

## Year-End Report, Axfood AB (publ.)

1 January–31 December 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 amounted to SEK 28,086 m (28,658) in 2005, a decrease of 2.0%. Consolidated sales during the fourth quarter totalled SEK 7,305 m (7,233), an increase of 1.0%.
- Retail sales for Axfood's wholly owned stores rose 4.8% for the year. Same-store sales decreased by 2.3%.
- Operating profit for the year was SEK 1,040 m (1,126). Operating profit for the fourth quarter was SEK 215 m (287).
- Profit after financial items was SEK 1,026 m for the year (1,096). Profit for the fourth quarter was SEK 212 m (282).
- Profit after tax was SEK 729 m (786) for the year. Earnings per share were SEK 13.37 (14.67).
- The Board of Directors proposes a dividend of SEK 9 per share (6.50) based on profit for the year, plus an extra dividend of SEK 6 per share (4.50), to adapt shareholders' equity.
- Profit for 2006 is expected to be level with 2005.

Key ratios	October-December		January-December	
SEK m	2005	2004	2005	2004
*Net sales	7,305	7,233	28,086	28,658
*Operating profit	215	287	1,040	1,126
*Operating margin, %	3.0	4.0	3.7	3.9
*Profit after financial items	212	282	1,026	1,096
*Profit after tax	150	200	729	786
*Earnings per share, SEK	2.75	3.73	13.37	14.67
Equity ratio, %	-	-	38.9	38.3
Return on capital employed, %	-	-	28.7	34.1
Return on shareholders' equity, %	-	-	25.1	32.6
Net asset value per share, SEK	-	-	51.81	49.35

\* Spar Finland is reported as a discontinued operation on a separate line in the profit and loss account, in accordance with IFRS 5. Key ratios marked with an asterisk 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 have not been recalculated, in accordance with IFRS 5.

### CEO's comments

2005 was a difficult yet successful year for Axfood. Difficult due to the prevailing competitive climate, with market saturation and a strong focus on prices. Successful, as we have expanded and captured market share in the discount segment through Willys, which has now grown to over 100 stores. Moreover, we have done additional fine-tuning to our organization with respect to costs and integration, we sold Spar Finland, and we completed the extensive conversion of 77 Spar stores to the Hemköp chain. In all, Axfood's wholly owned retail operation grew by 4.8% during the year, with a 2.3% decline for comparable units.

#### Axfood AB (publ.)

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Axfood's focus during the year was on profitable sales in the fierce competitive climate that currently exists in the market. This focus will remain fixed during the year ahead, when my watchwords for Axfood will be customer benefit, simplicity and profitability.

Axfood's earnings for the full year totalled SEK 1,040 m (1,126), with an operating margin of 3.7% (3.9%), which was in line with our most recent forecast. Once again it was Willys, our wholesale operation, and the central purchasing function that made the greatest contributions to earnings. Among other things, Willys set a new sales record for the month of December.

Willys' expansion has continued – sales grew 7.5% during the year and the chain now has over 100 stores. The competition is mounting, yet the trend points toward continued expansion in the discount segment. Four to five new Willys stores will be opening in 2006, and a number of old stores are being replaced by new ones or improved through renovation. Parallel with this, our work on expanding the product range will provide additional flair to the concept. The chain now has six Super-Willys stores featuring a wider offering of non-food products, and in March the seventh Super-Willys will be opening in Täby, outside Stockholm.

Willys hemma showed a loss for the year. This result is due to weak sales and costs associated with changes in the store structure. The concept will be concentrated in Sweden's major metropolitan areas – primarily Stockholm – where Willys hemma is already successful. A sweeping programme has been initiated to give the stores a facelift and make them more appealing to customers.

Hemköp's weak sales, combined with an extensive conversion programme and structural costs, had a strong impact on earnings during the year. Hemköp has a sound base, and the concept will appeal to customers who want both a wide product selection and good service at competitive prices. The Hemköp chain now comprises 164 stores in all.

Dagab has completed its restructuring, with fewer external customers, and is showing a stable operating profit. Of Dagab's distributed sales, 97% are derived from wholly owned stores and franchisees within the Axfood Group.

