

Axfood Annual Report 2002



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The year at a glance

- Operating profit improved by 56.7%, to SEK 1,023 m.
- Same-store sales for Axfood-owned units in Sweden increased by 9.6%.
- Robust expansion and earnings improvement for the Willys discount chain.
- Willys hemma launched, a new discount chain of small stores with a lean product range.
- Strong growth for the Group's private label products, from 4.8% to 9.8% of total sales.
- Comprehensive process of change in Hemköp chain showed a positive trend during the fourth quarter.
- Strong earnings trend in wholesale operations and Spar Finland.
- Axfood began the sell-off of its Swedish real estate portfolio. Capital gains during the year amounted to SEK 37 m.
- Axfood increased the portion of wholly owned stores during the year. At year-end, Axfood-owned units accounted for 53% of the Group's total sales.
- 16,800 sq.m. of newly established and acquired retail space.

Axfood's business mission is to create, develop and run successful grocery store chains – wholly owned or in franchise form. Axfood seeks to challenge the Nordic retail food market through distinct and unique customer offerings.

In Sweden, the Axfood Group has approximately 19% of the market (via wholly owned and collaborating stores). Axfood's wholly owned store chains – Hemköp, Willys and Willys hemma – are intended to complement each other and cater to distinct customer

needs. Axfood is the market leader in the strongly expanding discount segment. Willys, consisting of large stores with a relatively broad range of products, had 70 units at year-end. Willys hemma was launched during the year and has 42 stores. These stores are smaller and have a considerably leaner product range. At Hemköp's 96 stores, the focus is on food appreciation and culinary delight. Over the years Hemköp has built up a tradition distinguished by a commitment to quality, health and the environment.

Axfood has a long tradition of collaboration with private grocers. The Spar chain includes some 130 stores throughout Sweden. The Vivo Group is active in Stockholm and on Gotland, with some 80 stores. In addition, Axfood cooperates with a large number of small stores under the Tempo and Handlarn store profiles.

Two wholesale organizations are responsible for the Group's product supply. Dagab is the largest, with three distribution warehouses. Dagab delivers products to Axfood's wholly owned store chains and to the Spar and Vivo stores. Axfood Närlivs is an open wholesaling organization and supplies products to small retailers, contract customers in the service station segment, and restaurants and fast-food outlets. Axfood Närlivs also has 24 cash & carry outlets.

In the Finnish market Axfood is represented through its subsidiary Spar Finland, in which Axfood has 75.3% of the votes and 69.3% of the capital. Spar Finland has 79 wholly owned stores and collaborates with approximately 220 independent grocers. In total the Spar Group has 9% of the Finnish market.

Purchasing and development of private label products are centralized processes in the Axfood Group. Since the Group's formation, the central purchasing function has made a substantial contribution to the earnings improvement.

| Amounts in SEK million | 2002 | 2001 |
|--|--------|--------|
| Sales | 33,115 | 32,428 |
| Operating profit ¹⁾ | 1,023 | 653 |
| Operating margin % | 3.1 | 2.0 |
| Profit after financial items | 919 | 527 |
| Profit after tax | 625 | 328 |
| Earnings per share, SEK | 11.75 | 6.16 |
| Earnings per share after dilution, SEK | 11.51 | 6.07 |
| Average number of employees | 8,312 | 8,514 |

| Total sales area as per December 2002, sq.m. | |
|--|----------------|
| Hemköp | 144,258 |
| Willys | 149,314 |
| Willys hemma | 30,431 |
| Spar Finland | 60,005 |
| Total, Axfood retail | 384,008 |

¹⁾ Operating profit for the year includes a net capital gain of SEK 37 m.



CEO's message

THE MOST ENJOYABLE AND INSPIRING feature of last year is that we already achieved our long-term margin target for 2005. Axfood's operating margin was 3.1% in 2002, which was above the target we had set in the five-year plan we drafted in connection with the merger that formed Axfood in 2000.

