

Axfood

PRESS RELEASE 2019-02-15

Notice of 2019 Annual General Meeting of Axfood Aktiebolag

The shareholders of Axfood Aktiebolag (publ), reg. no. 556542-0824, are hereby invited to the Annual General Meeting (AGM) to be held at 5 p.m. on Thursday, 21 March 2019. Location: Konserthuset (Stora Salen), Hötorget (main entrance), Stockholm. Registration for the AGM will open at 4 p.m.

Participation

Shareholders who wish to participate in the proceedings of the Annual General Meeting must:

- be registered as a shareholder in the register of shareholders maintained by Euroclear Sweden AB as per Friday, 15 March 2019, and
- notify the Company of their intention to attend the AGM not later than Friday, 15 March 2019.

Notification may be done in writing to Axfood Aktiebolag, "Annual General Meeting", c/o Euroclear Sweden AB, Box 191, SE-101 23 Stockholm, Sweden, or by phone at +46-8-402 90 51, weekdays between 9 a.m. and 4 p.m. CET. Shareholders who are natural persons also have the option to notify their attendance via Axfood's website, www.axfood.se. Notification must include the shareholder's name and personal identity number or corporate identity number, address, phone number, and the number of any assistants accompanying the shareholder.

Shareholders whose shares are registered in the name of a nominee must, in addition to notifying attendance at the Annual General Meeting, temporarily register their shares in their own names in the register of shareholders (so-called voting right registration) in order to be able to participate in the Annual General Meeting. Such registration must be executed by Friday, 15 March 2019 and should be requested from the shareholder's bank or nominee well in advance of this date.

Shareholders who participate via proxy or representative should send authorization documents (power of attorney and/or registration certificate) to the Company at the address above well in advance of the Annual General Meeting. Proxy forms can be downloaded from Axfood's website: www.axfood.se.

Proposed agenda

1. Election of a chairman to preside over the Annual General Meeting
2. Drawing-up and approval of the voting list
3. Approval of the agenda
4. Election of one or two persons to check the minutes of the Annual General Meeting
5. Resolution as to whether the Annual General Meeting has been duly convened
6. Presentation of the annual report and auditor's report, of the consolidated accounts and auditor's report for the Group for 2018, and of the auditor's statement on whether the guidelines for executive compensation have been adhered to
7. CEO's address and questions from shareholders
8. Resolution concerning adoption of the income statement and balance sheet, and the consolidated income statement and consolidated balance sheet
9. Resolution on discharge of the directors and president from liability
10. Resolution concerning disposition of the Company's profit in accordance with the adopted balance sheet and the record date for payment of the dividend
11. Resolution on the number of directors and deputy directors to be elected by the Annual General Meeting

12. Resolution on directors' fees and auditor's fees
13. Election of the Board of Directors, Chairman of the Board, and any deputy directors
14. Resolution on guidelines for the Nominating Committee
15. Resolution on guidelines for compensation of senior executives
16. Resolution on (a) a long-term share-based incentive programme and (b) authorizing the Board to decide on purchases of own shares and transfers of treasury shares
17. Resolution on employee purchases of shares in subsidiaries
18. Conclusion of the Annual General Meeting

Recommendations for decision

Point 1 – AGM Chairman

Axfood's Nominating Committee ahead of the 2019 Annual General Meeting consists of Caroline Berg (committee chair, Axel Johnson Aktieföretag), Liza Jonson (Swedbank Robur funds), Rune Selmar (ODIN funds) and Johan Strandberg (SEB funds). In addition, Mia Brunell Livfors, Chairman of the Board of Axfood, is a co-opted committee member.

The Nominating Committee proposes Mia Brunell Livfors to serve as chairman to preside over the Annual General Meeting.

