

Interim Report, Axfood AB (publ.) 1 January–30 September 2005

Spar Finland is reported as a discontinued operation on a separate line in the profit and loss account, and thus the figures below pertain to continuing operations.

- Axfood's consolidated sales during the first nine months of 2005 amounted to SEK 20,781 m (21,425), a decrease of 3.0%. Axfood's consolidated sales during the third quarter totalled SEK 7,090 m (7,161), a decrease of 1.0%.
- Retail sales for Axfood's wholly owned stores rose 4.0% during the period. Same-store sales decreased by 3.0%.
- Operating profit for the period was SEK 825 m (839). Operating profit for the third quarter was SEK 312 m (333).
- Profit after financial items for the period was SEK 814 m (814). Profit after financial items for the third quarter was SEK 309 Mkr (327).
- Profit after tax for the period was SEK 579 m (586). Earnings per share were SEK 10.63 (10.94).
- Axfood is selling all of its shares in Spar Finland for cash purchase price of EUR 38.7 m (approx. SEK 360 m). Purchase by the buyer is conditional upon approval from the Finnish Competition Authority.
- The Board and management's estimation is that operating profit for the year will be approximately SEK 1,000 m. (1,148)

Key ratios	July-September		January-September		January-December
SEK m	2005	2004	2005	2004	2004
*Net sales	7,090	7,161	20,781	21,425	28,658
*Operating profit	312	333	825	839	1,126
*Operating margin, %	4.4	4.7	4.0	3.9	3.9
*Profit after financial items	309	327	814	814	1,096
*Profit after tax	222	233	579	586	786
*Earnings per share, SEK	4.07	4.34	10.63	10.94	14.67
Equity ratio, %	-	-	38.4	37.0	38.3
Return on capital employed, %	-	-	33.3	37.2	34.1
Return on shareholders' equity, %	-	-	30.0	37.3	32.8
Net asset value per share, SEK	-	-	49.70	45.63	49.35

*According to IFRS 5, Spar Finland is reported as a discontinued operation on a separate line in the profit and loss account. Marked key ratios pertain to continuing operations. Comparison figures have been recalculated. Other key ratios apply for Axfood's total operations (including Spar Finland), since the balance sheets for the comparison periods are not recalculated, in accordance with IFRS 5.

CEO's comments

The fierce competitive situation in the Swedish retail food market continues, with subsequent pressure on prices. Our strategy in this market situation is to maintain earnings while organically as well as through strategic store acquisitions. To further strengthen our competitiveness, we work intensively on developing and investing in our store concepts and customer offerings.

The Axfood Group's operating profit for the period January-September was SEK 825 m (839). The operating margin was 4.0% (3.9%). Operating profit for the third quarter was SEK 312 m (333).

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Willys, the wholesale operations and the central purchasing function continue to make the strongest contribution to earnings.

Sales by Axfood's wholly owned retail operations in Sweden grew by 4.0% during the period, while same-store sales declined by 3.0%.

Despite tougher competition, Willys has achieved very good and stable earnings at the same time that the chain has grown during the period through several strategic store acquisitions in the key Stockholm market, among others.

Willys hemma continues to show a weak trend in volume. However, sales for stores in the major metropolitan areas are good, and it is here that further expansion of Willys hemma will take place. However, good cost and business control have not been sufficient to offset the considerable drop in sales, which led to a negative result for the period.

Hemköp's weak sales trend since the start of the year continued also into the third quarter, albeit at a slower pace than in the preceding two quarters, at the same time that the chain as a whole is growing through acquisitions. Hemköp's programme to reduce store payroll costs is on track.

Dagab's operating profit for the period was satisfactory. Internal customers account for 84% of Dagab's sales.

Axfood Närlivs is showing a continued stable trend in sales and operating profit.

An agreement has been made with SOK Finland on the sale of Axfood's entire shareholding in Spar Finland Abp. With the S-gruppen as a new, principal owner, Spar Finland will have better prospects to develop in the Finnish retail food market. Spar Finland is reported as a discontinued operation on a separate line in the profit and loss account, and thus the reported figures pertain to continuing operations. The transaction is expected to be completed in November 2005, following approval by the Finnish Competition Authority.

As a consequence of the competitive situation and the expanded market investments by our store chains, the Board decided on 14 September 2005 to adjust the previously issued earnings forecast. The Board and management's estimation is that operating profit for the year will be approximately SEK 1,000 m (1,148)¹.

