

Axfood

PRESS RELEASE, 6 March 2019

Letter of Intent signed for highly automated logistics centre in Stockholm

Axfood has signed a Letter of Intent with Witron to use the company's technology for the highly automated logistics centre that is planned to be in full operation by 2023. At the same time, Axfood has signed a Letter of Intent with the property owner NREP Logicensers to locate the warehouse in Bålsta, northwest of Stockholm. The future logistics centre will be one of the largest and most modern in Europe for distribution of groceries to both stores and e-commerce customers.

Axfood has previously announced its plan to establish a highly automated logistics centre in Stockholm. It is now clear that the German company Witron, a market leader in dynamic warehouse and order-picking systems, has been selected as the supplier of automation for the new warehouse.

The planned highly automated logistics centre – more than 100,000 sq. m. in area and environmentally certified – will be in full operation in 2023 and will handle both deliveries and order-picking for Axfood's stores as well as for e-commerce customers. It will be built to be well-equipped to meet Axfood's expansion plans with high delivery reliability, better delivery quality and an expanded assortment.

"We are building for the future. This new logistics solution will make us even more competitive and create coordination gains within the Group. We are investing in a flexible means of meeting our future need to deliver products both to stores and directly to e-commerce customers," comments Klas Balkow, President and CEO of Axfood.

"With a joint highly automated logistics centre – for all temperature zones – we will be both more efficient and more flexible in addressing the future development in the food retail industry. This will also strengthen our customer offering, as we will be able to keep an expanded assortment in stock and fulfil orders faster and more sustainably," says Nicholas Pettersson, President of Dagab, Axfood's purchasing and logistics company.

As previously communicated, the future automation solution entails an annual investment need of SEK 400–600 m during the period 2019–2022. With the chosen automation solution, it is believed that the investment will be at the upper end of this range. The investment will be financed through loans.

Axfood has also signed a Letter of Intent with NREP Logicensers to begin negotiations for a long-term lease contract for a logistics property in Bålsta. NREP Logicensers is an experienced logistics property developer in the retail sector.

The new logistics centre will entail coordination of large parts of the logistics operations for the Stockholm and Mälardalen areas as well as areas northward, which today account for approximately 60% of the volume. The facility will replace existing warehouses in Jordbro, Borlänge, Årsta, Örebro, Skellefteå and Sättra. In addition, the facility will expand capacity by at least 40% compared with the current volume in the existing six warehouses.

Axfood estimates that by as early as 2023 the share of costs for logistics operations, including a new lease and higher depreciation, will be in line with the current level. Thereafter, it is estimated that the share of costs for logistics will decrease in pace with Axfood's growth.

Webcast conference call for press and investors

Axfood invites investors and the press to a webcast conference call on Wednesday, 6 March at 4 p.m. CET, where Klas Balkow, President and CEO and Nicholas Pettersson, President of Dagab, will be on hand for questions.

To participate by phone:

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The presentation will also be webcast and can be viewed on axfood.se.

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This press release was submitted for publication at 3 p.m. CET on 6 March 2019.

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.