Point 10 – Dividend and record date

The Board of Directors recommends that the 2019 Annual General Meeting resolve in favour of payment of a dividend of SEK 7.00 per share, and that the record date for entitlement to the dividend shall be Monday, 25 March 2019. Given the proposed record date, dividends are expected to be paid out via Euroclear Sweden AB on Thursday, 28 March 2019. The last day for trading in the Company's stock including the right to the dividend is Thursday, 21 March 2019.

The proposed dividend amounts to a total of SEK 1,466,462,984. The amount indicated is calculated on the total number of shares in the Company less the Company's holding of treasury shares. The Board proposes that the remaining profits be carried forward.

Point 11 – Number of directors

The Nominating Committee proposes that the number of AGM-elected directors shall be seven (7) without any deputies.

Point 12 – Directors fees and auditor's fees

The Nominating Committee proposes that the following fees be paid to directors and the auditor:

- SEK 690,000 for the Chairman of the Board (previously 675,000), SEK 530,000 for the Vice Chairman (previously SEK 520,000), and SEK 435,000 for each of the other AGM-elected non-executive directors (previously 425,000),
- in addition to directors' fees, no compensation for work on board committees, and
- auditor's fee in accordance with approved invoice.

Point 13 – Election of the Board of Directors and Chairman of the Board

The Nominating Committee proposes:

- re-election of Mia Brunell Livfors, Stina Andersson, Fabian Bengtsson, Caroline Berg, Jesper Lien, Lars Olofsson and Christer Åberg as directors, and
- re-election of Mia Brunell Livfors as Chairman of the Board.

Board member Antonia Ax:son Johnson has declined re-election.

More detailed presentations of all of the proposed individuals are available on Axfood's website: www.axfood.se.

Point 14 – Guidelines for Nominating Committee

The Nominating Committee proposes that the 2019 Annual General Meeting adopt the following guidelines for Axfood's Nominating Committee.

- The Company shall have a nominating committee composed of one member representing each of the four largest shareholders in the Company in terms of votes based on ownership statistics from Euroclear Sweden AB as per the last business day in August the year before the Annual General Meeting. If any of these shareholders chooses to abstain the right to appoint a member, the shareholder next in line in terms of size shall be asked. However, no more than the six largest shareholders need to be asked if it is not required in order for the Nominating Committee to consist of at least three members appointed by shareholders. Unless the committee's members agree otherwise, the Nominating Committee chair shall be the member who is appointed by the largest shareholder. The Nominating Committee's composition shall be publicly announced not later than in conjunction with the Company's release of its interim report for the third quarter.
- The Nominating Committee's mandate period applies until a new nominating committee has been appointed. During the mandate period, if a shareholder that has appointed a member to the Nominating Committee is no longer one of the four (or where applicable, a maximum of six) largest shareholders, the member appointed by such shareholder shall make his/her seat available. The shareholder that has become one of the largest shareholders shall then have the right to appoint a member. However, if only marginal changes in the number of votes have taken place or if a change takes place later than three months before the Annual General Meeting, no changes shall be made in the Nominating Committee's composition, unless special reasons exist. If a member chooses to leave the Nominating Committee before its work is completed, the shareholder that appointed the member shall have the right to appoint a new member. Changes in the Nominating Committee's composition shall be made public as soon as such have been made.
- The Nominating Committee is tasked with, ahead of the Annual General Meeting, submitting recommendations for a) a person to preside as chairman over the Annual General Meeting, b) the number of directors, c) election of the Chairman of the Board, d) directors' fees and other compensation for committee work, e) where applicable, election of the auditor and auditor's fees, and f) guidelines for the Nominating Committee. The Nominating Committee's recommendations to the Annual General Meeting shall be publicly announced in conjunction with publication of the Notice of the Annual General Meeting.
- In executing its assignment in general, the Nominating Committee shall fulfil the duties which, according to the Swedish Corporate Governance Code, are incumbent upon a nominating committee. At the request of the Committee, the Company shall provide personnel resources, such as a secretarial function for the Committee, to assist the Committee's work. Where needed, the Company shall also bear reasonable costs for external consultants who are deemed by the Committee to be necessary for the Committee to fulfil its assignment.