Mats Jansson
President and CEO

Important events during the third quarter

- The Board of Axfood AB appointed Anders Strålman as new President and CEO. Anders Strålman has served as President of Axfood's fast-growing and largest store chain, Willys, since 2000, and assumes his new position on 1 November 2005.
- Axfood sold all of its shares in Spar Finland for a cash purchase price of EUR 38.7 m (approx. SEK 360 m). Spar Finland had a book value of SEK 327.2 m at 30 September 2005. Transaction costs are not taken into account in the figures provided here. The purchase of the shares is conditional upon approval from the Finnish Competition Authority.
- Axfood revised its earnings forecast for 2005. The Board and management's estimation is that operating profit for the year will amount to approximately SEK 1,000 m (1,148).
- Hemköp: two new stores were acquired in Stockholm, with combined annual sales of approximately SEK 225 m.
- Willys: two new stores were opened – at Heron City in Skärholmen (Stockholm) and in Örnsköldsvik. Three new stores were acquired in Källered, Skene and Stenungssund, with combined annual sales of approximately SEK 310 m. An additional store was acquired in Motala and will be reopened in November. The store has annual sales of approximately SEK 90 m.

¹ The previous forecast was: "In view of the new competitive situation, market investments will be increased in the respective store concepts. Earnings for 2005 are therefore expected to be level with the outcome for 2004, excluding goodwill amortization."

Important events previously during the year:

- Willys: three new stores were acquired in Uppsala and one in Stockholm. The stores have combined annual net sales of approximately SEK 530 m. One store was opened in Norrtälje.
- Hemköp: four stores were acquired, of which two are in Stockholm, one in Malmö and one in Örnsköldsvik. The stores have combined annual net sales of approximately SEK 475 m.
- The decision was made to close the distribution centre in Kristianstad in October, which is expected to lower Dagab's costs by SEK 18 m on an annual basis.
- Willys hemma: four new stores were acquired, of which three are in Stockholm. The stores have combined net sales of SEK 130 m.
- Dagab reduced its workforce by 100 positions.

Important events after the end of the period

- Axfood has acquired the Vi Hagahallen store in Hagalund, Solna, with sales of just under SEK 30 m. The store is being converted to Willys hemma in November 2005 and will be the chain's seventh store in the Greater Stockholm area.
- Urban Dahl has been named as new President of Willys AB.
- Mats Sjö Dahl has been named as Director of Purchasing for the Group.
- On 7 October the Finnish Competition Authority announced that it is initiating further proceedings regarding SOK's acquisition of shares in Spar Finland. Axfood believes the sale of the shares will be completed in November 2005.

Sales and earnings of the Axfood Group**Continuing operations**

Consolidated wholesale and retail sales for the Axfood Group for the period January-September totalled SEK 20,781 m (21,425), a decrease of 3.0%. The Axfood Group's sales in Sweden (in own and collaborating stores), including VAT, totalled SEK 20,950 m (20,933). Sales by Axfood's wholly owned stores in Sweden increased during the period by 4.0%, with a 3.0% drop in same-store sales.

Operating profit for the period January-September was SEK 825 m (839). The operating margin for the period January-September was 4.0% (3.9%).

Net financial items amounted to SEK -11 m (-25) for the period January-September. Profit after financial items was SEK 814 m (814). The margin was 3.9% (3.8%) after financial items. Profit after tax was SEK 579 m (586).

Financial position

Cash flow from operating activities during the period January-September was SEK 895 m (1,044). Cash and cash equivalents held by the Group amounted to SEK 593 m (750). At the end of the quarter, interest-bearing assets amounted to SEK 594 m (761), while interest-bearing liabilities and provisions totalled SEK 430 m (714) at the end of September.

The equity ratio was 38.4% (37.0%).

Capital expenditures

Total capital expenditures during the period amounted to SEK 764 m (353). Of these, SEK 346 m (10) pertained to acquisitions of stores in Sweden, SEK 368 m (296) to investments in fixed assets in the store network, IT and wholesaling operations in Sweden, and SEK 50 m (47) to investments in fixed assets in Finland.

During the period January-September, Axfood acquired 26 independent store operations, including 18 in Sweden and eight in Finland. Of the Swedish acquisitions, six have been converted to Hemköp, four to Willys hemma, and seven to Willys. An additional store in Motala was acquired and will be converted to Willys following remodelling. Axfood has strengthened its position in the important Stockholm market through eight of the Swedish acquisitions. The store investments in Finland pertain to proprietor-operated Spar stores taken over under Axfood's management. The combined purchase price for acquisitions during the period was SEK 346 m (10). Acquired assets and liabilities are carried on Axfood's balance sheet at

fair value. No intangible fixed assets other than goodwill have been identified. The goodwill that Axfood has paid for in the operations is entirely attributable to the synergies created by the acquisitions. Acquired goodwill during the period January-September amounted to the SEK 250 m (9).

Employees

The Axfood Group had an average of 7,852 employees (7,757) during the period January-September. Of the Group's employees, approximately 75% work in stores.