The single most important factor behind this success is our focus on the discount market through the Willys brand. Actually, the combination of low prices and high quality is a Swedish hallmark, with IKEA's furniture and H&M's apparel as models. But when it comes to food, Axfood was the first to come up with a well thought out, nationwide discount chain in the same vein. Willys boasts an operating margin that is 4.4%.

The fact that we were first in Sweden's underdeveloped discount segment gives us a major advantage. With the international chains set to open their stores in Sweden, Axfood's discount chains Willys and Willys hemma already are established with 70 and 42 stores, respectively.

As for earnings, 2002 was a major success, as we recorded an operating profit of SEK 1,023 m. Sales growth for our wholly owned retail operations in Sweden ended up at 9.6% for 2002. The total sales growth for the Axfood Group fell from 7.3% a year earlier, to 2.1%. Our long-term goal is to achieve average growth of 8%. But here I want to underscore our approach to growth – it must always be profitable.

Our challenge in the years immediately ahead is first and foremost to preserve the profitability that we have achieved. All of our subsidiaries can be even more profitable. Our ongoing group projects such as central purchasing, private labels, and joint administration are also contributing to our profitability.

I believe that all these parts have more to give than what we estimated three years ago. This is partly due to the fact

that the need for discount stores is greater than what was possible to predict. But it is also due to the fact that the synergies within the Axfood Group have exceeded our original estimations.

We've learned that it is not only customers with tight household budgets who find Willys appealing, but also people with higher incomes, who want to buy basic items at low prices. "Value for money" is a modern watchword, as is "smart" shopping.

At the same time there are other parallel trends, such as a rising interest in food and quality-consciousness. To this customer group we offer Hemköp's concept which, through personal service and a broad range of products, offers substantial competitive benefits.

Hemköp currently has a 1.7% operating margin, which is too low. But this is a temporary dip. The restructuring that we carried out during the year cost more than we bargained for, but during the fourth quarter we could see a positive tendency. Next year the benefits will be even more apparent. We have lowered prices, cut costs and enhanced our fresh-product profile.

This change has been fully implemented at our Smeden store in Eskilstuna and at our store in Upplands Väsby, outside Stockholm. It is at places like these, in major metropolitan areas, that Hemköp comes to its best advantage. In 2003 about half of the chain's stores will be remodelled, fully or in part.

Dagab has an operating margin of 1.6%, which is a normal required rate of return in the wholesaling business. Axfood's ownership of both wholesale and retail operations with distinct brands is a strategic advantage in an industry in which the competition is mounting – from international players as well.

Dagab is continuing its rationalization and efficiency-improvement work. Its potential, too, is greater than we

anticipated. We can improve earnings by streamlining the work in all stages from supplier to store shelf.

Central purchasing automatically provides more savings the larger we are. It is in this context that our overall growth targets should be viewed. Growth is a prerequisite for cheaper purchasing, cheaper administration, lower IT costs, and so on.

Our work on reducing the number of decision-making levels is also making a significant contribution. Since the merger that formed Axfood three years ago we have trimmed the number of levels from eight to four. This applies to the entire path from corporate management to the stores. In my view this flat organization is one of the key explanations for how we so quickly gained so much out of the merger. Simplicity and focus are our foremost virtues.

This is why we are maintaining a strict focus on our own area of expertise: no customer/bank card of our own, no wholly owned real estate operation, no peripheral services of our own, no businesses that we don't master.

In an industry with low average profit margins, maintaining a sharp focus is extra important. If not, it will soon become a drain on management and financial resources. The risk is also great that you will then find even newer, equally titillating projects in areas in which you also lack knowledge.

This spiral of adventure then gradually consumes the profits of the core business. This is a strong personal conviction of myself, the management, and the Board.

