

PRESS RELEASE 11 FEBRUARY 2020

Notice of 2020 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 Wednesday, 18 March 2020. Location: Oscarsteatern (Kungsgatan 63), 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 in the register of shareholders maintained by Euroclear Sweden AB as per Thursday, 12 March 2020, and
- notify the Company of their intention to attend the AGM not later than Thursday, 12 March 2020.

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 rights registration) in order to be able to participate in the Annual General Meeting. Such registration must be executed by Thursday, 12 March 2020 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 and sustainability report and auditor's report, of the consolidated accounts and auditor's report for the Group for 2019, 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 dates for payment of the dividend

11. Resolution on the number of directors and deputy directors, and on the number of auditors and deputy auditors 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. Election of auditor
15. Resolution on instructions for the Nominating Committee
16. Resolution on guidelines for compensation of senior executives
17. 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
18. Resolution on employee purchases of shares in subsidiaries
19. Resolution on amendment to the Articles of Association
20. Conclusion of the Annual General Meeting

Recommendations for decision

Point 1 – AGM Chairman

Axfood's Nominating Committee ahead of the 2020 Annual General Meeting consists of Caroline Berg (committee chair, Axel Johnson Aktiebolag), Joachim Spetz (Swedbank Robur Fonder), Johan Strandberg (SEB Fonder) and Jan Särllvik (Nordea Investment 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 dates

The Board of Directors recommends that the 2020 Annual General Meeting resolve in favour of payment of a dividend of SEK 7.25 per share. The dividend amount will be divided into two payments, of SEK 3.75 and SEK 3.50, respectively. Friday, 20 March 2020 and Friday, 18 September 2020 have been proposed as the record dates for entitlement to the dividend. With the specified record dates, dividends are expected to be paid out on Wednesday, 25 March and Wednesday, 23 September 2020. The last day for trading in the Company's stock including the right to the first dividend payment is Wednesday, 18 March 2020, and with respect to the second dividend payment, Wednesday, 16 September 2020.

The proposed dividend amounts to a total of SEK 1,517,415,662. This amount is calculated on the total number of shares in the Company less the Company's holding of treasury shares on the date of this notice. This holding will change before the second record date, partly owing to grants under LTIP 2017 and partly owing to the proposal for a long-term incentive programme in this notice, if it is adopted. The Board proposes that the remaining profits be carried forward.

Point 11 – Number of directors and auditors

The Nominating Committee recommends that

- the number of AGM-elected directors shall be eight (8) without any deputies, and that
- the number of auditors shall be one (1) accounting firm without any deputies.

Point 12 – Directors' and auditor's fees

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

- SEK 725,000 for the Chairman of the Board (previously 690,000), SEK 555,000 for the Vice Chairman (previously SEK 530,000), and SEK 460,000 for each of the other AGM-elected non-executive directors (previously 435,000),
- in addition to directors' fees, an additional SEK 150,000 for the chairman and an additional SEK 75,000 for other directors for possible work on an audit committee,
- no compensation for work on the Board's other 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,
- election of Christian Luiga as a new director, and
- re-election of Mia Brunell Livfors as Chairman of the Board.

Christian Luiga was born in 1968. He is acting President and CEO of Telia Company AB since September 2019. He has more than ten years of experience in the Telia Group, where he served most recently as Executive Vice President and CFO, and prior to that as Head of Corporate Control. He has also held positions as CFO of Teleca AB and Framfab AB, and as a controller for several companies. Christian Luiga holds a Bachelor of Science in Economics.

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

Point 14 – Election of auditor

The Nominating Committee proposes:

Re-election of Deloitte AB as the Company's auditor for a term from the end of the 2020 Annual General Meeting through the end of the 2022 Annual General Meeting. The auditing firm has announced that Authorized Public Accountant Hans Warén will continue to serve as chief auditor, provided that the firm is re-elected. The proposal is in accordance with the Board's recommendation.

Point 15 – Instructions for the Nominating Committee

The Nominating Committee proposes that the 2020 Annual General Meeting adopt the following instructions for Axfood's Nominating Committee, to apply until new instructions have been adopted.

- The Company shall have a nominating committee composed of members of whom one each is appointed by 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 from its 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) election 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) changes in the instructions for the Nominating Committee, where applicable. The Nominating Committee's proposal to the Annual General Meeting shall be made public 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 16 – Guidelines for compensation of senior executives

The Board recommends that the 2020 Annual General Meeting adopt the following guidelines for compensation of senior executives of Axfood, to apply until not later than the 2024 Annual General Meeting.