Store operations

Hemköp

Sales for wholly owned Hemköp stores during the period January-September totalled SEK 4,547 m (4,479), an increase of 1.5%. Same-store sales decreased by 5.2% during the same period. Sales by wholly owned stores during the third quarter totalled SEK 1,503 m (1,443).

Operating profit for the period January-September was SEK 37 m (68). The operating margin for the period January-September was 0.8% (1.5%). Operating profit for the third quarter was SEK 13 m (23).

Hemköp's private label share (including proprietor-run stores) was 12.1% (12.0%) as of September.

During the period January-September, six stores were acquired, five were sold and one was closed. The Hemköp chain has 90 wholly owned stores and 81 proprietor-run stores, of which 73 are operated under the Hemköp name. The Hemköp chain has 171 stores in all.

Willys

Willys' sales during the period January-September totalled SEK 9,322 m (8,785), an increase of 6.1%. Same-store sales decreased during the same period by 1.5%. Sales during the third quarter amounted to SEK 3,211 m (3,013).

Operating profit for the period January-September was SEK 405 m (395). The operating margin for the period January-September was 4.3% (4.5%). Operating profit for the third quarter was SEK 155 m (154).

Willys' private label share was 23.2% as of September (21.6%).

During the period January-September, four new stores were established, seven were acquired and one was closed. The Willys chain has 98 stores, plus three stores that are run in franchise form.

Willys hemma

Willys hemma's sales during the period January-September amounted to SEK 939 m (976), a decrease of 3.8%. Same-store sales decreased by 10.7% during the same period. Sales during the third quarter totalled SEK 308 m (312).

An operating loss of SEK -9 m (+1) was reported for the period January-September. The operating margin for the period was negative (+0.1). An operating loss of SEK -2 m (+1) was reported for the third quarter.

Willys hemma's private label share was 27.0% (25.0%) as of September.

During the period January-September, four stores were acquired and two were closed. Three of the acquisitions were in Stockholm. Willys hemma's expansion will be concentrated in major metropolitan areas, where new store establishments have been successful. Willys hemma has 47 stores.

Change in store structure – Group-owned stores, September 2005

	December 2004	Newly estab- lished units	Acquisitions	Sales/ closures	Conversions to/from	September 2005
Hemköp	90		6	-6		90
Willys	88	4	7	-1		98
Willys hemma	45		4	-2		47
Total	223	4	17	-9		235

Axfood Partihandel (wholesaling) – Dagab and Axfood Närlivs

Dagab's sales during the period January-September amounted to SEK 14,252 m (14,370). The decrease is attributable to weaker sales and a conscious change in product mix in favour of a greater share of discount and private label products. Sales during the third quarter amounted to SEK 4,921 m (4,716). Of the net sales of SEK 1.3 bn on a yearly basis that the Vivo stores accounted for, Dagab has recovered approximately 24% through acquisitions and new cooperation agreements. Axfood's wholly owned stores now account for 84% of Dagab's total sales.

Operating profit for the period January-September was SEK 200 m (236). The operating margin for the period January-September was 1.4% (1.6%). Earnings were charged with SEK 11 m in conversion costs associated with staff reductions. Operating profit for the third quarter was SEK 69 m (81).

The decision has been made to close one of Dagab's distribution centres, in Kristianstad. Activities in Kristianstad are scheduled to close in October and will be moved to other distribution centres. The closure will generate annual cost savings of SEK 18 m and one-time costs of approximately SEK 4 m.

Sales for Axfood Närlivs amounted to SEK 3,502 m (3,475) during the period January-September. Sales during the third quarter amounted to SEK 1,251 m (1,210). A greater focus by Närlivs on the restaurant and food service segment has yielded favourable results, with greater volumes. Competition in the convenience store segment remains fierce.

Axfood Närlivs' operating profit for the period January-September was SEK 86 m (79). The operating margin for the period January-September was 2.5% (2.3%). Operating profit for the third quarter was SEK 42 m (39).

Spar Finland

On 7 September Axfood reached an agreement with SOK on the sale of Axfood's shareholding in Spar Finland. Axfood owns 69.3% of the shares and 75.2% of the votes in Spar Finland. The purchase is conditional upon approval by the Finnish Competition Authority and upon SOK, with Axfood's shares, acquiring ownership of more than 90% of the shares and votes in Spar Finland. The transaction is expected to be completed before the end of November.

Sales for Spar Finland's wholly owned stores during the period January-September amounted to SEK 1,445 m (1,454), a decrease of 0.6%. Same-store sales were down 7.5% in local currency during the same period.