One of the main features of our five-year plan is Nordic expansion. Our goal in this respect is to have a strong position in the entire Nordic region. We already have about 19% of the market in Sweden and 9% in Finland.

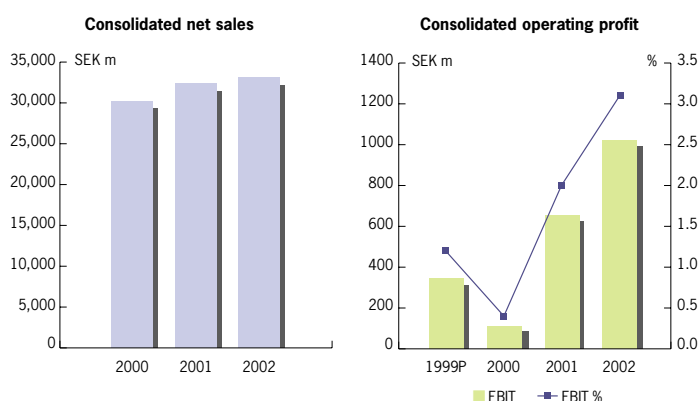
We've done our homework. We know how the markets and competitive situations differ between the various countries. And our growth strategy works to the benefit not only of Axfood, but also of our customers. Through size we can guarantee quality as well as competitive strength in our pricing.

Our forecast for 2003 is that Axfood's earnings will be higher than in 2002, despite mounting competition and subsequent pressure on prices and margins.

Stay tuned to our continued growth in 2003!



Mats Jansson
President and CEO
Axfood AB



Axfood's strategies

We are increasing the number of wholly owned stores

The goal is that 75% of sales will be derived from wholly owned store chains by 2005. We have increased this share from 42% in 2000 to 53% in 2002. During a three-year period we have acquired 89 stores with approximate sales of SEK 5.6 bn.

One key reason for this strategy is that we want to own and develop the most distinct and attractive brands, and to keep the profits from the wholly owned stores within the Group. Another is that the prospects for initiating and bringing about rapid change are better in wholly owned stores.

Axfood is increasing its percentage of wholly owned stores through new establishment or acquisitions. We have an idea about which stores Axfood wants to buy – if and when they will come up for sale. Acquisitions are being made primarily in the category of merchant-owned stores that are already a part of Axfood's operations. Axfood has an option to acquire the stores from half of these grocers.

We are increasing the share of private label products

The focus on private label products is an international trend in the retail industry. A product such as Willys tomato ketchup is made according to a recipe that is similar to the market-leading brand. But we can sell it at a 15%-20% lower price. And still then we earn a higher gross profit at the retail level. What makes this equation work is that we don't have any selling cost: no sales corps, no advertising, etc.

Private labels are thus a strategy that benefits all links in

the chain – customers, grocers and Axfood's shareholders.

In addition to the private label brands offered by Hemköp, Willys and Spar, we also market our own discount brand, Eldorado, in all Axfood stores. These products are not copies of the marketleading brands. Rather, you could say that we put more apple in the raspberry jam to come up with the lowest possible price.

Our goal is that private label products will account for 15% of total sales by 2005. This would translate to a SEK 90 m improvement in consolidated earnings. The Group's sales of private label products increased from 4.8% to 9.8% in 2002. In the Willys chain we have already reached 12.7%.