The guidelines apply for the President and CEO of Axfood as well as members of the Executive Committee, who report directly to the CEO. The guidelines do not cover compensation decided on by a general meeting of shareholders, such as directors' fees or share-based incentive programmes.

The guidelines shall be applied for compensation that is agreed upon, and changes made to already agreed upon compensation, after the guidelines have been adopted by the 2020 Annual General Meeting.

The guidelines steer the decisions on compensation made by the Board's Compensation Committee with respect to senior executives who report directly to the CEO and by the Board in its entirety with respect to the CEO.

The guidelines' promotion of Axfood's business strategy, long-term interests and sustainability

Axfood's vision entails that the Company shall be a leader in good and sustainable food. To achieve this, Axfood works according to a strategy of growth-promoting priorities and efficiency improvement measures. Added to this is a strong employee focus. Axfood's strategies rest upon a values-steered culture and core values, on sustainability and on community engagement. Axfood's business concept is to be a family of successful and distinctive food concepts in close collaboration. This entails, among other things, that every food concept shall offer the best customer experience for its target group, and that purchasing and logistics for all of the food concepts are handled in a joint organization. This results in collaboration that creates an efficient and strong group. Axfood's strategy, vision and goals are described in more detail on the Company's website: www.axfood.se.

Successful implementation of Axfood's business strategy and capitalization on Axfood's long-term interests, including its sustainability, requires that Axfood can recruit and retain qualified employees with the right competence. Achieving this requires that Axfood can offer competitive compensation. The guidelines ensure that senior executives can be offered a competitive total compensation package.

Axfood has established long-term share-based incentive programmes. They have been set by the Annual General Meeting and therefore are not covered by these guidelines. The programmes include the CEO, other senior executives, members of their management teams and key persons. The performance requirements used to assess the outcome of the programmes have a clear coupling to the business strategy and to Axfood's long-term value creation, including sustainability. For further information about these programmes, including the criteria that the outcomes are based on, see <https://www.axfood.com/investors/corporate-governance/annual-general-meeting/>.

The variable compensation shall aim to promote Axfood's business strategy and long-term interests, including sustainability.

Forms of compensation

Axfood shall offer compensation that is in line with the going rate in the market and is based on factors such as the importance of the work duties and the executive's competence, experience and performance. The compensation may consist of a fixed base salary, short-term variable compensation, pension benefits, insurance and other benefits. In addition, a general meeting of shareholders can – and independent of these guidelines – decide on share-based and share price-related compensation.

Fixed base salary

Fixed base salary constitutes compensation for a committed work contribution at a high professional level that ultimately aims to create value-added for Axfood's customers, shareholders and employees. Fixed base salary shall be attractive in comparison with the market and be based on the executive's competence, experience and performance. Salaries are reviewed yearly. Senior executives do not receive fees for board assignments in the Axfood Group's subsidiaries and associated companies.

Variable compensation

In addition to fixed base salary, variable compensation may be payable. Variable compensation shall be coupled to measurable criteria that are formulated to promote the Company's business strategy and long-term interests, including sustainability. The criteria shall be adopted yearly by the Compensation Committee and the Board of Directors. Variable compensation shall be based on the achievement of Axfood's – and where applicable, the subsidiary's – targets for earnings and sales growth as well as the executive's personal goals for the financial year. The measurement period is one year, and the compensation can amount to a maximum of 60% of fixed base salary for the measurement period.

Additional variable compensation may be payable for extraordinary circumstances, provided that such extraordinary arrangements are only made at the individual level for the purpose of recruiting or retaining executives, or as compensation for an extraordinary work contribution on top of the person's normal work duties. Such compensation may not exceed an amount corresponding to 50% of his or her fixed annual salary and may not be awarded more than once a year per individual. Decisions on such compensation shall be made by the Board of Directors following preparation by the Compensation Committee.

When the measurement period for fulfilment of the criteria for payment of variable cash compensation has ended, it shall be assessed and determined to what extent the criteria have been met. In the annual evaluation, the Compensation Committee – or the Board, where applicable – can adjust the targets and/or compensation for both positive and negative extraordinary events, reorganizations and structural changes.

Variable compensation shall not be payable if the Axfood Group has a negative result regardless of whether the specific targets in applicable cases for a subsidiary and/or the individual goals for the senior executive have been achieved.

Pension and other benefits

Axfood applies a retirement age of 65 for all senior executives.

For the CEO, pension benefits shall be in accordance with a defined contribution solution. Variable compensation shall not be pensionable. Pension premiums for defined contribution pensions shall amount to a maximum of 35% of pensionable salary (which corresponds to the fixed monthly salary multiplied by a factor of 12.2).