Sales amounted to SEK 3,694 m (3,905) for the period January-September and SEK 1,277 m (1,323) for the third quarter. An operating loss of SEK -18 m (+24) was reported for the period January-September. The operating margin for the period January-September was negative (+0.6). An operating loss of SEK -3 m (+19) was reported for the third quarter. The weaker operating result is attributable to lower volume and lower gross margins.

In accordance with IFRS 5, starting on 1 September 2005 and onward, no amortization/depreciation of intangible and tangible fixed assets attributable to Spar Finland is reported. Reversal of amortization/depreciation pertaining to Spar Finland amounted to SEK 6 m for the period before tax and to SEK 6 m accumulated for the year. Following this reversal, Spar Finland's operating result amounts to SEK -12 m (+24) accumulated for the year and SEK 3 m (19) for the quarter.

During the period January-September, eight stores were acquired and five were closed. Spar Finland has 97 wholly owned stores and collaborates with some 200 private retailers.

Parent Company

Other operating revenue for the Parent Company during the period January-September amounted to SEK 74 m (70). After selling and administrative expenses of SEK 127 m (130) and SEK 8 m (3) in net financial income, a loss of SEK -45 m (-57) was reported after financial items. Capital expenditures amounted to SEK 18 m (2). Cash and cash equivalents held by the Parent Company totalled SEK 308 m (463). Interest-bearing net debt was SEK 421 m (567) at the end of the period.

During the period January-September, the number of shares increased by 911,850 through conversion of the convertible debenture.

Accounting principles

Starting on 1 January 2005, Axfood applies International Financial Reporting Standards (IFRS, previously IAS) in its consolidated accounting. According to an EU directive, these rules apply for all listed companies in the EU. Swedish Financial Accounting Standards Council recommendation RR 31, "Interim financial reporting", clarifies that interim reports shall also be prepared in accordance with IFRS/IAS.

The IFRS/IAS transitional rules prescribe a comparison year, which means that 2004 figures are also reported according to IFRS/IAS in the 2005 reports. The effect of the transition to IFRS/IAS for the full year 2004, including a description of differences between previous accounting principles and IFRS/IAS, has been presented in the 2004 Annual Report. The effects of the transition for the period January-September 2004 are shown on page 13. Comparison figures for other quarters in 2004 can be found at www.axfood.se.

IAS 39 Financial Instruments: Recognition and Measurement, IFRS 4 Insurance Contracts and IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations are to be applied as from 1 January 2005 and are exempted from the requirement for recalculation of the comparison year. The effect of the transition to IAS 39 (see also the 2004 Annual Report) on the Axfood Group's shareholders' equity is SEK 0 m after tax as per 1 January 2005 and SEK 0 m after tax as per 30 September 2005. The transition to IFRS 4 has no effect on the Axfood Group's profit and loss account, balance sheet, cash flow statement or shareholders' equity.

Starting on 1 January 2005, Axfood applies IFRS 5 with respect to discontinued operations. On 7 September Axfood signed an agreement on the sale of its holding in Spar Finland (see page 5). Spar Finland is therefore reported as a discontinued operation. Spar Finland's net profit/loss from the start of the year is reported on a separate line in the profit and loss account – "Profit/loss for the period from discontinued operations". Comparison figures in the profit and loss account have been recalculated. Starting on 1 September 2005 and onward, the company has ceased to report amortization/depreciation of intangible and tangible fixed assets pertaining to Spar Finland. Instead, valuation of said assets is done at the lower of their reported and fair values less costs attributable to the sale. No write-downs have been necessary. Starting on 1 September 2005, assets and liabilities pertaining to Spar Finland are reported separately on the balance sheet. The balance sheets for the comparison periods are not affected, since the operation was not classified as a discontinued operation until 2005.

Starting on 1 January 2005, the Parent Company, Axfood AB, applies RR 32, "Reporting for legal entities". RR 32 entails essentially that IAS/IFRS is to be applied with certain exceptions. Application of RR 32 by Axfood AB has no effect on the company's earnings or financial position.

In other respects, the same accounting principles and calculation methods used in the most recent annual report have been applied.

This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting.

The effects of the transition to IFRS/IAS may be changed in 2005, as a review of the standards is still in progress.

Future outlook

The Board and management estimate that operating profit for the year will be approximately SEK 1,000 m (1,148).

Next reporting date

The year-end report for the 2005 financial year will be released on 2 February 2006. The 2006 Annual General Meeting will be held at 5 p.m. on 9 March 2006 at Norra Latin, Stockholm.

The 2005 Annual Report will be published on 24 February 2006 on Axfood's website, at which time it will be available at Axfood's head offices in Stockholm. The printed Annual Report will be presented at the Annual General Meeting. It will also be distributed by post to shareholders who so desire.