Point 15 – Guidelines for compensation of senior executives

The Board recommends that the 2019 Annual General Meeting adopt the following guidelines for compensation of senior executives of Axfood, to apply until the 2020 Annual General Meeting.

The proposal to the 2019 Annual General Meeting is in accordance with the guidelines that were approved by the 2018 Annual General Meeting.

The guidelines shall apply for compensation of the President and other members of Axfood's Executive Committee. The Executive Committee is currently made up of ten persons.

Compensation of the President is set by the Board of Directors, and compensation of the other members of the Executive Committee is set by Axfood's Compensation Committee.

Compensation guidelines

Axfood shall offer compensation in line with the going rate in the market that is based on factors such as the importance of the employees' work duties as well as their competence, experience and performance, and the compensation may consist of the following components: fixed base salary, short-term variable compensation, long-term share-based incentive programme, pension, other benefits, and severance terms.

Fixed base salary

The members of the Executive Committee shall be paid an attractive, cash base salary compared with the going rate in the market. Base salary constitutes compensation for a committed work contribution at a high professional level that creates value-added for Axfood's customers, owners and employees.

Variable compensation

Short-term variable compensation shall be based on the achievement of Axfood's targets for earnings and sales growth, and of personal goals for the financial year. Short-term variable compensation shall amount to a maximum of 60% of the base salary paid out during the year for the President and 50%-55% of the base salary paid out during the year for the other members of the Executive Committee. In 2019 the combined short-term variable compensation for the current members of the Executive Committee can amount to a maximum of approximately SEK 16.5 m. In the event the Executive Committee increases in number, the level of variable salary may exceed this amount. The right to variable salary is forfeited in the event an executive gives notice prior to end of the year in which the variable salary is rewarded.

It shall be possible for an executive to receive long-term variable compensation through participation in long-term share-based incentive programmes (LTIPs) decided on by the Annual General Meeting. An LTIP shall be structured for the purpose of aligning the shareholders' and participants' interests and thereby ensure maximum long-term value creation for Axfood. The 2017 and 2018 Annual General Meetings each resolved to establish a long-term share-based incentive programme, LTIP 2017 and LTIP 2018, respectively. Participation in an LTIP requires a personal shareholding in Axfood. A grant of shares to the participant in an LTIP requires that the participant continues to be employed in the Axfood Group, that the participant's shareholding in Axfood remains, and that certain performance goals are met. The Board of Directors has recommended that the 2019 Annual General Meeting resolve in favour of an additional long-term share-based incentive programme (LTIP 2019). Further information about the proposed LTIP is provided in the Board's proposal below.

Pension

The members of the Executive Committee have pension solutions that are customary, competitive and entered into at market terms. The pension solutions are secured through premium payments to insurance companies. Axfood applies a retirement age of 65 for all members of the Executive Committee.

Other benefits

The members of Axfood's Executive Committee also receive – in addition to liability insurance – customary benefits for persons in corresponding positions, such as a company car benefit and health insurance, and in certain cases also a travel benefit and housing benefit.

Notice period and severance terms

In cases where the Company serves notice, a notice period of a maximum of 12 months is applied. In addition, severance pay may be payable for a maximum of 12 months. For the President and all other members of the Executive Committee, deduction shall be made for other earned income during the time termination pay or severance pay is received. A notice period of six months applies in the event an executive gives notice.

Departures from the guidelines

The Board may depart from these guidelines if there are special reasons for doing so in an individual case.

The guidelines adopted by the 2018 Annual General Meeting have been adhered to.