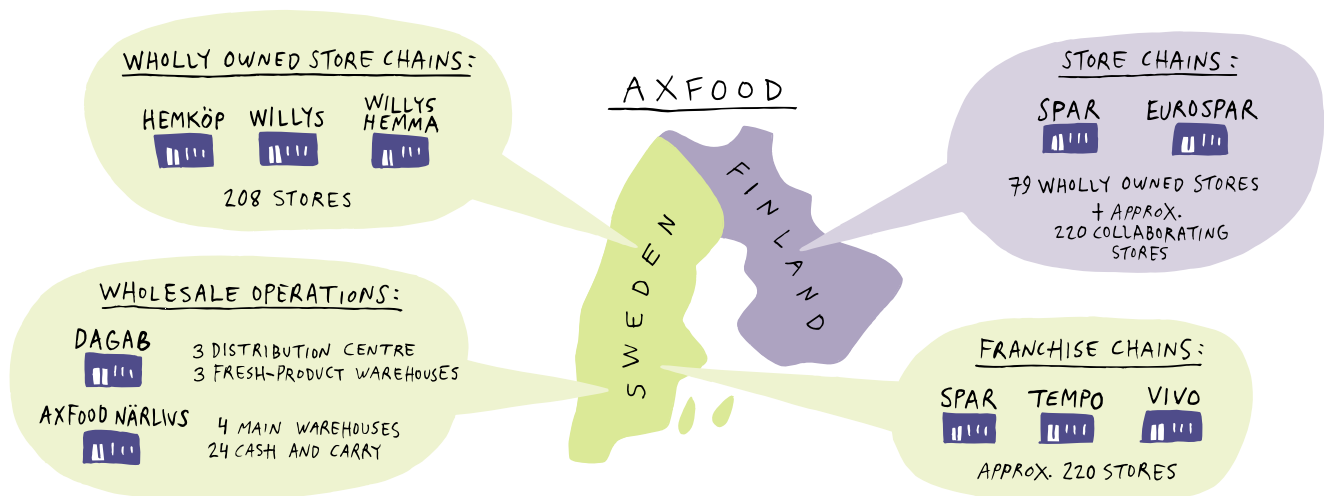
As a comparison, private label products account for 40%-50% of sales for the British and French retail chains.

We are pruning our chain brands

We have carried out a substantial pruning of our store names since 2000, reducing them in number from 34 to five: Hemköp, Willys/Willys hemma, Spar, Tempo and Vivo. We now have two main brands: Hemköp and Willys/Willys hemma.

Our plan is to gradually incorporate all acquired stores into the Willys or Hemköp chains. Willys markets itself as having "Sweden's lowest grocery prices." Hemköp focuses on food appreciation, depth and breadth in product range, and personal service. Hemköp is not a delicatessen or luxury concept, but a quality grocery chain.

Spar and Vivo are currently somewhere in between Willys and Hemköp, judging by the targeted customer segment.



Flat organization

To ensure that the changes that Axfood is now implementing will be made as swiftly and smoothly as possible, we have reduced the number of decision-making levels from eight to four since 2000. We are also conducting a Group project aimed at further cutting administrative costs. In all, some 150 positions will be eliminated, reducing our annual overhead by SEK 70 m from 2004.

We aim to expand in the Nordic region

Axfood currently has an approximate 19% share of the market in Sweden and 9% in Finland. Our goal is to reach a strong position in the Nordic region.

Major synergies and economies of scale can be gained in the Nordic market in terms of brands, purchasing and administration.

We have already begun a cooperation initiative with Spar Finland, which will generate significant, favourable results starting in 2004. Here we are setting up a purchasing collaboration on name-brand goods as well as our own private label products.

Central purchasing

The most substantial economies of scale can be found in centralized purchasing. Instead of negotiating prices with suppliers based on the sales of individual stores, we can do this based on the Group's combined purchasing value of 20 billion kronor. There is no doubt that this enables us to negotiate substantially lower prices.

In our purchasing agreements, 60% of the price savings is passed on to the stores and 40% is retained by Axfood. In 2003 Axfood will be focusing additionally on its non-food offering.

We are streamlining the delivery chain, from order to invoice

The work on drawing maximum benefit from the fact that we own both retail and wholesale operations continues. Starting in 2006 this work will give us annual savings of SEK 100 m. Our efficiency-improvement initiatives affect every step – from delivery of goods from the producers to our own wholesaling operations, and thereafter to and in the stores. This is a complex, Group-wide logistics undertaking in which we feel Axfood has very strong prospects.