Stockholm, 21 October 2005

Axfood AB (publ.)

The Board of Directors

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Review Report, reg. no. 556542-0824

We have reviewed of this interim report in accordance with the recommendation issued by FAR (the Swedish Institute of Authorized Public Accountants). A review is considerably limited in scope compared with an audit. Nothing has come to our attention that causes us to believe that the interim report does not comply with the requirements of the Swedish Securities and Clearing Operations Act and the Swedish Annual Accounts Act.

Stockholm, 21 October 2005

Per Bergman
Authorized Public Accountant

Ola Forsberg
Authorized Public Accountant

Net sales per business unit SEK m	July-September		January-September		January-December
	2005	2004	2005	2004	2004
Hemköp ¹	1,512	1,463	4,575	4,541	6,167
Willys	3,211	3,013	9,322	8,785	11,789
Willys hemma	308	312	939	976	1,284
Axfood Närlivs ²	1,251	1,210	3,502	3,475	4,589
Dagab ³	4,921	4,716	14,252	14,370	19,320
Other ⁴	210	184	624	556	749
Internal sales ⁵	-4,323	-3,737	-12,433	-11,278	-15,240
Net sales from continuing operations	7,090	7,161	20,781	21,425	28,658
Net sales from discontinued operations ⁶	1,277	1,323	3,694	3,905	5,168
Net sales, total	8,367	8,484	24,475	25,330	33,826

Operating profit (EBIT) for the period, broken down by business unit SEK m	July-September		January-September		January-December
	2005	2004	2005	2004	2004
Hemköp ¹	13	23	37	68	102
Willys	155	154	405	395	530
Willys hemma	-2	1	-9	1	-4
Axfood Närlivs	42	39	86	79	97
Dagab	69	81	200	236	328
Other ⁴	35	35	106	60	73
Operating profit for the period from continuing operations	312	333	825	839	1,126
Operating profit/loss from the period from discontinued operations ⁶	3	19	-12	24	22
Operating profit for the period, total	315	352	812	863	1,148

1) Including Spar Sverige.

2) Of which, distributed sales SEK 2,854 m (2,761) for January-September and SEK 3,658 m for January-December 2004.

3) Of which, distributed sales SEK 9,760 m (10,606) for January-September and SEK 14,326 m for January-December 2004.

4) Includes joint-Group functions and the support company Axfood IT.

5) Of which, Dagab SEK 11,951 m (10,891) for January-September and SEK 14,704 m for January- December 2004.

6) Pertains to sales and profit/loss from operations of Spar Finland Apb, which is reported as a discontinued operation (see page 5) in accordance with IFRS 5. Sales for Spar Finland amounted to SEK 1,277 m (1,323) for the quarter and SEK 3,694 m accumulated for the year (3,905). Comparison figures in the profit and loss account have been recalculated. Spar Finland reported an operating result of SEK -3 m for the third quarter (+19) and SEK -18 m (+24) accumulated for the year. In accordance with IFRS 5, starting on 1 September 2005 and onward, no amortization/depreciation of intangible and tangible fixed assets attributable to Spar Finland is reported by Axfood. Reversal of amortization/depreciation pertaining to Spar Finland amounted to SEK 6 m for the quarter and to SEK 6 m accumulated for the year. Following this reversal, Spar Finland's operating result amounts to SEK 3 m for the quarter and SEK -12 m accumulated for the year.

Condensed profit and loss account					January-
SEK m					December
	July-September		January-September		2004
Continuing operations	2005	2004	2005	2004	
Net sales	7,090	7,161	20,781	21,425	28,658
Cost of goods sold	-6,101	-6,158	-17,856	-18,559	-24,756
<i>Gross profit</i>	989	1,003	2,925	2,866	3,902
Selling/administrative expenses, etc.	-677	-670	-2,100	-2,027	-2,776
<i>Operating profit</i>	312	333	825	839	1,126
Net financial items	-3	-6	-11	-25	-30
<i>Profit after financial items</i>	309	327	814	814	1,096
Tax	-87	-94	-235	-228	-310
<i>Profit for the period from continuing operations</i>	222	233	579	586	786
Profit/loss for the period from discontinued operations¹⁾	1	14	-7	17	17
Profit for the period	223	247	572	603	803
Of which, majority owner's share	224	243	575	599	799
Of which, minority owners' share	-1	4	-3	4	4
Operating profit for continuing operations includes depreciation of	112	105	319	304	417
Earnings per share, SEK	4.11	4.54	10.56	11.19	14.92
Earnings per share after dilution, SEK	4.10	4.46	10.55	11.00	14.66
Earnings per share for continuing operations, SEK	4.07	4.34	10.63	10.94	14.67
Earnings per share after dilution for continuing operations	4.07	4.27	10.61	10.75	14.42