Point 16 – Long-term share-based incentive programme (LTIP 2019)

The Board of Directors recommends that the Annual General Meeting resolve in favour of establishing a long-term share-based incentive programme (LTIP 2019) for Axfood Aktiebolag (publ) ("Axfood") and of authorizing the Board to decide on purchases of own shares, and that the Annual General Meeting resolve in favour of transfers of treasury shares in accordance with points (A) and (B) below. The programme is in accordance in all essential respects with the long-term share-based incentive programmes that the 2017 and 2018 Annual General Meetings resolved to establish, but with certain changes regarding the performance targets.

(A) Long-term share-based incentive programme

A.1 LTIP 2019 in summary

The main motives for establishing LTIP 2019 are to align the shareholders' interests with those of the members of the Executive Committee and other key persons in ensuring maximum long-term value creation and to encourage personal shareholding in Axfood. Further, it is believed that LTIP 2019 will facilitate Axfood in recruiting and retaining persons for the Executive Committee and other key persons. LTIP 2019 includes approximately 75 employees, consisting of the members of Axfood's Executive Committee, members of the management teams of Axfood's subsidiaries, and certain other persons in management functions. Participation in LTIP 2019 requires a personal shareholding in Axfood. After the set vesting period, the participants will be granted shares in Axfood free of charge provided that certain conditions are met. These conditions are: continued employment in the Axfood Group during the vesting period, that the individual continues to own shares in Axfood during the same period of time, and that certain performance targets have been met, which are related to the total shareholder return ("TSR") on the Company's shares, the Company's TSR in relation to the SIX Return Index, the Axfood Group's total average sales growth contingent upon achievement of a certain average EBIT margin, and a higher portion of sales of sustainability-certified products. The maximum number of shares in Axfood that may be granted under LTIP 2019 shall be limited to 265,000, which corresponds to approximately 0.1% of the total number of shares and votes outstanding in the Company.

A.2 Participants in LTIP 2019

LTIP 2019 includes approximately 75 employees, consisting of the members of Axfood's Executive Committee, members of the management teams of Axfood's subsidiaries, and certain other persons in management functions, broken down into three categories. The first category includes Axfood's President ("Category 1"), the second category includes members of Axfood's Executive Committee excluding the President (14 persons) ("Category 2"), and the third category includes members of the management teams of Axfood's subsidiaries and certain other persons in management functions (approximately 60 persons) ("Category 3"). Additional persons who have not begun their employment in the Axfood Group when the deadline to apply for participation in the programme has expired may be invited to participate provided that their employment began not later than 31 December 2019 (whereby the number of persons in the various categories may be adjusted).

A.3 Personal investment and vesting period

Participation in LTIP 2019 requires that the participant has a personal shareholding in Axfood that is allocated to LTIP 2019 ("Savings Shares"). Savings Shares can either be purchased for LTIP 2019 or be held since previously, provided that they have not already been allocated to an incentive programme already in progress. Participation in LTIP 2019 can take place with a maximum of 4,700 Savings Shares (Category 1), 850 Savings Shares (Category 2), or 250 Savings Shares (Category 3), respectively. For all categories, each Savings Share entitles its owner to seven performance share rights ("Share Rights"). If a participant is in possession of inside information and is therefore prevented from purchasing shares in Axfood prior to applying to participate in LTIP 2019, purchases of shares shall be made as soon as possible, but not later than before 31 December 2019. Any grants of shares in Axfood will normally be made within two weeks after publication of Axfood's interim report for the period 1 January–31 March 2022 ("the Vesting Period", which commences when the participant accepts an invitation to participate in the programme).