Externally recruited senior executives shall have a defined contribution pension plan in accordance with ITP 1 (except for a new CEO).

Other benefits shall be of limited scope and may include, for example, disability, life and health insurance, and a car, travel and housing benefit.

With respect to employment conditions subject to other rules than those that apply in Sweden, with respect to pension benefits and other benefits, customary adjustments may be made to comply with such compulsory rules or local practice, whereby the overarching purpose of these guidelines shall be met.

Cessation of employment

For notice of termination served by the employer, the notice period may be a maximum of 12 months. Fixed base salary during the notice period and severance pay may together not exceed an amount corresponding to two years' fixed base salary. For notice given by a senior executive, the notice period may be a maximum of six months, without any right to severance pay.

In addition, compensation may be payable for any noncompete obligation. Such payment shall compensate the executive for possible loss of income and shall only be made during the period that the executive lacks a right to severance pay. The monthly compensation shall amount to a maximum of 60% of the executive's average monthly income for the 12 months preceding the end of employment. The compensation shall be payable during the time that the noncompete obligation applies, which shall be a maximum of nine months after the end of employment.

Salary and terms of employment for employees

Salary and terms of employment for Axfood's employees have been taken into account in the drafting of the Board's proposal for these compensation guidelines. Information on the employees' total compensation, compensation components and the increase in compensation and the rate of growth over time has made up part of the Compensation Committee's and the Board's decision-making documentation in their evaluation of the fairness of the guidelines and the limitations that emanate from these.

Decision-making process for adopting, reviewing and implementing the guidelines

The Board of Directors has established a Compensation Committee. The committee's duties include conducting preparatory work for the Board's decisions on proposed guidelines for compensation of senior executives, compensation and other terms of employment for this group. The Board shall draw up a proposal for new guidelines at least every four years and submit the proposal for decision by the General Meeting.

The guidelines shall apply until new guidelines have been adopted by a general meeting of shareholders. The Compensation Committee shall also monitor and evaluate ongoing programmes and programmes concluded during the year for variable compensation for members of the Executive Committee, application of guidelines for compensation of senior executives, and applicable compensation structures and compensation levels at Axfood. The Compensation Committee's members are independent in relation to Axfood and the Executive Committee. In the Board's handling of and decisions on compensation-related matters, the CEO or other members of the Executive Committee are not present to the extent they are the subject of the matter at hand.

Departures from the guidelines

The Board of Directors may decide to temporarily depart from the guidelines entirely or partly if in specific cases there are special reasons for doing so and a departure is necessary to safeguard the Axfood Group's long-term interests, including sustainability, or to safeguard the Group's financial soundness. As stated above, it is part of the Compensation Committee's duties to conduct preparatory work for the Board's decisions on compensation matters, which also includes decisions to depart from the guidelines.

Description of significant changes in the guidelines and how the shareholders' views are taken into account

The proposed guidelines submitted to the 2020 Annual General Meeting do not entail any significant changes in relation to the Company's existing compensation guidelines. The Company has not received any views from the shareholders.

Information on decided compensation that has not fallen due for payment and on departures from the guidelines for compensation decided on by the 2019 Annual General Meeting

Previous Annual General Meetings have resolved on guidelines for compensation and other terms of employment for senior executives for the period up until the next Annual General Meeting. In short these guidelines entail that, in addition to base salary, variable compensation shall be payable, tied in part to Axfood's targets for earnings and sales growth and in part to the achievement of personal goals. Short-term variable compensation is expensed during the financial year and is paid out after the annual report has been adopted by the Annual General Meeting. The guidelines adopted by the 2019 Annual General Meeting have been adhered to, and all previously approved compensation that has not yet been paid out is within the frameworks described above.

Point 17 – Long-term share-based incentive programme (LTIP 2020)

The Board of Directors recommends that the Annual General Meeting resolve in favour of establishing a long-term share-based incentive programme (LTIP 2020) for employees of the Axfood Group 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 2019 Annual General Meeting resolved to establish, with the change that participants in Category 2 can allocate 1,250 Savings Shares to LTIP 2020, compared with 850 Savings Shares in the previous programme.

(A) Long-term share-based incentive programme

A.1 LTIP 2020 in summary

The main motives for establishing LTIP 2020 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 2020 will facilitate Axfood in recruiting and retaining persons for the Executive Committee and other key persons.

LTIP 2020 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 2020 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-labelled products. The maximum number of shares in Axfood that may be granted under LTIP 2020 shall be limited to 310,000, which corresponds to approximately 0.1% of the total number of shares and votes outstanding in the Company.