Axfood Närlivs is showing stable earnings. Its focus on restaurants and the food service sector has developed favourably and will continue in the current year.

On 4 January 2006 the Finnish Competition Authority gave its final clearance for SOK's acquisition of Axfood's shares in Spar Finland, and the share transfer was completed on 12 January 2006.

Just as in previous years, during the year we saw all players in the retail food market become increasingly active in their pricing, and the rate of establishment has been high. My guess is that this trend will continue this year as well. However, Axfood's starting point – with Willys as a leading discounter and the completed integration by Hemköp of the Spar stores – is favourable. We will be able to affirm our position in the Swedish retail food market.

Our focus in 2006 will be on profitable growth, continued operating improvement and cost efficiency.

Axfood's financial position is strong. Our net financial position is positive and amounted to SEK 225 m at year-end (313). The return on capital employed was 28.7% (34.1%), and the equity ratio

was 38.9% (38.3%). Our balance sheet has been further strengthened following the deconsolidation of Spar Finland.

In view of the continued fierce competitive climate, our estimation is that profit for 2006 will be level with the outcome for 2005.

Anders Strålman  
President and CEO

### **Important events during the fourth quarter**

- The distribution centre in Kristianstad was closed in October, which is expected to lower Dagab's costs by SEK 18 m on a yearly basis.
- Anders Strålman took office as President and CEO on 1 November 2005.
- Urban Dahl took over as President of Willys AB on 1 November 2005.
- Mats Sjö Dahl took over as Director of Purchasing for the Group on 1 November 2005.

### **Important events during the period January–September**

- Axfood's Board of Directors appointed Anders Strålman as President and CEO of Axfood. Strålman had been serving since 2000 as President of Axfood's rapidly growing and largest store chain, Willys.
- Axfood sold all its shares in Spar Finland to SOK.
- Axfood revised its 2005 earnings forecast. The Board and management's estimation was that operating profit for the year would be approximately SEK 1,000 m (1,148).
- Hemköp: Six new stores were acquired with combined annual sales of approximately SEK 700 m.
- Willys: Five new stores were opened and eight new stores were acquired, with combined annual net sales of approximately SEK 930 m.
- Willys hemma: Five new stores were acquired, of which four are in Stockholm. The stores have combined net sales of SEK 160 m.
- Dagab reduced its workforce by 100 positions.

### **Important events after the end the year**

- On 4 January 2006 the Finnish Competition Authority announced its approval of the share transaction between Axfood and SOK. The purchase was completed as per the agreement on 12 January 2006.

## **Sales and earnings of the Axfood Group**

### **Continuing operations**

Consolidated wholesale and retail sales for the Axfood Group during the year totalled SEK 28,086 m (28,658), a decrease of 2.0%. The Axfood Group's sales in Sweden (in own and collaborating Hemköp and Willys stores), including VAT, totalled SEK 23,254 m (22,116). Sales by Axfood's wholly owned stores in Sweden increased during the period by 4.8%, with a 2.3% drop in same-store sales.

Operating profit for the year was SEK 1,040 m (1,126). The operating margin for the year was 3.7% (3.9%).

Net financial items at year-end totalled SEK -14 m (-30). Profit after financial items was SEK 1,026 m (1,096). The margin was 3.7% (3.8%) after financial items. Profit after tax was SEK 729 m (786).

## **Financial position**

Cash flow from operating activities during the period January-December was SEK 1,170 m (1,462). Cash and cash equivalents held by the Group amounted to SEK 639 m (977). At the end of the quarter, interest-bearing assets amounted to SEK 639 m (989). Interest-bearing liabilities and provisions totalled SEK 414 m (676) at the end of December.

The equity ratio was 38.9% (38.3%).

## **Capital expenditures**

Total capital expenditures during the year amounted to SEK 1,036 m (537). Of these, SEK 352 m (18) pertained to acquisitions of stores in Sweden, SEK 576 m (454) to investments in fixed assets in the store network, IT and wholesaling operations in Sweden, and SEK 108 m (65) to investments in fixed assets in Finland.