A.4 Conditions for Share Rights

The following conditions shall apply for the Share Rights:

- Share Rights are granted free of charge during a certain period of time after the Annual General Meeting.
- Share Rights cannot be transferred or pledged.
- A precondition for the right to receive share grants supported by Share Rights is that the participant has not sold any of his or her Savings Shares and, with certain limited exceptions, that the participant remains employed in the Axfood Group during the Vesting Period. Further, a grant requires that certain performance-related targets are achieved by Axfood in the manner described under point A.5 below.
- To align the participants' interests with the shareholders' interests, Axfood will compensate the participants for profit distributions to the shareholders by increasing the number of shares that each Share Right carries entitlement to.
- The maximum value (including any compensation that the participants receive for paid shareholder dividends) that a participant can receive per Share Right is limited to SEK 607, which corresponds to 400% of the closing price of Axfood shares on 28 December 2018 (SEK 151.70). If the value of Axfood's shares, at the time of grant, exceeds the maximum value, the number of shares that each Share Right carries entitlement to will be decreased to a corresponding degree.

A.5 Performance targets

The Share Rights are broken down into Series A, Series B, and Series C and Series D. Of the seven (7) Share Rights that the participant receives for each Savings Share, one (1) Share Right shall be in Series A, three (3) shall be in Series B, two (2) shall be in Series C, and one (1) shall be in Series D. The number of Share Rights that carry entitlement to grants of shares depends on the achievement of the performance conditions that apply for the respective series as follows:

For assessment of the achievement of the performance targets for Series A and Series C, the start value shall consist of the average, volume-weighted price paid for Axfood shares on Nasdaq Stockholm and the average price trend for the SIX Return Index in December 2018, respectively, and the final value shall consist of the average, volume-weighted price paid for Axfood shares on Nasdaq Stockholm and the average price trend for the SIX Return Index in December 2021, respectively. For Series B and Series D, the measurement period shall instead run from 1 January 2019 to 31 December 2021.

- Series A* Grant requires that the TSR exceeds 0%, whereby the maximum grant will be made.
- Series B* The maximum level that carries entitlement to a full grant is that the Axfood Group's total average sales growth is more than 2 percentage points higher than HUI Research and SCB's Retail Trade Index, Food Retail Trade, Retail Trade with Broad Assortment, Mostly Groceries (*Detaljhandelsindex, Dagligvaruhandel, Detaljhandel med brett sortiment, mest livsmedel*) ("Average Market Growth"). The minimum level for a grant is that the Axfood Group's total average sales growth is level with Average Market Growth. If the Axfood Group's total average sales growth is equal to or less than the maximum level but exceeds the minimum level, the grant shall be made on a linear basis according to the value there between. Further, a grant within the framework of Series B requires that the EBIT margin exceeds 3.5% on average.
- Series C* The maximum level that carries entitlement to a full grant is a TSR that exceeds the accumulated share price growth for the SIX Return Index by 10 percentage points or more. The minimum level for a grant is a TSR that is level with the accumulated share price growth for the SIX Return Index. If Axfood's TSR is less than the maximum level, but higher than the minimum level, the grant shall be made on a linear basis according to the values there between.
- Series D* The maximum level that carries entitlement to a full grant is that the share of sales of sustainability-certified products increases by 10% or more, accumulated during the 2019-2021 financial years, compared with the level at 31 December 2018. The minimum level for a grant is that the Axfood Group's share of sales of sustainability-certified products is level with the share at 31 December 2018. If the share of sales of sustainability-certified products is lower than the maximum level, but higher than the minimum level, the grant shall be made on a linear basis according to the values there between.

A.6 Structure and handling

The Board shall be responsible for the more detailed structure and handling of LTIP 2019, within the framework of the stipulated conditions and guidelines. If significant changes take place in the Axfood Group or its external operating environment that could result in the decided conditions for grants and the opportunity to exercise the Share Rights in accordance with LTIP 2019 no longer being suited for their purpose, the Board shall have the right to make other adjustments. Before the number of shares that are to be granted under the Share Rights is finally determined, the Board shall assess whether the outcome from LTIP 2019 is reasonable. This assessment shall be made in relation to Axfood's financial result and position, and the conditions in the stock market and in general. If the Board, in its assessment, determines that the outcome is not reasonable, the Board shall reduce the number of shares that are to be granted.

