462	-374
Acquisitions of property, plant and equipment	-392	-460	-2,151	-2,219
Acquisitions of financial assets	-103	-12	-247	-156
Other changes in investing activities	10	-50	21	-39
<b>Cash flow from investing activities</b>	<b>-644</b>	<b>-581</b>	<b>-2,841</b>	<b>-2,778</b>
<i>Financing activities</i>				
Issue of shares	-	-	1,485	1,485
Loans raised	1,799	60	2,402	663
Amortisation of debt	-988	-428	-4,330	-3,770
Shareholder contribution from minority owners	-	-	59	59
Share repurchases	-	-	-115	-115
Dividend paid out	-896	-836	-1,706	-1,646
<b>Cash flow from financing activities</b>	<b>-85</b>	<b>-1,204</b>	<b>-2,205</b>	<b>-3,324</b>
<b>Cash flow for the period</b>	<b>-248</b>	<b>-356</b>	<b>-67</b>	<b>-175</b>

## Condensed statement of changes in equity, Group

SEK m	31 Mar 2023	31 Mar 2022	31 Dec 2022
Amount at start of year	6,901	5,176	5,176
Total comprehensive income for the period	191	696	1,892
Change in non-controlling interests	-	-	0
Rights issue <sup>1)</sup>	-	-	1,485
Share repurchases	-	-	-115
Share-based payments	15	10	50
Shareholder contribution from minority owners	-	-	59
Dividend to shareholders	-1,759	-1,621	-1,646
<b>Amount at end of period</b>	<b>5,348</b>	<b>4,261</b>	<b>6,901</b>

1) See Note 8 Equity for more information.

# Financial statements, Parent Company

## Condensed income statement, Parent Company

SEK m	Q1 2023	Q1 2022	Full-year 2022
Net sales	6	2	8
Selling and administrative expenses	-132	-108	-514
Other operating income	90	73	301
<b>Operating loss</b>	<b>-36</b>	<b>-33</b>	<b>-205</b>
Net financial items	2	1	260
<b>Profit/loss after financial items</b>	<b>-34</b>	<b>-32</b>	<b>56</b>
Appropriations, net	-	-	2,154
<b>Profit/loss before tax</b>	<b>-34</b>	<b>-32</b>	<b>2,209</b>
Tax	3	5	-410
<b>Net profit/loss for the period</b>	<b>-32</b>	<b>-27</b>	<b>1,799</b>

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

## Condensed balance sheet, Parent Company

SEK m	31 Mar 2023	31 Mar 2022	31 Dec 2022
<b>Assets</b>			
Property, plant and equipment	32	36	33
Participations in Group companies	4,397	4,292	4,389
Other financial assets	1	13	1
Deferred tax assets	8	6	8
<b>Total non-current assets</b>	<b>4,437</b>	<b>4,346</b>	<b>4,431</b>
Receivables from Group companies <sup>1)</sup>	5,054	3,645	6,244
Other current assets	187	128	28
Cash and cash equivalents	10	129	96
<b>Total current assets</b>	<b>5,251</b>	<b>3,902</b>	<b>6,368</b>
<b>Total assets</b>	<b>9,689</b>	<b>8,248</b>	<b>10,799</b>
<b>Equity and liabilities</b>			
Restricted equity	296	287	296
Non-restricted equity	2,286	859	4,062
<b>Total equity</b>	<b>2,582</b>	<b>1,147</b>	<b>4,358</b>
<b>Untaxed reserves</b>	<b>3,661</b>	<b>3,487</b>	<b>3,661</b>
<b>Provisions</b>	<b>4</b>	<b>9</b>	<b>6</b>
<b>Non-current liabilities</b>	<b>8</b>	<b>4</b>	<b>8</b>
Current interest-bearing liabilities	1,499	1,660	200
Trade payables	34	10	18
Liabilities to Group companies <sup>2)</sup>	935	981	2,363
Other current liabilities	965	950	186
<b>Total current liabilities</b>	<b>3,433</b>	<b>3,602</b>	<b>2,767</b>
<b>Total equity and liabilities</b>	<b>9,689</b>	<b>8,248</b>	<b>10,799</b>
1) Of which, interest-bearing receivables	5,022	3,620	3,849
2) Of which, interest-bearing liabilities	934	981	2,291

# Notes

## Note 1 Accounting policies

Axfood applies the International Financial Reporting Standards (IFRS) as endorsed by the EU. The accounting policies, measurement principles and definitions applied correspond with those described in the 2022 Annual and Sustainability Report, except for what is stated below.