During the year, Axfood acquired 19 independent store operations in Sweden. Of these acquired units, six were converted to Hemköp, five to Willys hemma and eight to Willys. Axfood has strengthened its position in the key Stockholm market through nine of the Swedish acquisitions. The combined purchase price for acquisitions made during the year in Sweden was SEK 352 m (18). 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 generated by the acquisitions. Acquired goodwill during the period January-December for continuing operations amounted to SEK 250 m (9).

## **Employees**

The Axfood Group had an average of 7,922 employees (7,764) during the year. Of the Group's employees, approximately 75% work in stores.

## **Store operations**

### **Hemköp**

Sales for wholly owned Hemköp stores during the year totalled SEK 6,158 m (6,092), an increase of 0.5%. Same-store sales decreased by 4.5% during the same period. Sales by wholly owned stores during the fourth quarter totalled SEK 1,611 m (1,613).

Operating profit for the period January-December was SEK 30 m (102). The operating margin for the period January-December was 0.5% (1.7%). An operating loss of SEK -7 m was reported for the fourth quarter (+34).

The earnings decline is mainly attributable to lower sales. Costs charged against the fourth quarter included structural costs associated with the closure of two stores.

Hemköp's private label share (including proprietor-run stores) was 13.6% (12.1%) as of December.

During the year, six stores were acquired and nine were sold. The Hemköp chain has 87 wholly owned stores and 77 proprietor-run stores. In all, the Hemköp chain has 164 stores and seven bakeries.

## Willys

Willys' sales for the year totalled SEK 12,675 m (11,789), an increase of 7.5%. Same-store sales decreased during the same period by 0.6%. Sales during the fourth quarter amounted to SEK 3,353 m (3,004).

Operating profit for the period January-December was SEK 522 m (530). The operating margin for the year was 4.1% (4.5%). Operating profit for the fourth quarter was SEK 117 m (135).

Willys' expansion will continue in 2006, although at a slightly slower pace. Axfood plans to open four to five new Willys stores during the year.

Willys' private label share was 23.9% as of December (23.2%).

During the year, five new stores were opened, eight were acquired and one was closed. The Willys chain has 103 stores, of which three are run in franchise form.

## Willys hemma

Willys hemma's sales for the year amounted to SEK 1,251 m (1,284), a decrease of 2.6%. Same-store sales decreased by 9.8% during the same period. Sales during the fourth quarter totalled SEK 312 m (308).

An operating loss of SEK -16 m (-4) was reported for the year. The operating margin was negative (negative). An operating loss of SEK -7 m (-5) was reported for the fourth quarter.

Willys hemma's private label share was 27.8% (24.5%) as of December.

During the year, five stores were acquired, one store was established and three were closed. Four of the acquisitions were in Stockholm. Willys hemma's expansion will be concentrated in Sweden's major metropolitan areas, where new store establishments have been successful. Willys hemma has 48 stores.

### Change in store structure – Group-owned stores, full year 2005

	December 2004	Estab- lishment	Acquisitions	Sales/ closures	December 2005
Hemköp	90		6	9	87
Willys	88	5	8	1	100
Willys hemma	45	1	5	3	48
<b>Total</b>	<b>223</b>	<b>6</b>	<b>19</b>	<b>13</b>	<b>235</b>

## **Axfood Partihandel (wholesaling) – Dagab and Axfood Närlivs**

Dagab's sales for the year amounted to SEK 19,487 m (19,320). Sales during the fourth quarter totalled SEK 5,235 m (4,950).

Operating profit for the period January-December was SEK 272 m (328). The operating margin for the year was 1.4% (1.7%). Operating profit for the fourth quarter was SEK 72 m (92).

Earnings were affected by the conscious change in the product mix toward a higher share of discount and private label products.

Conversion costs stemming from staff reductions resulted in a SEK 11 m charge against earnings.

Of the SEK 1.3 bn in annual net sales that the Vivo stores accounted for, Dagab has recovered approximately 24% through acquisitions and cooperation agreements. Axfood's wholly owned stores and franchisees now account for 97% of Dagab's distributed sales.

Dagab's distribution centre in Kristianstad was closed in October, and the operations there were moved to other distribution centres. The closure generated annual cost savings of SEK 18 m and one-time costs of approximately SEK 4 m.