Starting on 1 September 2005, Spar Finland is reported as a discontinued operation in accordance with IFRS 5, entailing that the net profit/loss from Spar Finland's business from the start of the year is reported separately on its own line. Spar Finland's net sales and all expenses have been extracted from the consolidated profit and loss account, which from 1 January 2005 only includes continuing operations. Starting on 1 September 2005 and onward, the company has ceased to report amortization/depreciation of intangible and tangible fixed assets pertaining to Spar Finland. Instead, valuation of said assets is done at the lower of their reported and fair values less costs attributable to the sale. No write-downs have been necessary. Comparison figures have been recalculated. Spar Finland reported an operating result of SEK -4 m after tax for the third quarter and SEK -12 m accumulated for the year. Reversal of amortization/depreciation pertaining to Spar Finland amounted to SEK 5 m for the quarter after tax and to SEK 5 m accumulated for the year. Following this reversal, Spar Finland's operating result after tax thus amounts to SEK 1 m for the quarter and SEK -7 m accumulated for the year.

Condensed balance sheet			
SEK m			
	30/9/2005	30/9/2004	31/12/2004
<i>Assets</i>			
Goodwill	1,125	987	995
Interest-bearing receivables	-	5	6
Financial fixed assets	33	152	147
Other fixed assets	1,603	1,949	1,981
Total fixed assets	2,761	3,093	3,129
Inventories	1,480	1,467	1,634
Accounts receivable, trade	512	706	754
Interest-bearing receivables	1	6	6
Other current assets	920	902	720
Cash and bank balances	593	750	977
Assets held for sale	1,095	-	-
Total current assets	4,601	3,831	4,091
Total assets	7,362	6,924	7,220
Shareholders' equity and liabilities			
Majority owner's share of equity	2,708	2,445	2,644
Minority owners' share of equity	119	120	119
Total shareholders' equity	2,827	2,565	2,763
Interest-bearing long-term liabilities	409	619	574
Noninterest-bearing long-term liabilities	433	368	454
Total long-term liabilities	842	987	1,028
Current interest-bearing liabilities	21	95	102
Accounts payable, trade	1,587	1,564	1,767
Other current noninterest-bearing liabilities	1,454	1,713	1,560
Liabilities tied to assets held for sale	631	-	-
Total current liabilities	3,693	3,372	3,429
Total shareholders' equity and liabilities	7,362	6,924	7,220
Contingent liabilities	77	83	85
Pledged assets	407	716	365

Starting on 1 January 2005, deferred tax assets are reported as other fixed assets, and deferred tax liabilities and other noninterest-bearing provisions are reported as noninterest-bearing long-term liabilities. The comparison figures have been changed.

Starting on 1 September 2005, Spar Finland is reported as a discontinued operation in accordance with IFRS 5. This entails separate reporting of Spar Finland as from 1 September 2005. From this date onwards, Axfood no longer reports amortization/depreciation of intangible and tangible fixed assets in its operations. Instead, valuation of said assets is done at the lower of their reported value and fair value, less costs for the sale. No write-down has been necessary. The comparison year's balance sheet is not affected, since the operation was not classified as a discontinued operation until 2005.

Cash flow statement			
SEK m			
	January-September 2005	2004	January-December 2004
Operating activities			
- Cash flow from operating activities before changes in working capital	924	933	1,359
- Changes in working capital	-29	111	103
<i>Cash flow from operating activities</i>	895	1,044	1,462
Investing activities			
- Company acquisitions, net	-249	21	18
- Acquisition of fixed assets, net	-364	-308	-489
- Reduction of financial fixed assets	13	49	49
<i>Cash flow from investing activities</i>	-600	-238	-422
Financing activities			
- Change in interest-bearing liabilities	-95	-315	-321
- New issue	66	6	6
- Dividend to shareholders	-590	-295	-295
<i>Cash flow from financing activities</i>	-619	-604	-610
Cash flow for the period	-324	202	430
Of which, cash flow from discontinued operations			
- Cash flow from operating activities	4	30	59
- Cash flow from investing activities	-42	-40	-53
- Cash flow from financing activities	-22	-15	-22
Cash flow for the period from discontinued operations	-60	-25	-16

Starting on 1 September 2005, Spar Finland is reported as a discontinued operation in accordance with IFRS 5.