A.7 Scope

The maximum number of shares in Axfood that can be granted under LTIP 2019 shall be limited to 265,000, which corresponds to approximately 0.1% of the total number of shares and votes outstanding in the Company. Based on the more detailed conditions that the Board decides on, the number of shares covered by LTIP 2019 shall be subject to recalculation in the event Axfood carries out a bonus issue, share split or reverse split, preferential issue, dividend compensation or similar measure, while observing customary practice for corresponding incentive programmes.

A.8 Hedge measures

The Board has considered two alternative hedge measures for LTIP 2019 – either a hedge arrangement (equity swap) with a bank to ensure delivery of shares under the programme, or a transfer of shares in Axfood to entitled participants in LTIP 2019. The Board is of the opinion that the latter alternative is the main alternative. The Board has therefore recommended that the Annual General Meeting resolve to authorize the Board to decide on purchases of own shares and transfers of shares in Axfood held by the Company in accordance with point (B) below. Should the Annual General Meeting not approve the Board's proposal according to point (B) below, the Board intends to enter into the above-mentioned hedge arrangement with a bank to ensure the Company's obligation to deliver shares in accordance with the programme.

A.9 Scope and costs of the programme

The Share Rights cannot be pledged or transferred to others. However, an estimated value of each Share Right can be calculated. The Board has estimated the average value of each Share Right to be SEK 142.40. This estimation is based on the closing price of Axfood shares on 7 February 2019 (SEK 167.25). Assuming participation in the programme by all persons invited to participate, that they make the maximum investment, 100% achievement of the performance targets, and estimations of employee turnover, the total estimated cost of the Share Rights is approximately SEK 27.0 m. This cost corresponds to approximately 0.08% of Axfood's market capitalization on 7 February 2019. Based on the assumptions above, it is estimated that the total cost for LTIP 2019 including social security costs will be approximately SEK 38.1 m, which on a yearly basis corresponds to approximately 0.2% of Axfood's total personnel costs during the 2018 financial year.

The costs will be booked as personnel costs in the income statement over the Vesting Period, in accordance with IFRS 2 Share-based Payments. Social security costs will be expensed in the income statement in accordance with UFR 7 during the Vesting Period. The size of these costs will be calculated based on Axfood's share price development during the Vesting Period and grants of Share Rights.

A.10 Effects on important key ratios

Upon full participation in LTIP 2019, Axfood's personnel costs on a yearly basis are expected to increase by approximately SEK 12.7 m (including social security costs) based on the assumptions above. On a pro forma basis for 2018 these costs entail a negative effect of approximately 0.03 percentage points on Axfood's operating margin and a decrease in earnings per share by SEK 0.06. However, the Board is of the opinion that the positive effects on Axfood's financial result that are expected to arise through an

increase of the participants' shareholdings and opportunity for additional grants of shares under the programme exceed the costs associated with LTIP 2019.

A.11 Drafting of proposal

LTIP 2019 has been handled by Axfood's Compensation Committee and the Board of Directors, and has been drafted in consultation with external advisers.

A.12 Other incentive programmes in Axfood

Two long-term share-based incentive programmes have been in effect since previously in Axfood, which were approved by the 2017 and 2018 Annual General Meetings, see Note 8 in Axfood's 2018 Annual Report, which will be kept available on Axfood's website, www.axfood.se, starting on 28 February 2019 at the latest.

A.13 The Board's recommendation for decision

In reference to the description above, the Board of Directors recommends that the Annual General Meeting vote in favour of LTIP 2019.

A.14 Majority requirement

The Board's recommendation for decision to implement LTIP 2019 requires that the resolution is supported by shareholders representing more than half of the votes represented at the Annual General Meeting.

(B) Authorization for the Board of Directors to decide on purchases of own shares and recommendation for decision on transfers of treasury shares

The Board's recommendation for decision to authorize the Board of Directors to decide on purchases of own shares, and recommendation for decision on transfers of treasury shares in accordance with the description below, are conditional upon the Annual General Meeting first voting in favour of LTIP 2019 in accordance with point (A) above.