Sales for Axfood Närlivs amounted to SEK 4,680 m (4,589) for the year. Sales during the fourth quarter totalled SEK 1,178 m (1,114). 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-December was SEK 103 m (97). The operating margin for the year was 2.2% (2.1%). Operating profit for the fourth quarter was SEK 17 m (18).

## **Spar Finland**

On 7 September Axfood reached an agreement with SOK on the sale of Axfood's shareholding in Spar Finland. Axfood owned 69.3% of the shares and 75.2% of the votes in Spar Finland. The deal was completed on 12 January 2006.

Sales amounted to SEK 4,920 m (3,905) for the period January-December and SEK 1,226 m (1,263) for the fourth quarter. An operating loss of SEK -25 m (+22) was reported for the period January-December. The weaker operating result is primarily attributable to lower sales.

In Axfood's operating profit for the period January-December, Spar Finland is reported under the heading "Operating profit/loss for the period from discontinued operations". The loss of SEK -49 m includes Axfood's share of the divestment of the shareholding. Earnings have been charged with transaction costs and reserve provisions for guarantees made in connection with the sale of the operation.

## Parent Company

Other operating revenue for the Parent Company during the year amounted to SEK 99 m (96). After selling and administrative expenses of SEK 178 m (181) and SEK -9 m (0) in net financial income, a loss of SEK -88 m (-85) was reported after financial items. Capital expenditures amounted to SEK 33 m (3). Cash and cash equivalents held by the Parent Company totalled SEK 358 m (581). Interest-bearing net debt was SEK 605 m (634) at year-end.

During the year, the number of shares increased by 953,550 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 full year and for the period October-December 2004 are shown on page 15. Comparison figures for other quarters in 2004 can be found at [www.axfood.se](http://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 with effect from 1 January 2005 and are exempted from the requirement for recalculation of a 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 -2 m after tax as per 31 December 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. 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, these assets are carried at their net sales value. Starting on 1 September 2005, assets and liabilities pertaining to Spar Finland are reported separately in 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.

### **Changed accounting principles, 2006**

Starting on 1 January 2006, Axfood is applying the Amendment to/Changes of IAS 19 Employee Benefits and Amendment to/Changes of IAS 39 Financial Instruments: Recognition and Measurement. The amendments to IAS 19 provide the option to report actuarial gains and losses either in shareholders' equity or through profit and loss. According to the previous standards, actuarial gains and losses pertaining to pension obligations were reported through profit and loss using the corridor rules that apply under IAS 19. The IAS 19 amendment entails an increased disclosure requirement. Among other things, separate reconciliations are to be made for the change in defined benefit obligations during the year and the change in plan assets for the year.

The amendments to IAS 39 mainly concern the option to measure financial instruments at fair value (The fair value option) and internal Group hedges between subsidiaries in different countries (Intra-group cash flow hedge accounting). The IAS 39 amendments have no effect on the Axfood Group's profit and loss account, balance sheet, cash flow statement or shareholders' equity.

### **Future outlook**

In view of the continued fierce competitive climate, profit for 2006 is expected to remain level with the outcome for 2005.

### **Next reporting date**

The interim report for the first quarter of 2006 will be released on Wednesday, 19 April.

Stockholm, 2 February 2006  
Axfood AB (publ.)  
The Board of Directors

This year-end report has not been reviewed by Axfood AB's auditors.

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<b>Net sales per business unit</b>	<b>October-December</b>		<b>January-December</b>	
<b>SEK m</b>	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
Hemköp <sup>1</sup>	1,623	1,626	6,198	6,167
Willys	3,353	3,004	12,675	11,789
Willys hemma	312	308	1,251	1,284
Axfood Närlivs <sup>2</sup>	1,178	1,114	4,680	4,589
Dagab <sup>3</sup>	5,235	4,950	19,487	19,320
Other <sup>4</sup>	224	193	848	749
Internal sales <sup>5</sup>	-4,620	-3,962	-17,053	-15,240
<b>Net sales from continuing operations</b>	<b>7,305</b>	<b>7,233</b>	<b>28,086</b>	<b>28,658</b>
Net sales from discontinued operations <sup>6</sup>	1,226	1,263	4,920	5,168
<b>Net sales, total</b>	<b>8,531</b>	<b>8,496</b>	<b>33,006</b>	<b>33,826</b>