Change in shareholders' equity, 30/9/2005			
SEK m			
	Majority share	owner's Minority owners' share	Total
Amount at start of year	2,644	119	2,763
Change of accounting principle, IAS 39	0	-	0
Change in fair value of forward contract	0	-	0
Translation difference	12	4	16
Dividend to shareholders	-589	-1	-590
New issue	66	-	66
Profit/loss for the period	575	-3	572
Amount at end of period	2,708	119	2,827

Starting on 1 September 2005, Spar Finland is reported as a discontinued operation, in accordance with IFRS 5. Of the change for the period, SEK 16 m pertains to translation differences pertaining to Spar Finland, of which the minority share is SEK 4 m. Accumulated translation differences pertaining to Spar Finland amount to SEK 17 m as per 30 September 2005.

Change in shareholders' equity, 30/9/2004				
SEK m	Majority share	owner's share	Minority owners' share	Total
Amount at start of year		2,123	122	2,245
Change of accounting principle, RR 29		14	-	14
Acquired minority interest		-	-2	-2
Translation difference		-2	-	-2
Dividend to shareholders		-295	-4	-299
New issue		6	-	6
Profit for the period		599	4	603
Amount at end of period		2,445	120	2,565

Change in shareholders' equity, 31/12/2004				
SEK m	Majority share	owner's share	Minority owners' share	Total
Amount at start of year		2,123	122	2,245
Change of accounting principle, RR 29		14	-	14
Acquired minority interest		-	-2	-2
Translation difference		-3	-1	-4
Dividend to shareholders		-295	-4	-299
New issue		6	-	6
Profit for the period		799	4	803
Amount at end of period		2,644	119	2,763

Key ratios and other information¹			
	30/9/2005	30/9/2004	31/12/2004
*Operating margin, %	4.0	3.9	3.9
*Margin after financial items, %	3.9	3.8	3.8
Equity ratio, %	38.4	37.0	38.3
Debt-equity ratio, net, multiple	0.0²⁾	0.0 ²⁾	0.0 ²⁾
Debt-equity ratio, multiple	0.22	0.27	0.24
Interest coverage, multiple	34.4	22.4	24.3
Capital employed, SEK m	3,434	3,270	3,439
Return on capital employed, %	33.3	37.2	34.1
Return on shareholders' equity, % ⁴⁾	30.1	37.2	32.6
Capital expenditures, SEK m ³⁾	764	353	537
Earnings per share, SEK ⁴⁾	10.56	11.19	14.92
Earnings per share after dilution, SEK	10.55	11.00	14.66
Dividend per share, SEK	-	-	11.00
Net asset value per share, SEK	49.70	45.63	49.35
Net asset value per share after dilution, SEK	49.61	44.79	48.44
Cash flow per share, SEK	-5.95	3.77	8.03
Cash flow per share after dilution, SEK	-5.94	3.70	7.88
Number of shares outstanding	54,489,678	53,577,828	53,577,828
Weighted average number of shares outstanding after dilution	54,583,928	54,569,477	54,573,109
Holdings of treasury stock	-	-	-
Average number of employees during the year	7,852	7,757	7,764

*In accordance with IFRS 5, Spar Finland is reported as a discontinued operation. Marked key ratios pertain to continuing operations.

Comparison figures have been recalculated. Other key ratios pertain to Axfood's total operations (including Spar Finland), since the balance sheet for the comparison periods is not recalculated, in accordance with IFRS.

1) Key ratios for the comparison periods have been recalculated according to IFRS.

2) Axfood reports a negative debt-equity ratio.

3) Starting on 1 January 2005, capital expenditures include shares. The comparison figures have been changed. Capital expenditures include SEK 346 m (10) in investments in store operations and SEK 18 m for the full year 2004.

4) Based on majority owner's share.

SPECIFICATION OF TRANSITION TO IFRS

Operating profit (EBIT) per business unit, 1/1/2004 – 30/9/2004

SEK m	According to previous GAAP	IAS 17	IFRS 3	IFRS 5 (2005)*	According to IFRS
Hemköp	64		4		68
Willys	357		38		395
Willys hemma	-5		6		1
Axfood Närlivs	76		3		79
Spar Finland	13	2	9	-24	-
Dagab	196		40		236
Other	56		4		60
Operating profit/loss for the period from continuing operations	757	2	104	-24	839
Operating profit for the period from discontinued operations	-	-	-	24	24
Operating profit for the period, total	757	2	104	-	863

*The "IFRS 5 adjustment (2005)" pertains to effects of classification of Spar Finland in September 2005 as a discontinued operation, where IFRS 5 prescribes reclassification of the comparison year's profit. This is not a retroactive application of IFRS 5, but only a reclassification prompted by application of IFRS 5 for a sale transaction in September 2005.