A.2 Participants in LTIP 2020

Participants in LTIP 2020 are 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 (approximately 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 2020 (whereby the number of persons in the various categories may be adjusted).

A.3 Personal investment and vesting period

Participation in LTIP 2020 requires that the participant has a personal shareholding in Axfood that is allocated to LTIP 2020 ("Savings Shares"). Savings Shares can either be purchased for LTIP 2020 or be held since previously, provided that they have not already been allocated to an incentive programme already in progress. Participation in LTIP 2020 can take place with a maximum of 4,700 Savings Shares (Category 1), 1,250 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 2020, purchases of shares shall be made as soon as possible, but before 31 December 2020 at the latest. 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 2023. The vesting period commences when the participant accepts an invitation to participate in the programme and continues until the interim report has been published.

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 834, which corresponds to 400% of the closing price of Axfood shares on 30 December 2019 (SEK 208.40). 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 2019, 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 2022, respectively. For Series B and Series D, the measurement period shall instead run from 1 January 2020 to 31 December 2022.

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 two (2) percentage points higher than Food Retail Index (which is produced by the Swedish Food Retailers Federation) ("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 is equal to or exceeds the accumulated share price growth for the SIX Return Index by ten (10) percentage points. 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 an increase in the share of sales of sustainability-labelled products by 10% or more, accumulated during the 2020-2022 financial years, compared with the level at 31 December 2019. The minimum level for a grant is that the Axfood Group's share of sales of sustainability-labelled products is level with the share at 31 December 2019. If the share of sales of sustainability-labelled 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 2020, 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 2020 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 2020 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 2020 shall be limited to 310,000, 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 2020 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 2020 – 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 2020. 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 157.70. This estimation is based on the closing price of Axfood shares on 4 February 2020 (SEK 203.50). 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 35.3 m. This cost corresponds to approximately 0.08% of Axfood's market capitalization on 4 February 2020. Based on the assumptions above, it is estimated that the total cost for LTIP 2020 including social security costs will be approximately SEK 51.0 m, which on a yearly basis corresponds to approximately 0.2% of Axfood's total personnel costs during the 2019 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 2020, Axfood's personnel costs on a yearly basis are expected to increase by approximately SEK 17.4 m (including social security costs) based on the assumptions above. On a pro forma basis for 2019 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 0.08. However, the Board believes 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 outweigh the costs associated with LTIP 2020.

A.11 Drafting of proposal

LTIP 2020 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

Three long-term share-based incentive programmes have been in effect since previously in Axfood, which were approved by the 2017, 2018 and 2019 Annual General Meetings, see Note 8 in Axfood's 2019 Annual Report, which will be kept available on Axfood's website, www.axfood.se, starting on 26 February 2020 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 2020.

A.14 Majority requirement

The Board's recommendation for decision to implement LTIP 2020 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 2020 in accordance with point (A) above.

B.1 Purchase 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 310,000 shares.
- Purchases of shares shall be made on Nasdaq Stockholm 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 2020 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 2020

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

- A maximum of 310,000 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 2020 who, according to the terms for LTIP 2020, 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 2020 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 2020. 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 18 – Employee purchases of shares in subsidiaries

The Board of Directors recommends that the 2020 Annual General Meeting resolve in favour of the following proposal concerning the opportunity for employees to purchase shares in subsidiaries.

The Axfood Group operates a large number of Group-owned grocery stores within the Willys, Willys Hemma and Hemköp chains, including approximately 70 stores in Hemköpskedjan AB. In addition, the Group has extensive collaborations with independent retailers through franchise arrangements. Currently approximately 130 Hemköp stores are operated by independent retailers under such franchise agreements. Through Hemköpskedjan AB, the Axfood Group also holds the rights to the Tempo store profile. The Group does not operate any of its own Tempo stores, but has franchise collaborations with approximately 130 independent Tempo retailers for Tempo stores, which are a mini-mart format. They have a slightly smaller assortment and retail space than Hemköp and Willys stores, and most are located in countryside communities or suburbs of major cities. In this way, Tempo stores make up an important contribution to a thriving countryside, as they often also offer services such as package pick-up and pharmaceutical sales.

Both Hemköp's and Tempo's franchise concepts play an essential role in the Axfood Group's operations. It is therefore important that the franchisees have a strong 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.