B.1 Purchases of own shares

The Board of Directors recommends that the Annual General Meeting resolve to authorize the Board to, on one or more occasions during the period up until the next Annual General Meeting, decide on purchases of own shares in accordance with the following:

- Purchases may be made of a maximum of 265,000 shares.
- Purchases of shares shall be made on Nasdaq Stockholm and at a price per share that is within the registered price interval at any given time (the spread), i.e., the interval between the highest buying price and the lowest selling price and in observance of the rules that apply at any given time in Nasdaq Stockholm's Rule Book for Issuers. However, for purchases that are made by a brokerage under assignment by the Company, the price of the shares may correspond to a volume-weighted average price during the period of time during which the shares were purchased, even if the volume-weighted average price on the day the shares were relinquished to the Company is outside of the price interval.
- Payment for the shares shall be made in cash.
- Purchases may be made for the purpose of securing the Company's obligations arising out of LTIP 2019 and any other share-based incentive programmes that may exist at any given time pursuant to a resolution by a general meeting of shareholders.

B.2 Transfers of treasury shares to participants in LTIP 2019

The Board of Directors recommends that the Annual General Meeting resolve to transfer shares in the Company as follows:

- A maximum of 265,000 shares in Axfood may be transferred (or such higher number of shares that may follow from a recalculation resulting from a bonus issue, split, preferential issue or similar measure).

- The shares may be transferred to participants in LTIP 2019 who, according to the terms for LTIP 2019, are entitled to receive shares.
- Transfers of shares shall be made at the point in time and in accordance with the other conditions that the participants of LTIP 2019 are entitled to receive grants of shares.

The reasons for the deviation from the shareholders' pre-emption rights is that the transfer of shares is part of the execution of LTIP 2019. The Board of Directors therefore is of the opinion that it is beneficial for the Company to transfer shares in accordance with the proposal.

B.3 Special majority requirement

A resolution by the Annual General Meeting in accordance with point (B) is valid only if it has the support of shareholders representing at least nine-tenths of the number of votes and shares represented at the Annual General Meeting.

Point 17 – Employee purchases of shares in subsidiaries

The Board of Directors recommends that the 2019 Annual General Meeting resolve in favour of the following proposal concerning the opportunity for employees to purchase shares in subsidiaries.

Purpose and background

The Axfood Group operates 278 grocery stores in Sweden, of which 70 are Hemköp stores in the wholly owned subsidiary Hemköpskedjan AB. In addition to these are 117 Hemköp stores that are run by independent franchisees. The franchise concept has a central role in the Axfood Group's business. It is therefore important that the Axfood Group's franchisees have a high level of personal involvement in running their businesses efficiently and profitably in well managed stores. In this way, the franchisees' interests are aligned with the Axfood Group's interest in strengthening the Group's brands in the food retail market. It is also important that franchisees are persons who are judged to be capable of running the business in accordance with the Axfood Group's business concept. If the Axfood Group is given the right to designate employees at existing Hemköp stores as future franchisees, favourable conditions are created for the Axfood Group to achieve these objectives. At the same time, this promotes long-term value creation and profit growth in the Axfood Group in that the Group can attract, retain and motivate suitable store managers, and develop and defend key store locations.

Proposal

Against this background, the Board recommends that the Annual General Meeting resolve that employees of the Axfood Group be given the opportunity to purchase shares in store companies in Hemköpskedjan. The persons who shall have the right to purchase shares are store managers (presidents) of store companies that are operated and/or established within Hemköpskedjan.

The proposal covers a maximum of ten Hemköp stores with estimated, combined annual sales of approximately SEK 500-600 m. By comparison, the Axfood Group had sales of SEK 48 bn in 2018.

