

Press release
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AXEL JOHNSON'S YEAR-END REPORT FOR 2019

Record-breaking year for Axel Johnson: Constant change with a long-term perspective

For Axel Johnson, 2019 was a year of growth and record results, but also of intensive renewal efforts. In 2019, we increased our total sales to SEK 88.2 billion (82.4). Profit for the year amounted to 3,400 million (3,021), making 2019 the best year in history for Axel Johnson. The largest increases in profit were reported by Axel Johnson International and Axfood, and all Group companies increased their turnover. The strong earnings trend brings valuable stability as we, like other companies and the rest of society, are now faced with prevailing uncertainty.

Mia Brunell Livfors, President and CEO of Axel Johnson, says,

“Axel Johnson left 2019 behind as an even stronger company than we were at the beginning of the year. During the year we grew, improved profitability and increased our renewal speed, while also focusing on building sustainable businesses that we can be proud of.

Under the generally stable financial surface, many of our markets saw rapid changes, and we continued the uncompromising renewal efforts in our company. Our business development rate has never been as high as it was in 2019, and the year was marked by e-commerce growth, the launch of new concepts and products, lots of new company acquisitions, major investments and a focus on pushing ahead with our efforts to achieve our Group-wide goals for diversity and climate impact.

Our strong earnings trend gives us considerable room for maneuver and enables the continued investment in our existing and new operations. Axel Johnson is a group of companies with an owner family that consistently emphasizes corporate responsibility and the power to change society for the better, and I know that conviction is the glue that binds a great many of us working in the businesses.

This conviction is especially important now, as we have to deal with uncertainty and pressures on companies and society due to the Corona virus outbreak.

Axel Johnson is one of the Nordic region's leading trading groups which builds and develops businesses within trade and services in the European market, with main focus on the Nordic region. Group companies currently comprise Axel Johnson International, KICKS, Martin & Servera, Novax, Åhléns and the partly owned listed companies Axfood (equity stake 50.1%) and Dustin (equity stake 29,8%). Axel Johnsons consolidated annual sales amounts to approximately SEK 88 billion (2019) and the wholly and partly owned companies have about 25,000 employees. Axel Johnson is a family-owned company in the fourth and fifth generation and is owned by Antonia Ax:son Johnson and her family. Axel Johnson is one of four separate groups within the Axel Johnson Group together with the property company Axfast, the U.S. company Axel Johnson Inc. and the asset management company AltoCumulus.

We will act to secure our operations and take responsible decisions regarding our employees and workplaces. Although we will have to manage the short-term changes and challenges that the situation brings us here and now, and from day to day, we will maintain our focus on long-term development and expanding the company.

In 2020, we will continue to grow our businesses – and we will do this based on our shared values and pride in jointly creating companies with a real long-term perspective, which bring together societal and business benefits.”

Our Group Companies

Axfood reports a very strong 2019, with a record profit of SEK 2,173 million (2,016). Axfood grew by 5.5 percent, which is far faster than the grocery market as a whole. Willys is the locomotive for this, and with its strong combination of quality and low prices the chain is very well equipped no matter how the economic situation develops.

The industrial trade group **Axel Johnson International** continues its growth journey, and is growing both organically and through acquisitions. In 2019, the company passed the ten billion mark for the first time, with sales growing to SEK 12.1 billion and profit to SEK 746 million (610).

The durable goods market is characterized by very stiff competition between established and new operators, price pressure from constant campaigns, and increased competition across national borders. Under these market conditions, it is pleasing to note that both **Kicks** and **Åhléns** are managing to increase their sales, both in terms of total and in comparable stores, and that e-commerce showed impressive growth.

Kicks had a year of continued intensive transformation work, with investments in improved technical platforms, analysis capacity, and launches and developments of its own brands. Investments in the restructuring impacted the profit, which amounted to SEK 11 million (15).

Despite major investments in renewals and transformations, **Åhléns** improves its profit compared to last year to reach SEK -116 million (-131). Profit in the department stores has improved more than the figures indicate, as the total profit is impacted by investments in expansion in new concepts with a focus on low prices, such as Beauty Bargain and **Åhléns Outlet**.

Martin & Servera noted a profit of SEK 426 million (360) following a strong increase in the restaurant trade. In December, Axel Johnson acquired the Oldmark family's 30

percent ownership in Martin & Servera, and the company thereby became wholly owned by Axel Johnson. Liv Forhaug took over as CEO in October. With its exceptional breadth and focus on quality and sustainability, Martin & Servera is well positioned to continue to lead the development in the restaurant wholesale market.

Dustin showed good organic growth, but margins weakened in the second half of the year as a result of a changed customer mix, where small and medium-sized customers showed more restraint with IT investments in an uncertain economy. Profit amounted to SEK 445 million (385)¹. We firmly believe in the company's plan, with a combination of hardware sales and growth in standardized online services. Based on that conviction, during the autumn of 2019 we increased our ownership from 25.9 to 29.8 percent.

Novax reported profit amounting to SEK 154 million (104). Joakim Skarborg took over as CEO in January, and during the year Novax unveiled a new strategy, added to the organization, and coordinated investments by including D-Ax – Axel Johnson's unit for investments in startups – under Novax. Novax has identified four areas that take special priority for future investments: health and wellness, technical security, the food value chain and infrastructure technology in retail and restaurant. During the year, Novax sold four companies and invested in existing and new companies. These include investments in a number of companies in the early stages, including digital insurance service Hedvig, fitness membership company Bruce, and Leeroy, whose product aims to digitize the restaurant industry, and who works closely with Martin & Servera.

AxSol – our newest business area. In 2019, Axel Johnson took its first steps onto the solar energy market through investments in Eneo and Otovo. The market has the potential to grow into a significant business area for Axel Johnson. We are convinced that renewable energy sources will have structural growth over the long term, and that the competitiveness of solar energy will increase over time as storage possibilities improve and the area benefits from increased efficiency and scale.

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Axel Johnson's 2019 results

Amount in SEK million	2019	2018
Net sales	88,213	82,354
Profit ^{AX}	3 400	3,021
as % of net sales	3.9	3.7
Profit after net financial items	2,267	2,094
Balance sheet total	29,226	29,661
Capital employed	15,597	16,325
Return on capital employed (%)	15	14
Equity attributable to owners of the parent company	10,284	10,839
Equity ratio (%)	41	44
Net debt/equity ratio (multiple)	0	0
Cash flow from operating activities	3,193	3,559
Cash flow after investments	20	983
Average number of full-time employees	22,272	21,569

Group Companies

Amount in SEK million	Equity interest, percent	Net sales		Profit^{AX}	
		2019	2018	2019	2018
Axel Johnson International	100	12,095	9,869	746	610
Axfood	50.1	50,740	48,085	2,173	2,016
Dustin ¹	29.8	12,536	10,300	445	385
KICKS	100	3,351	3,198	11	15
Martin & Servera	100	15,077	14,597	426	360
Novax	100	1,579 ²	1,540 ²	154	104
Åhléns	100	5,109	4,809	-116	-131

¹ 2019 refers to the fiscal year September 2018– Aug 2019.

2018 refers to the fiscal year September 2017 – Aug 2018.

² Subsidiaries only.

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