Operating profit (EBIT) per business unit, 1/7/2004 – 30/9/2004

SEK m	According to previous GAAP	IAS 17	IFRS 3	IFRS 5 (2005)*	According to IFRS
Hemköp	22		1		23
Willys	141		13		154
Willys hemma	-1		2		1
Axfood Närlivs	38		1		39
Spar Finland	15	1	3	-19	-
Dagab	68		13		81
Other	33		2		35
Operating profit/loss for the period from continuing operations	316	1	35	-19	333
Operating profit for the period from discontinued operations	-	-	-	19	19
Operating profit for the period, total	316	1	35	-	352

Profit and loss accounts, 1/1/2004 – 30/9/2004

SEK m

	According to previous GAAP	IAS 17	IFRS 3	IFRS 5 (2005)*	According to IFRS
Continuing operations					
Net sales	25,330			-3,905	21,425
Cost of goods sold	-22,329	2	104	3,664	-18,559
Gross profit/loss	3,001	2	104	-241	2,866
Selling/administrative expenses, etc.	-2,244			217	-2,027
Operating profit	757	2	104	-24	839
Net financial items	-24	-2		1	-25
Profit/loss after financial items	733		104	-23	814
Tax	-232		-2	6	-228
Minority share of profit for the year	-4		4		-
Profit/loss for the period from continuing operations	497		106	-17	586
Profit for the period from discontinued operations				17	17
Profit for the period	497		106		603
Of which, majority owner's share					599
Of which, minority owners' share			4		4
Earnings per share, SEK	9.28		1.91		11.19
Earnings per share after dilution, SEK	9.12		1.88		11.00

Profit and loss accounts, 1/7/2004 – 30/9/2004

SEK m					
	According to previous GAAP	IAS 17	IFRS 3	IFRS 5 (2005)*	According to IFRS
Continuing operations					
Net sales	8,484			-1,323	7,161
Cost of goods sold	-7,428	1	35	1,234	-6,158
Gross profit/loss	1,056	1	35	-89	1,003
Selling/administrative expenses, etc.	-740			70	-670
Operating profit/loss	316	1	35	-19	333
Net financial items	-6	-1		1	-6
Profit/loss after financial items	310		35	-18	327
Tax	-98		0	4	-94
Minority share of profit for the year	-4		4		-
Profit/loss for the period from continuing operations	208		39	-14	233
Profit for the period from discontinued operations	-		-	14	14
Profit for the period	208		39		247
Of which, majority owner's share					243
Of which, minority owners' share			-4		4
Earnings per share, SEK	3.88		0.66		4.54
Earnings per share after dilution, SEK	3.82		0.64		4.46

Balance sheets as per 30 September 2004

SEK m	According to	IAS	IAS	IAS	IFRS	According to
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	previous GAAP	17	27	31	3	IFRS
Assets						
Intangible fixed assets	991				104	1,095
Tangible fixed assets	1,761	44		14		1,819
Financial fixed assets	172			-20		152
Other fixed assets	27					27
Total fixed assets	2,951	44		-6	104	3,093
Inventories	1,467					1,467
Current receivables	1,613			1		1,614
Cash and cash equivalents	750					750
Total current assets	3,830			1		3,831
Total assets	6,781	44		-5	104	6,924
Shareholders' equity and liabilities						
Majority owner's share of equity	2,347			-4	102	2,445
Minority owners' share of equity			120			120
Total shareholders' equity	2,347		120	-4	102	2,565
Minority interests	120		-120			
Long-term liabilities	943	43		-1	2	987
Current liabilities	3,371	1				3,372
Total shareholders' equity and liabilities	6,781	44		-5	104	6,924

Change in shareholders' equity, 30/9/2004

SEK m	Majority owner's share according to previous GAAP	IFRS 3	IAS 31	Majority owner's share according to IFRS	Minority owners' share	Total
Amount at start of year	2,127		-4	2,123	122	2,245
Change in accounting principle, RR 29	14	-	-	14	-	14
Acquired minority interest	-	-	-	-	-2	-2
Translation difference	-2	-	-	-2	-	-2
Dividend to shareholders	-295	-	-	-295	-4	-299
New issue	6	-	-	6	-	6
Profit for the period	497	102	-	599	4	603
Amount at end of period	2,347	102	-4	2,445	120	2,565

Change in shareholders' equity, 31/12/2004

SEK m	Majority owner's	Majority owner's	Minority
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	share according to previous GAAP	IFRS 3	IAS 31	share according to IFRS	owners' share	Total
Amount at start of year	2,127		-4	2,123	122	2,245
Change in accounting principle, RR 29	14	-	-	14	-	14
Acquired minority interest	-	-	-	-	-2	-2
Translation difference	-3	-	-	-3	-1	-4
Dividend to shareholders	-295	-	-	-295	-4	-299
New issue	6	-	-	6	-	6
Profit for the period	664	135	-	799	4	803
Amount at end of year	2,513	135	-4	2,644	119	2,763