This interim report has been prepared for the Group in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act. 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 the Swedish Annual Accounts Act.

### **New accounting policies effective in 2023 and later**

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

### **Significant estimates 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. The actual outcome may deviate from these estimates and assessments.

## Note 2 Other material information

### **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.

### **Significant risks and uncertainties**

Like all business activities, Axfood's business is exposed to risks. The risks are broken down into operational, strategic and financial risks. Climate and environmental risks are included in operational risks. In recent years, the risk scenario has been impacted by a number of external factors, such as the spread of the Covid-19 pandemic and

the war in Ukraine. The risks that could have the greatest impact on the Group are the risk of disruptions in the logistics chain, IT and information security risks, and liability and trust risks. Axfood works continuously with risk identification and assessment. Major emphasis is placed on preventive work and on planning to maintain operating continuity in the event of unforeseen events. For a thorough account of the risks that affect the Group, please refer to the 2022 Annual and Sustainability Report.

### **Transactions with related parties**

The Axfood Group's transactions with related parties, aside from those covered by the consolidated financial statements, consist of transactions with associated companies and with subsidiaries within the Axel Johnson Group.

## Note 3 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 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, Accounting and Finance, Legal Affairs, HR, Communications, Business

Development and IT. The Executive Committee reviews the segments' operating profit or loss, both including and excluding items affecting comparability.

For information about Axfood's operating segments, see pages 9-12 of this interim report. For a more detailed description of the segments, please refer to the 2022 Annual and Sustainability Report.

## Note 4 Acquired and divested operations

No significant acquisitions or divestments took place in the first quarter of 2023.

During the first quarter of 2022, Mat.se was sold to Mathem. The acquired shares in Mathem corresponded to a shareholding of 16.5% of Mathem. The capital gain from the divestment of Mat.se amounted to SEK 221 m and was

recognised in other operating income during the first quarter of 2022. The capital gain was recognised in the operational earnings follow-up as an item affecting comparability in the Dagab segment.

## Note 5 Financial assets and liabilities

Financial assets measured at fair value amounted to SEK 91 m (758). SEK 57 m (–) is attributable to Level 2 of the fair value hierarchy and SEK 34 m (758) is attributable to Level 3. Financial liabilities measured at fair value amounted to SEK – m (42). The entire amount is attributable to Level 2 of the fair value hierarchy.

The carrying amount of the call option agreement entered into with City Gross in conjunction with the acquisition amounted to SEK 0 m (0). The call option agreement is recognised at fair value based on an assessment of the change in City Gross's future sales and earnings performance.

The carrying amount of the participation in Mathem amounted to SEK 34 m (758). During the first quarter, Axfood undertook to participate in Mathem's upcoming issue of convertibles of SEK 101 m. The holding in Mathem was negatively revalued by SEK 273 m during the quarter. The revaluation represented an adjustment of the valuation of the Company established in connection with the new issue to be carried out in the second quarter. The valuation corresponds to an EV/sales multiple of 0.3x

based on Mathem's LTM sales as of 31 December 2022. A 10% increase in the multiple would have resulted in a valuation of SEK 45 m, while a corresponding reduction of the multiple would have resulted in a valuation of SEK 21 m. The holding in Mathem is regularly revalued, given the uncertainty in the financial markets and its effect on the valuation.

Forward exchange contracts are measured at fair value based on the Central Bank of Sweden's spot rates on the accounting date, which is assessed to be a reasonable approximation of fair value.