We are adopting uniform information technology

Through 2004 we will be investing approximately SEK 200 m in a joint IT platform for the Group's core businesses. One of our main goals is to achieve full integration between our wholesale and retail operations.

The Academy

Axfood Academy refers to the Group-wide training programme that we are currently developing in the areas of wholesaling, retailing and central support functions. Through this joint initiative, not only can we foster a shared view of operations, finance and customer orientation, we can also establish a base of shared values and culture within the Axfood Group.

Axfood share data

Axfood shares

Axfood's shares were listed on the Stockholm Stock Exchange A list until 28 November 2002. Due to the major differences in inheritance and gift taxation for shares on the A and O Lists, Axfood's Board decided to change the company's listing. Axfood's shares are now included on the Attract40 listing of the O list (see explanation, page 51).

The shares have a par value of SEK 5.00 each, and a trading block comprises 50 shares. As stipulated in the Articles of Association, there are no voting rights restrictions.

Price trend and trading volume

Axfood's shares continued to perform well in 2002, rising a further 37.9% following the 119.6% rise in 2001. The Stockholm Stock Exchange fell by 37.0% 2002.

Axfood's shares peaked on 2 December at SEK 180. The lowest price paid during the year, SEK 115, was on 2 January.

A total of 18.9 million shares were traded in 2002, for a value of SEK 2,776.0 m, corresponding to an average daily trading volume of 75,682 shares and a value of SEK 11.1 m.

The closing price on 30 December 2002 was SEK 162 m. Axfood had a market capitalization of SEK 8,623 bn on 31 December 2002 (6,254). Shareholders' equity per share amounted to SEK 31.81 (22.70).

Ownership structure

Axfood had 9,613 (9,565) shareholders at year-end. A total of 9.5% of shareholders in 2002 were institutional investors. At year-end 2002 the 15 largest owners held 67% of the shares. The percentage of foreign owners increased during the year from 8.4% to 12%.

The principal owner is Axel Johnson AB with 45.5% of the shares.

Convertible and stock option programme

In October 2000 an extraordinary general meeting approved the establishment of a convertible and stock option programme for employees and executives of the Axfood Group.

Convertibles

Subscription of convertibles took place in November 2000. The payment date was 22 January 2001. A total of 1,093 employees subscribed, and the debenture amounted to

SEK 73 m. The conversion price is SEK 73, and the conversion period is 21 January 2005–20 March 2006.

Upon full conversion, the number of shares outstanding will increase by 1,006,100, corresponding to a dilution of approximately 1.8% of the total number of shares.

Stock options

To date, 17 senior executives of the Axfood Group have subscribed for 358,800 stock options, entitling them to purchase newly issued shares in Axfood AB. Currently another 68,700 stock options remain, which have not yet been granted. The exercise price is SEK 77, and subscription of one share per option can take place during the period 22 November 2003–21 August 2004. Upon full exercise, the number of shares outstanding will increase by 427,500, corresponding to a dilution of approximately 0.8% of the total number of shares.

Share repurchases

During the year, no shares of the company's own stock were repurchased or transferred. At 31 December 2001 the company held no shares of its own stock.

Dividend policy

Axfood's dividend policy was changed in February 2003. Under the new policy, the dividend payout has been raised to 40% of profit after tax during a business cycle (previously at least 30%).

The Board proposes a dividend of SEK 5.00 per share for the 2002 financial year (2.50), for a total dividend payout of SEK 266 m (133), based on 53,229,028 shares.