<b>Operating profit for the period (EBIT), broken down by business unit</b>	<b>October-December</b>		<b>January-December</b>	
<b>SEK m</b>	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
Hemköp <sup>1</sup>	-7	34	30	102
Willys	117	135	522	530
Willys hemma	-7	-5	-16	-4
Axfood Närlivs	17	18	103	97
Dagab	72	92	272	328
Other <sup>4</sup>	23	13	129	73
<b>Operating profit for the period from continuing operations</b>	<b>215</b>	<b>287</b>	<b>1,040</b>	<b>1,126</b>
Operating profit/loss for the period from discontinued operationst <sup>6</sup>	-37	-2	-49	22
<b>Operating profit for the period, total</b>	<b>178</b>	<b>285</b>	<b>991</b>	<b>1,148</b>

1) Including Spar Sverige AB.

2) Of which, distributed sales SEK 3,814 m (3,658) for January-December and SEK 960 m (897) for October-December.

3) Of which, distributed sales SEK 13,274 m (14,326) for January-December and SEK 3,514 m (3,720) for October-December.

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

5) Of which, Dagab SEK 16,390 m (14,704) for January-December and SEK 4,439 m (3,813) for October-December.

6) Pertains to sales and profit/loss from the operations of Spar Finland Abp, which is reported as a discontinued operation (see page 7) in accordance with IFRS 5. The loss of SEK -49 m includes Spar Finland's full-year result (-25) and the result effect (-24) of the sale of Spar Finland. Earnings have been charged with transaction costs and reserve provisions for guarantees made in connection with the sale of the operation.

<b>Condensed profit and loss account SEK m</b>	<b>October-December</b>		<b>January-December</b>	
<b>Continuing operations</b>	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
Net sales	7,305	7,233	28,086	28,658
Cost of goods sold	-6,315	-6,197	-24,172	-24,756
<b>Gross profit</b>	<b>989</b>	<b>1,036</b>	<b>3,914</b>	<b>3,902</b>
Selling/ administrative expenses, etc.	-774	-749	-2,874	-2,776
<b>Operating profit</b>	<b>215</b>	<b>287</b>	<b>1,040</b>	<b>1,126</b>
Net financial items	-3	-5	-14	-30
<b>Profit after financial items</b>	<b>212</b>	<b>282</b>	<b>1,026</b>	<b>1,096</b>
Tax	-62	-82	-297	-310
<b>Profit for the period from continuing operations</b>	<b>150</b>	<b>200</b>	<b>729</b>	<b>786</b>
<b>Profit/loss for the period from discontinued operations<sup>1)</sup></b>	<b>-40</b>	<b>0</b>	<b>-47</b>	<b>17</b>
<b>Profit for the period</b>	<b>110</b>	<b>200</b>	<b>682</b>	<b>803</b>
Of which, majority owner's share	111	200	687	799
Of which, minority owners' share	-1	0	-5	4
Operating profit for continuing operations includes depreciation of	119	113	438	417
Earnings per share, SEK	2.03	3.73	12.59	14.92
Earnings per share after dilution, SEK	2.03	3.67	12.58	14.66
Earnings per share for continuing operations, SEK	2.75	3.73	13.37	14.67
Earnings per share after dilution for continuing operations, SEK	2.75	3.66	13.35	14.42

1) 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 a separate line. Comparison figures have been recalculated. 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.