### Changes in the fair value of financial assets attributable to Level 3, SEK m

Amount at start of year	206
Convertible loans	101
Revaluation via other comprehensive income	-273
Amount at end of period	34

## Note 6 Pledged assets and contingent liabilities

Group, SEK m	31 Mar 2023	31 Mar 2022	31 Dec 2022
Pledged assets	–	–	–
Contingent liabilities	19	105	20

Parent Company, SEK m	31 Mar 2023	31 Mar 2022	31 Dec 2022
Pledged assets	–	–	–
Contingent liabilities	256	244	256

## Note 7 Long-term share-based incentive programmes

The 2023 AGM resolved to adopt a new long-term share-based incentive programme that runs over a three-year period, LTIP 2023. The programme corresponds in all essential respects to LTIP 2022, with the exception that the number of savings shares that may be allocated has been reduced to the number of shares that applied for LTIP 2021 and the reference group of companies for measuring the share price performance has been adjusted for a delisted share. Allotment of LTIP 2020 will be carried out in April 2023 using treasury shares.

The 2023 AGM resolved to authorise Axfood's Board of Directors to decide on the purchase of a maximum of 330,000 own shares for the purpose of securing the Company's obligations under LTIP 2023, which the Board has decided to do. Prior to the allotment of LTIP 2020 and share repurchases related to LTIP 2023, the holding of treasury shares amounts to 1,037,856 shares, which is sufficient to secure the delivery of shares for all of the Company's incentive programmes.

For more information about incentive programmes, see Axfood's 2022 Annual and Sustainability Report.

## Note 8 Equity

A rights issue was carried out during the second quarter of 2022. The rights issue comprised 6,972,528 shares, and Axfood received SEK 1,499 m from the rights issue before issue costs. The number of registered shares is 216,843,240 after the rights issue.

### Change in number of shares and share capital

	Number of shares	Share capital, SEK
1 January 2022	209,870,712	262,338,390
Rights issue 2022	6,972,528	8,715,660
<b>31 December 2022</b>	<b>216,843,240</b>	<b>271,054,050</b>

## Note 9 Items affecting comparability

Items affecting comparability in the first quarter of 2023 amounted to SEK -55 m and pertained entirely to parallel warehouse operations within Dagab. The costs mainly included premises and personnel costs and were entirely attributable to the transition to the new logistics centre in Bålsta. The costs are included in the cost of goods sold.

Items affecting comparability in the first quarter of 2022 comprised integration costs, structural costs and a capital gain. Integration costs totalled SEK -33 m and pertained in their entirety to the integration of

Bergendahls Food. Integration costs consisted primarily of costs for external consultants and were included in other operating expenses. Structural costs amounted to SEK -6 m and pertained to costs connected with the restructuring of Dagab's logistics operation. Structural costs mainly included personnel costs and were included in administrative expenses. The capital gain of SEK 221 m pertained to earnings from the divestment of Mat.se, which was recognised in other operating income.

	Segment	Q1 2023	Q1 2022	Full-year 2022
Parallel warehouse operations	Dagab	-55	-	-
Integration costs	Dagab	-	-33	-120
Structural costs	Dagab	-	-6	-263
Capital gain	Dagab	-	221	221
Fora/AFA	Joint-Group	-	-	33
<b>Total</b>		<b>-55</b>	<b>182</b>	<b>-129</b>

## Note 10 Significant events after the balance sheet date

No significant events have occurred after the balance sheet date.



# Key ratios

## Change in store structure

Number of stores	Dec 2022	New establishment/ acquisitions	Sales/ closures	Conversions	March 2023	March 2022
Willlys/Willlys Hemma/Eurocash	232	4	–	–	236	227
Hemköp/Tempo, Group-owned stores	64	–	–	1	65	64
Snabbgross/Snabbgross Club	29	–	–	–	29	27
<b>Total, Group-owned stores</b>	<b>325</b>	<b>4</b>	<b>–</b>	<b>1</b>	<b>330</b>	<b>318</b>
Hemköp, retailer-owned stores	137	1	-1	-1	136	135
Tempo, retailer-owned stores	131	1	-1	–	131	130
<b>Total, retailer-owned stores</b>	<b>268</b>	<b>2</b>	<b>-2</b>	<b>-1</b>	<b>267</b>	<b>265</b>
<b>Total, Group-owned and retailer-owned stores</b>	<b>593</b>	<b>6</b>	<b>-2</b>	<b>0</b>	<b>597</b>	<b>583</b>