The proposal entails that Hemköpskedjan AB initially transfers the operations of a pertinent store to a newly formed and wholly owned stock company (i.e., incorporates the business). The store manager of one of the above-mentioned ten Hemköp stores thereafter, as a first step, purchases a maximum of nine per cent (9%) of the shares in the store company, plus an irrevocable call option (step 1). The call option gives the store manager the right, but not an obligation, within a certain period of time – not to exceed five years – to purchase the rest of the shares in the store company, except for one (1) share to be retained by the Axfood Group. Exercise of the option to purchase the rest of the shares (step 2) requires that the store manager, during this time, has acted in accordance with the corresponding requirements that apply for Hemköpskedjan's franchise concept.

The share purchases shall be made at market price. Payment shall be made in cash. Step 1 shall be carried out before the 2020 Annual General Meeting of Axfood Aktiebolag (publ).

Fairness Opinion

The Board has obtained a Fairness Opinion from Öhrlings PricewaterhouseCoopers AB (PwC) on the fairness of the Board's proposal concerning the opportunity for employees to purchase shares in subsidiaries from a financial standpoint. PwC's opinion is that the method that Axfood uses to estimate

the fair market value of shares and options is compatible with generally accepted valuation methodologies, that the calculations have been performed in a correct manner, and that the assumptions made are reasonable based on the current terms and a market-based perspective.

Other

The proposed resolution has been drafted by the Board in its entirety. The Board believes that only administrative costs (pertaining to the Fairness Opinion and continuing consulting) will arise for the Axfood Group in connection with the programme.

The 2018 Annual General Meeting voted in favour of a corresponding resolution to transfer shares to employees of subsidiaries. Up until the date of this AGM notice, three transfers have been carried out, whereby three store managers purchased shares in their respective store companies.

Special majority requirement

A resolution by the Annual General Meeting in accordance with points 16 b and 17 is valid only if it has the support of shareholders representing at least nine-tenths of the number of votes and shares represented at the Annual General Meeting.

Shares and votes

On the day this notice was issued, the Company had a total of 209,870,712 shares in issue with one vote each, of which the Company owns 376,000 treasury shares that may not be represented at the Annual General Meeting.

Disclosures at the Annual General Meeting

The Board of Directors and President shall, if requested by any shareholder and if the Board is of the opinion that it can be done without causing material harm to the Company, provide disclosures about conditions that may impact assessment of an item of business on the agenda, about conditions that may impact assessment of the Company's or a subsidiary's financial situation, and about the Company's relationship with another Group company.

Processing of personal data

Personal data about shareholders obtained from the register of shareholders, notification to attend the AGM, and information about representatives and assistants will be used for registration, preparation of the voting list for the AGM and, where applicable, in the AGM minutes. Personal Data is processed in accordance with the General Data Protection Regulation (Regulation (EU) 2016/679). For further information about the Company's processing of personal data and your rights, see the Integrity Policy via the following link www.axfood.se/om-axfood/dataskydd.

Documents

Pursuant to the Articles of Association and the Swedish Corporate Governance Code, the Board's and Nominating Committee's complete proposals and other documents shall be available from the Company at Norra Stationsgatan 80 C in Stockholm, and on the Company's website, www.axfood.se, not later than three week before the Annual General Meeting, and shall be sent to shareholders who so request and provide their postal address. Documents can be requested by phone on +46-8-402 90 51.

Stockholm, February 2019

Axfood Aktiebolag (publ)

The Board of Directors

For further information, contact:

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

Axfood aspires to be the leader in good and sustainable food. Our family of companies includes the store chains Willys and Hemköp as well as Tempo, Handlar'n and Direkten. B2B sales are handled through Axfood 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 and Eurocash. Together the Group has more than 10,000 employees and sales of nearly SEK 50 bn. Axfood has been listed on Nasdaq Stockholm since 1997, and the principal owner is Axel Johnson AB. Read more at www.axfood.se.