<b>Condensed balance sheet SEK m</b>	<b>31/12/2005</b>	<b>31/12/2004</b>
<b>Assets</b>		
Goodwill	1,131	995
Interest-bearing receivables	-	6
Financial fixed assets	32	147
Other fixed assets	1,684	1,981
<b>Total fixed assets</b>	<b>2,847</b>	<b>3,129</b>
Inventories	1,598	1,634
Accounts receivable, trade	486	754
Interest-bearing receivables	-	6
Other current assets	810	720
Cash and bank balances	639	977
Assets held for sale <sup>1</sup>	1,189	-
<b>Total current assets</b>	<b>4,722</b>	<b>4,091</b>
<b>Total assets</b>	<b>7,569</b>	<b>7,220</b>
<b>Shareholders' equity and liabilities</b>		
Majority owner's share of equity	2,825	2,644
Minority owners' share of equity	119	119
<b>Total shareholders' equity</b>	<b>2,944</b>	<b>2,763</b>
Interest-bearing long-term liabilities	383	574
Noninterest-bearing long-term liabilities	157	454
<b>Total long-term liabilities</b>	<b>540</b>	<b>1,028</b>
Current interest-bearing liabilities	31	102
Accounts payable, trade	1,782	1,767
Other current noninterest-bearing liabilities	1,510	1,560
Liabilities attributable to assets held for sale <sup>1</sup>	762	-
<b>Total current liabilities</b>	<b>4,085</b>	<b>3,429</b>
<b>Total shareholders' equity and liabilities</b>	<b>7,569</b>	<b>7,220</b>
Contingent liabilities	28	85
Pledged assets	3	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.

1) 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's assets and liabilities as from 1 September 2005. The comparison year's balance sheet is not affected, since the operation was not classified as a discontinued operation until 2005.

<b>Cash flow statement SEK m</b>	<b>January-December</b>	
	<b>2005</b>	<b>2004</b>
Operating activities		
- Cash flow from operating activities before changes in working capital	<b>1,246</b>	1,359
- Changes in working capital	<b>-76</b>	103
<b>Cash flow from operating activities</b>	<b>1,170</b>	1,462
Investing activities		
- Company acquisitions, net	<b>-311</b>	18
- Acquisition of fixed assets, net	<b>-552</b>	-489
- Reduction of financial fixed assets	<b>13</b>	49
<b>Cash flow from investing activities</b>	<b>-850</b>	-422
Financing activities		
- Change in interest-bearing liabilities	<b>11</b>	-321
- New issue	<b>-</b>	6
- Dividend to shareholders	<b>-590</b>	-295
<b>Cash flow from financing activities</b>	<b>-579</b>	-610
<b>Cash flow for the period</b>	<b>-259</b>	430
<b>Of which, cash flow from discontinued operations</b>		
- Cash flow from operating activities	<b>24</b>	59
- Cash flow from investing activities	<b>-118</b>	-53
- Cash flow from financing activities	<b>53</b>	-22
<b>Cash flow for the period from discontinued operations</b>	<b>-41</b>	-16

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

<b>Change in shareholders' equity, 31/12/ 2005 SEK m</b>	<b>Majority owner's share</b>	<b>Minority owners' share</b>	<b>Total</b>
Amount at start of year	<b>2,644</b>	119	<b>2,763</b>
Change of accounting principle, IAS 39	<b>0</b>	-	<b>0</b>
Change in fair value of forward contract	<b>-2</b>	-	<b>-2</b>
Translation difference	<b>15</b>	5	<b>20</b>
Dividend to shareholders	<b>-589</b>	-1	<b>-590</b>
New issue	<b>70</b>	-	<b>70</b>
Minority in acquired operation	<b>-</b>	1	<b>1</b>
Profit/loss for the period	<b>687</b>	-5	<b>682</b>
<b>Amount at end of period</b>	<b>2,825</b>	119	<b>2,944</b>

Starting on 1 September 2005, Spar Finland is reported as a discontinued operation, in accordance with IFRS 5. Accumulated translation differences pertaining to Spar Finland amount to SEK 29 m as per 31 December 2005, of which minority share amounts to SEK 9 m.