## Key ratios and other data, Group

SEK m	3 mos 2023	3 mos 2022	Full-year 2022
Operating margin, %	3.6	5.0	4.2
Operating margin excl. items affecting comparability, %	3.9	3.9	4.4
Equity ratio, %	18.1	17.6	24.1
Net debt (+)/net receivable (-), SEK m	10,889	8,225	8,982
Net debt (+)/net receivable (-) excl. IFRS 16, SEK m	1,468	1,648	-68
Net debt/EBITDA, multiple	1.9	1.5	1.6
Net debt/EBITDA excl. IFRS 16, multiple	0.4	0.4	0.0
Net debt-equity ratio (+)/net receivable-equity ratio (-), multiple	2.0	1.9	1.3
Net debt-equity ratio (+)/net receivable-equity ratio (-), excl. IFRS 16, multiple	0.3	0.4	0.0
Capital employed, SEK m	16,549	12,865	16,442
Return on capital employed R12, %	20.3	26.5	20.9
Return on equity R12, %	47.1	65.5	40.8
Average number of employees during the year	12,421	12,193	12,772
Total capital expenditures, SEK m	1,417	1,135	6,967
Investments in intangible assets and in property, plant and equipment, SEK m	551	531	2,593
Depreciation/amortisation, SEK m	-700	-644	-2,580
Number of shares outstanding at end of period	215,805,384	209,104,732	215,805,384
Average number of shares outstanding before dilution	215,805,384	209,104,732	213,117,592
Average number of shares outstanding after dilution	216,843,240	209,870,712	214,036,026
<b>Key data per share</b>			
Earnings per share before dilution, SEK <sup>1)</sup>	2.20	3.27	11.04
Earnings per share before dilution excl. items affecting comparability, SEK <sup>1)</sup>	2.40	2.43	11.36
Earnings per share after dilution, SEK <sup>1)</sup>	2.19	3.26	10.99
Ordinary dividend per share, SEK <sup>2)</sup>	–	–	8.15
Equity per share, SEK	23.44	19.35	30.62
Cash flow per share, SEK	-1.15	-1.70	-0.82

1) Comparison figures were restated for the bonus issue element of the rights issue that was completed in the second quarter of 2022.

2) Paid out on two occasions.

## Quarterly overview, Group

SEK m	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021
Net sales	19,252	19,740	18,674	18,468	16,593	17,062	13,723	13,903
Operating profit	695	502	975	789	835	739	793	607
Operating profit excl. items affecting comparability	750	734	1,015	828	653	653	811	661
Operating margin, %	3.6	2.5	5.2	4.3	5.0	4.3	5.8	4.4
Operating margin excl. items affecting comparability, %	3.9	3.7	5.4	4.5	3.9	3.8	5.9	4.8
Net profit for the period	472	353	745	590	682	608	601	455
Earnings per share before dilution, SEK <sup>1)</sup>	2.20	1.62	3.40	2.75	3.27	2.90	2.90	2.26
Earnings per share before dilution excl. items affecting comparability, SEK <sup>1)</sup>	2.40	2.47	3.55	2.90	2.43	2.57	2.97	2.46
Cash flow from operating activities	481	1,844	1,487	1,167	1,429	1,288	1,054	1,121
Cash flow from operating activities per share, SEK	2.23	8.54	6.89	5.51	6.83	6.16	5.04	5.36
Return on capital employed R12, %	20.3	20.9	25.8	26.4	26.5	22.4	22.6	25.6
Return on equity R12, %	47.1	40.8	49.9	51.3	65.5	46.3	47.4	56.1
Equity per share, SEK	23.44	30.62	28.70	28.15	19.35	23.68	20.61	17.56
Total capital expenditures, SEK m	1,417	4,046	544	1,247	1,135	929	870	987
Investments in intangible assets and property, plant and equipment	551	883	274	904	531	616	613	304
Depreciation/amortisation, SEK m	-700	-686	-642	-644	-644	-634	-596	-588
Items affecting comparability	-55	-232	-40	-39	182	86	-18	-54
Net debt (+)/net receivable (-)	10,889	8,982	6,868	7,005	8,225	7,640	5,481	4,920
Share price, SEK	253.20	285.90	254.90	294.30	306.20	260.40	209.70	236.70