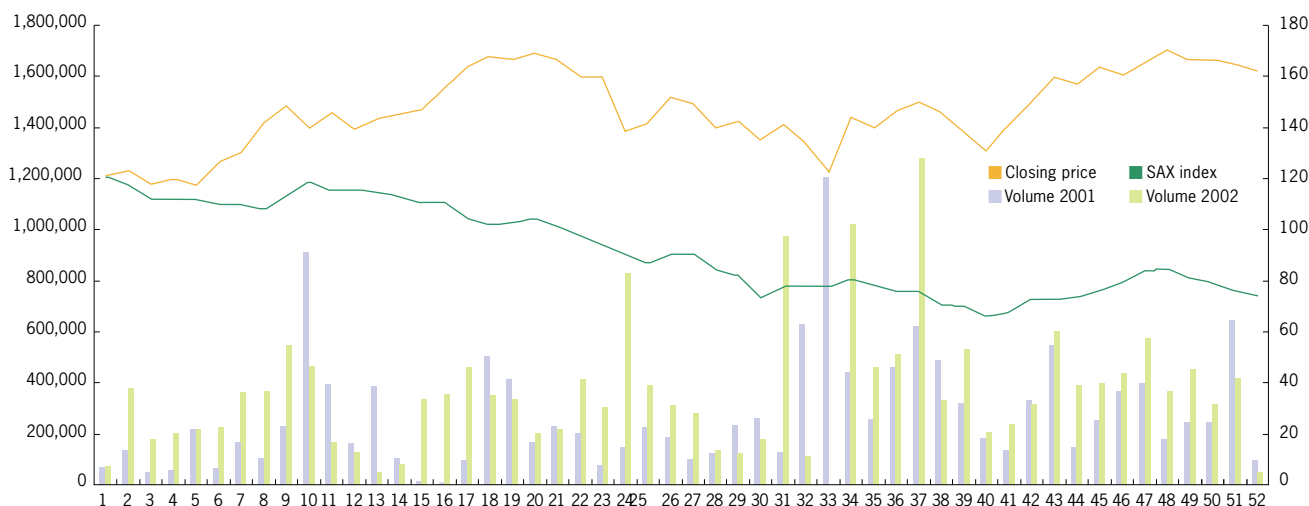
Dividends are expected to be paid out via VPC on 5 May 2003.

Analyst monitoring

The following analysts monitor Axfood:

Alfred Berg
Carnegie
Chevreux
Deutsche Bank (new in 2002)
Enskilda Securities
Handelsbanken Securities
Nordea Securities
Swedbank
Öhman Fondkommission (new in 2002)

Price trend, Axfood shares



Source: Econvision/Alert IR

Axfood's 15 largest shareholders at 30 December 2002

| Name | No. of shares | Capital and votes, % |
|--------------------------------------|-------------------|----------------------|
| Axel Johnson AB | 24,203,166 | 45.5 |
| Järvmärker, Hans (and family) | 1,517,729 | 2.9 |
| Skandia Carlson mutual funds | 1,254,861 | 2.4 |
| Alecta | 1,219,570 | 2.3 |
| SEB mutual funds | 884,300 | 1.7 |
| Fagerlund, Hans | 834,500 | 1.6 |
| Hall, Lennart | 820,000 | 1.5 |
| Fagerlund, Ulf | 800,000 | 1.5 |
| Fidelity mutual funds | 777,600 | 1.5 |
| Skandia | 622,535 | 1.2 |
| Köhler, Torsten | 595,650 | 1.1 |
| Robur mutual funds | 532,276 | 1.0 |
| Söderberg, Tommy | 524,400 | 1.0 |
| Kammarkollegiet fund management | 520,342 | 1.0 |
| Sax, Göran with family and companies | 503,255 | 0.9 |
| Total, 15 owners | 35,620,184 | 66.9 |
| Others | 17,608,844 | 33.1 |
| Total | 53,229,028 | 100.0 |