<b>Change in shareholders' equity, 31/12/ 2004 SEK m</b>	<b>Majority owner's share</b>	<b>Minority owners' share</b>	<b>Total</b>
Amount at start of year	2,123	122	<b>2,245</b>
Change of accounting principle, IAS 19	14	-	<b>14</b>
Acquired minority interest	-	-2	<b>-2</b>
Translation difference	-3	-1	<b>-4</b>
Dividend to shareholders	-295	-4	<b>-299</b>
New issue	6	-	<b>6</b>
Profit for the period	799	4	<b>803</b>
<b>Amount at end of period</b>	<b>2,644</b>	<b>119</b>	<b>2,763</b>

<b>Key ratios and other information <sup>1)</sup></b>	<b>31/12/2005</b>	<b>31/12/2004</b>
*Operating margin, %	<b>3.7</b>	3.9
*Margin after financial items, %	<b>3.7</b>	3.8
Equity ratio, %	<b>38.9</b>	38.3
Debt-equity ratio, net, multiple	<b>0.0<sup>2)</sup></b>	0.0 <sup>2)</sup>
Debt-equity ratio, multiple	<b>0.22</b>	0.24
Interest coverage, multiple	<b>31.6</b>	24.3
Capital employed, SEK m	<b>3,603</b>	3,439
Return on capital employed, %	<b>28.7</b>	34.1
Return on shareholders' equity, % <sup>4)</sup>	<b>25.1</b>	32.6
Capital expenditures, SEK m <sup>3)</sup>	<b>1,036</b>	537
Earnings per share, SEK <sup>4)</sup>	<b>12.59</b>	14.92
Earnings per share after dilution, SEK <sup>4)</sup>	<b>12.58</b>	14.66
Dividend per share, SEK	-	11.00
Net asset value per share, SEK <sup>4)</sup>	<b>51.81</b>	49.35
Net asset value per share after dilution, SEK <sup>4)</sup>	<b>51.76</b>	48.44
Cash flow per share, SEK	<b>-4.75</b>	8.03
Cash flow per share after dilution, SEK	<b>-4.74</b>	7.88
Number of shares outstanding	<b>54,531,378</b>	53,577,828
Weighted average number of shares outstanding after dilution	<b>54,583,928</b>	54,573,109
Holdings of treasury stock	-	-
Average number of employees during the year <sup>5)</sup>	<b>7,922</b>	7,764

\*In accordance with IFRS 5, Spar Finland is reported as a discontinued operation. Key ratios marked with an asterisk 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 5.

- 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. Comparison figures have been changed. Capital expenditures include SEK 352 m (18) in investments in store operations.
- 4) Based on majority owner's share.
- 5) Of which, discontinued operations, SEK 856 m (823).

## SPECIFICATION OF TRANSITION TO IFRS

### Operating profit (EBIT) per business unit, 1/1/2004 – 31/12/2004

SEK m	According to previous GAAP	IAS 17	IFRS 3	IFRS 5 (2005)*	According to IFRS
Hemköp	95		7		102
Willys	479		51		530
Willys hemma	-11		7		-4
Axfood Närlivs	92		5		97
Spar Finland	8	2	12	-22	-
Dagab	277		51		328
Other	68		5		73
<b>Operating profit/loss for the period from continuing operations</b>	<b>1,008</b>	<b>2</b>	<b>138</b>	<b>-22</b>	<b>1,126</b>
Operating profit for the period from discontinued operations	-	-	-	22	22
<b>Operating profit for the period, total</b>	<b>1,008</b>	<b>2</b>	<b>138</b>	<b>-</b>	<b>1,148</b>

\* 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 thus 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, 1/10/2004 – 31/12/2004

SEK m	According to previous GAAP	IAS 17	IFRS 3	IFRS 5 (2005)*	According to IFRS
Hemköp	31		3		34
Willys	122		13		135
Willys hemma	-6		1		-5
Axfood Närlivs	16		2		18
Spar Finland	-5	0	3	2	-
Dagab	81		11		92
Other	12		1		13
<b>Operating profit for the period from continuing operations</b>	<b>251</b>	<b>0</b>	<b>34</b>	<b>2</b>	<b>287</b>
Operating profit/loss for the period from discontinued operations	-	-	-	-2	-2
<b>Operating profit for the period, total</b>	<b>251</b>	<b>0</b>	<b>34</b>	<b>-</b>	<b>285</b>