1) Comparison figures were restated for the bonus issue element of the rights issue that was completed in the second quarter of 2022.

## 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.

### Reconciliation of EBITDA

SEK m	Q1 2023	Q1 2022	R12	Full year 2022
Operating profit	695	835	2,961	3,101
Depreciation, amortisation, impairment	703	644	2,675	2,615
EBITDA	1,398	1,479	5,636	5,716
IFRS 16 Lease fees	-531	-454	-1,981	-1,904
EBITDA excl. IFRS 16	867	1,025	3,654	3,812

For reconciliation of additional key ratios, see Axfood's website, [axfood.com](https://axfood.com).

## Financial key ratio definitions

**Earnings per share (defined in IFRS):** 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 as EBITDA excl. 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 Axfood's Group-wide strategic targets.

**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.

**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.

Certain 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.

**Net debt/net receivable:** Interest-bearing non-current and current receivables and liabilities less cash and cash equivalents and interest-bearing financial assets. Net indebtedness is also referred to as net debt. Net receivable is also referred to as net receivables. Used to show the Company's 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 in the Company.

**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 monitors growth in both retail sales and net sales. One of Axfood's Group-wide strategic targets is to grow faster than the market and growth in retail sales is the target Axfood uses 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.

**Delivery reliability:** Share of delivered goods in relation the share of ordered goods.

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

**Like-for-like sales:** Sales in stores that existed and generated sales in the current period and the comparison period.

**Online sales:** Reported online sales of the concepts Willys, Hemköp Group-owned stores and Hemköp retailer-owned stores.

**R12:** The sum of the past 12 months determined on a rolling basis.

**Retail sales:** Reported store sales including online sales for the concepts Willys, Willys Hemma, Eurocash, Hemköp Group-owned stores, Hemköp retailer-owned stores and Tempo, excluding adjustments mainly related to customer bonuses.

**Share of sales, private label products:** Sales of private label products, excluding meat, fruits and vegetables, as a percentage of retail sales.

**Share price:** Closing share price.

**Wholesale sales:** Company and private customer sales including online for the concepts Dagab and Snabbgross (including Snabbgross Club).

## 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 (sq. m.). The selection includes electricity consumption under joint contracts for a total of 304 of Axfood's Group-owned stores and ten warehouses. The number of square metres corresponds to the total area of all stores and warehouses in the selection. Reported data is presented on a rolling 12-month basis. As of the first quarter of 2023, more warehouses are included in the calculation since they are now encompassed by Axfood's central power purchase agreement. Comparison figures have not been restated.

**Emissions from own transports:** Emissions (kg CO<sub>2</sub>e) from purchased fuel (litres) in relation to total transported goods (tonnes) between warehouses and stores. Reported data pertains only to goods delivered by own transports. Reported data for the quarter and accumulated are presented with a one-month lag.

**Gender equality:** The share of women in management positions at the end of the current period. Management positions are defined as employed managers with employee responsibility, including the Executive Committee. As of the first quarter of 2023, the key ratio has been redefined to also include team managers. Comparison figures have been restated. Reported data is presented on a rolling 12-month basis.

**Growth in vegetarian protein substitutes:** Percentage change in sales of vegetarian protein substitutes compared with the year-earlier period. Vegetarian protein substitutes include refrigerated and frozen items. The selection includes Group-owned stores in the Willys, Eurocash, Hemköp and Snabbgross store chains.