Every Annual General Meeting of Axfood since 2009 has given its support for employees of Hemköp stores to have the opportunity to purchase shares in store companies within Hemköpskedjan in the aim over the medium term to be independent franchisees. The Board now wants to expand this opportunity also to Tempo stores for the purpose of further developing and expanding the Tempo chain, among other things with respect to the number of stores and geographic spread.

With respect to Hemköp stores, the proposal entails that Hemköpskedjan AB initially transfers the operation of a store to a newly formed, wholly owned stock company. With respect to Tempo, the proposal entails that Hemköpskedjan AB in a first step acquires or establishes such a store that is to be operated within the Tempo chain, since the Axfood Group currently does not own any Tempo stores.

The store manager of the selected store company thereafter purchases, in a first step, a maximum of 9% of the shares in the store company along with 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 control share to be retained by the Axfood Group. Exercise of the call option (step 2) requires that the store manager, during the time until execution of step 2, has acted in accordance with the requirements that apply for the Hemköp or Tempo chain'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 2021 Annual General Meeting of Axfood Aktiebolag (publ).

Giving the Axfood Group the right to designate employees of Hemköp and Tempo stores as future franchisees will create favourable opportunities for the Axfood Group to achieve its objectives. At the same time this will promote 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.

Against this background, the Board recommends that the Annual General Meeting resolve that employees within the Axfood Group be given the opportunity to purchase shares in store companies in the Hemköp and Tempo chains. The persons who shall have the right to purchase shares are store managers of store companies that are operated and/or established as subsidiaries of Hemköpskedjan AB, with respect to Hemköp as well as Tempo stores.

The proposal covers a combined maximum of ten (10) stores with estimated, combined annual sales of approximately SEK 500 m. By comparison, the Axfood Group had sales of slightly more than SEK 50 bn in 2019.

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.

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 2019 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 (3) transfers have been carried out, whereby three (3) store managers purchased shares in their respective store companies.

Point 19 – Resolution to amend the Articles of Association

The Board of Directors recommends that the Annual General Meeting resolve in favour of amending the Company's Articles of Association in the following respects:

(i) new wording of the stipulation pertaining to the right to vote at general meetings (§ 8 second paragraph):

To be able to vote at general meetings, shareholders must notify the Company about this not later than the day stated in the notice of the general meeting;

(ii) deletion of resolution on instructions for the nominating committee and resolution on guidelines for senior executives as obligatory items of business at every Annual General Meeting, i.e., deletion of points 12 and 13 in § 9;

(iii) editorial simplification and clarifying changes in the form of "*firma*" ("name of the Company") to "*företagsnamn*" ("name of the Company") (§ 1), "*skall*" ("shall") to "*ska*" ("shall"), and "*deltaga*" ("vote") to "*delta*" ("vote"), and with respect to the legislative reference in § 11 to the Swedish Central Securities Depositories and Financial Instruments (Accounts) Act (1998:1479) ("*lag (1998:1479) om värdepapperscentraler och kontoföring av finansiella instrument*");

(iv) editorial simplifying change of the company name from "Axfood Aktiebolag" to "Axfood AB" (§ 1).

The recommendation according to (i) is made because the right to vote is regulated in the Swedish Companies Act (2005:551) and therefore does not need to be part of the Articles of Association and because an expected legislative change in 2020 will result in the current wording being in violation of law. The recommendation according to (ii) is made since it will enable a resolution for instructions for the Nominating Committee to apply until new instructions are adopted by a general meeting and that adopted guidelines for compensation of senior executives can apply during a period of up to four (4) years. Resolutions on these matters therefore do not need to be made at every Annual General Meeting.

The Board's recommendations for new Articles of Association are available from the Company and on the Company's website (see address above).

Other information regarding the Annual General Meeting

Special majority requirement

Resolutions in accordance with points 17b and 18 are valid only if they have the support of shareholders representing at least nine-tenths of the number of votes and shares represented at the Annual General Meeting. A resolution in favour of the Board's recommendation according to point 19 requires that it has the support of shareholders representing at least two-thirds 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 572,000 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 Annual General Meeting, and information about representatives and assistants will be used for registration, preparation of the voting list for the Annual General Meeting 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 <https://www.axfood.com/about-axfood/data-protection/>.

Documents

The Board's and Nominating Committee's complete proposals and other documents that are to be made available in accordance with the Swedish Companies Act and the Swedish Corporate Governance Code, are available from the Company at Norra Stationsgatan 80 C in Stockholm, and on the Company's website, www.axfood.se, not later than three weeks before the Annual General Meeting, and will 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 2020

Axfood Aktiebolag (publ)

The Board of Directors

For further information, please 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 and Handlar'n. 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 more than 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.