**Profit and loss accounts, 1/1/ 2004 — 31/12/2004**

SEK m					
	According to previous GAAP	IAS 17	IFRS 3	IFRS 5 (2005)*	According to IFRS
<b>Continuing operations</b>					
Net sales	33,826			-5,168	28,658
Cost of goods sold	-29,748	2	138	4,852	-24,756
<b>Gross profit/loss</b>	<b>4,078</b>	<b>2</b>	<b>138</b>	<b>-316</b>	<b>3,902</b>
Selling/administrative expenses, etc.	-3,070			294	-2,776
<b>Operating profit/loss</b>	<b>1,008</b>	<b>2</b>	<b>138</b>	<b>-22</b>	<b>1,126</b>
Net financial items	-28	-2		0	-30
<b>Profit/loss after financial items</b>	<b>980</b>		<b>138</b>	<b>-22</b>	<b>1,096</b>
Tax	-312		-3	5	-310
Minority share of profit for the year	-4		4		
<b>Profit/loss for the period from continuing operations</b>	<b>664</b>		<b>139</b>	<b>-17</b>	<b>786</b>
<b>Profit for the period from discontinued operations</b>				<b>17</b>	<b>17</b>
<b>Profit for the period</b>	<b>664</b>		<b>139</b>		<b>803</b>
Of which, majority owner's share					799
Of which, minority owners' share			4		4
Earnings per share, SEK	12.40		2.52		14.92
Earnings per share after dilution, SEK	12.19		2.47		14.66

**Profit and loss accounts, 1/10/ 2004 – 31/12/2004**

SEK m					
	According to previous GAAP	IAS 17	IFRS 3	IFRS 5 (2005)*	According to IFRS
<b>Continuing operations</b>					
Net sales	8,496			-1,263	7,233
Cost of goods sold	-7,419	0	34	1,188	-6,197
<b>Gross profit/loss</b>	<b>1,077</b>	<b>0</b>	<b>34</b>	<b>-75</b>	<b>1,036</b>
Selling/administrative expenses, etc.	-826			77	-749
<b>Operating profit</b>	<b>251</b>	<b>0</b>	<b>34</b>	<b>2</b>	<b>287</b>
Net financial items	-4	0		-1	-5
<b>Profit after financial items</b>	<b>247</b>		<b>34</b>	<b>1</b>	<b>282</b>
Tax	-80		-1	-1	-82
Minority share of profit for the year	0		0		0
<b>Profit for the period from continuing operations</b>	<b>167</b>		<b>33</b>	<b>0</b>	<b>200</b>
<b>Profit for the period from discontinued operations</b>				<b>0</b>	<b>0</b>
<b>Profit for the period</b>	<b>167</b>		<b>33</b>		<b>200</b>
Of which, majority owner's share					200
Of which, minority owners' share			0		0
Earnings per share, SEK	3.12		0.61		3.73
Earnings per share after dilution, SEK	3.07		0.60		3.67

## Balance sheet as per 31 December 2004

SEK m	According to previous GAAP	IAS 17	IAS 27	IAS 31	IFRS 3	According to IFRS
<b>Assets</b>						
Intangible fixed assets	981				138	1,119
Tangible fixed assets	1,765	44		14		1,823
Financial fixed assets	173			-20		153
Other fixed assets	34					34
Total fixed assets	2,953	44		-6	138	3,129
Inventories	1,634					1,634
Current receivables	1,478			2		1,480
Cash and cash equivalents	977					977
Total current assets	4,089			2		4,091
<b>Total assets</b>	<b>7,042</b>	<b>44</b>		<b>-4</b>	<b>138</b>	<b>7,220</b>
<b>Shareholders' equity and liabilities</b>						
Majority owner's share of equity	2,513			-4	135	2,644
Minority owners' share of equity			119			119
Total shareholders' equity	<b>2,513</b>			<b>-4</b>	<b>135</b>	<b>2,763</b>
Minority interests	119		-119			
Long-term liabilities	983	42			3	1,028
Current liabilities	3,427	2				3,429
<b>Total shareholders' equity and liabilities</b>	<b>7,042</b>	<b>44</b>		<b>-4</b>	<b>138</b>	<b>7,220</b>

## Change in shareholders' equity, 31/12/ 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 of 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
<b>Amount at end of year</b>	<b>2,513</b>	<b>133</b>	<b>-4</b>	<b>2,644</b>	<b>119</b>	<b>2,763</b>