**KRAV-certified meat share of sales:** 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.

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

**Share of approved social audits:** Share of social audits where the supplier received a score of A, B or C on a scale of A to E, where A is without remarks and E is unacceptable. Social audits comprise on-site visits and inspections to ensure suppliers fulfil the requirements of Axfood's Code of Conduct. The selection includes on-site visits carried out by the organisation Amfori BSCI.

**Sickness-related absence:** The number of reported hours of sickness-related absence in relation to scheduled work time. The selection includes active employees in Axfood. 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 or leave of absence are not included. Sickness-related absence for the first quarter pertains to time worked during the December–February period.

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

# About Axfood

Axfood is a leader in food retail in Sweden and a family of different concepts in collaboration. Axfood has more than 12,000 employees (FTEs) and net sales of more than SEK 70 billion. Axfood aspires to be a strong force in society that drives development toward more sustainable food production and consumption. The share is listed on Nasdaq Stockholm and the principal owner is Axel Johnson.

<b>Purpose</b> Better quality of life for everyone.	<b>Vision</b> A leader in affordable, good and sustainable food.	<b>Business concept</b> A family of different concepts in collaboration.	
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## Business model and strategy

Axfood's business model covers purchasing and assortment, logistics and sales channels and concepts. The customer is always in focus and value is created for Axfood and the Group's stakeholders in every step.

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. We are striving to increase efficiency in the organisation through a more data-driven work approach and continuous 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 a strong force for change in society.

## 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.

## 2030 targets

Axfood's purpose is to create a better quality of life for everyone. We work to improve and simplify life around food for everyone we impact through our different concepts, operations and brands. Our ambition is to, by 2030:

- be Sweden's most inclusive food company
- be the strongest driving force for sustainable food in Sweden
- have created a healthier Sweden
- be a leader in the development of the simplest and best food experiences

## Operating segments

- Willys has the ambition to offer Sweden's cheapest bag of groceries and is the leading discount grocery chain. Willys aims to develop the discount segment in food retail with a wide assortment in Group-owned stores and online. The Willys operating segment includes the concepts Willys, Willys Hemma, the partly owned cross-border grocery chain Eurocash and a minority stake in the City Gross hypermarket chain.
- Hemköp offers a broad, attractively priced assortment with a rich offering of fresh products. Through Group-owned stores, retailer-owned stores and an online business, Hemköp inspires good meals. The Hemköp operating segment also includes Tempo, a mini-mart format comprising retailer-owned 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 at its stores and online. The Snabbgross operating segment also includes the concept Snabbgross Club, which is directed at consumers.
- Dagab operates and develops the Group's assortment, purchasing and logistics, but also conducts sales to external customers. The Dagab operating segment also includes retailer-owned Handlar'n and Matöppet, the meal kit company Middagsfrid, the online pharmacy Apohem and the restaurant chain Urban Deli.

## Investment case

- 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%.
- To meet customers' varying needs, Axfood is a family of different concepts with strong market positions. With a clear expansion plan, a focus on the customer meeting in physical stores and in e-commerce as well as the development of meal solutions, customers' evolving behaviours in the market are being met.
- Economies of scale and cost efficiency are achieved through close collaboration between the central functions and Group companies. Dagab is the joint purchasing and logistics company, setting high demands for price, quality and sustainability. Axfood's common IT company has a crucial role in the Group's digital development, automation and data-driven work approach to meet future needs.
- Axfood has a solid balance sheet, and the business model generates stable cash flow with efficient management of working capital. During the last five years, the dividend yield has been close to 4%.
- Axfood has long been working to be a positive force in society. Axfood is taking the lead in promoting a sustainable food system, and innovative and sustainable products are being launched through the private label assortment.

# Axfood

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**WILLYS** **Hemköp**

**Tempo**

**eurocash**

**HANDLARN**

**MATÖPPET**

**Middagsfrid**

**apohem**

**UP**  
**URBAN DELI**

**Snabbgross** **DAGAB**