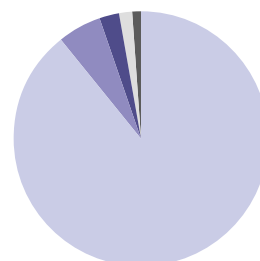
Source: SIS Ägarservice/VPC

Shareholder statistics

| Size class | No. shareholders | Total no. shares, % |
|----------------|------------------|---------------------|
| 1-500 | 8,104 | 2.3 |
| 501-1,000 | 672 | 1.1 |
| 1,001-2,000 | 268 | 0.8 |
| 2,001-5,000 | 200 | 1.3 |
| 5,001-10,000 | 105 | 1.5 |
| 10,001-20,000 | 84 | 2.3 |
| 20,001-50,000 | 86 | 5.2 |
| 50,001-100,000 | 37 | 5.1 |
| 100,001- | 57 | 80.4 |
| Total | 9,613 | 100.0 |

Source: SIS Ägarservice/VPC

Breakdown of shareholders by the five largest countries as per 30 December 2002, %



Sweden 88.0 (91.6) USA 5.3 (1.2) UK 2.4 (2.9)
Luxembourg 1.6 (1.5) France 1.0 (0.6)

Source: SIS Ägarservice/VPC

Key ratios and per-share data

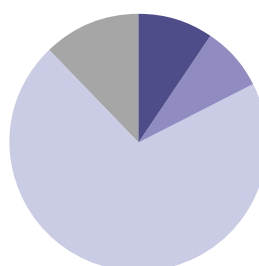
| | 2002 | 2001 | 2000 |
|--|------------|------------|------------|
| Dividend | 5.00 | 2.50 | 0 |
| Dividend as % of earnings ¹⁾ | 42.6 | 40.6 | 0 |
| Number of shares outstanding | 53,229,028 | 53,229,028 | 53,229,028 |
| Share price at year-end | 162 | 117.50 | 53.50 |
| Dividend yield, % ²⁾ | 3.1 | 2.1 | 0 |
| P/E multiple before dilution ³⁾ | 13.8 | 19.1 | neg |
| P/E multiple after dilution ³⁾ | 14.1 | 19.4 | neg |
| Highest/lowest price paid | 180/115 | 125.50/48 | 84/51 |
| Average daily trading volume, thousands | 76 | 59 | 46 |
| No. of shareholders | 9,613 | 9,565 | 10,292 |

¹⁾ Dividend as % of net profit.

²⁾ Dividend per share divided by the share price at year-end.

³⁾ Share price in relation to net earnings per share before and after dilution.

Shareholder categories as per 30 December 2002, %



Swedish shareholders 88 (91.6) of whom
Swedish institutions 9.5 (11.4) Mutual funds 8.1 (1.7)
Individuals, incl. close companies 70.4 (78.5)
Foreign shareholders 12 (8.4)

Source: SIS Ägarservice/VPC



Positive signs from continued work on change

HEMKÖP'S BUSINESS CONCEPT is to be the obvious choice of store for people with an interest in foods. Toward this end, Hemköp attaches a premium to the breadth and depth of its product offering, with a focus on fresh products and knowledgeable, personal service.

The Hemköp chain continued to modify its store structure in 2002 and now has three store formats: centrally located stores with less than 1,000 sq.m. in retail space, neighbourhood stores with 900-1,800 sq.m. of space, and stores on the outskirts of cities – semi-external locations – with over 1,800 sq.m. of retail space. These three formats cater to different customer needs. The long-term strategy is to start up new stores that fit in to any of the three concepts. The chain had 96 stores at year-end.

One pilot store was opened in Eskilstuna in October, and the evaluation of this unit will form the basis for the possible remodelling of some ten stores in the chain in the years ahead. The Eskilstuna store offers everything shoppers need in terms of food and groceries, plus a slightly extended range of specialty items and a greater availability of bulk packages. Fresh products, staffed fish counters and competitive prices are all aimed at attracting more shoppers to do their main grocery shopping at Hemköp. The pilot store has been very successful and showed a sales improvement of approximately 30%. Parts of the new format are now being further developed to upgrade other stores in the chain.

Hemköp stores offer roughly 12,000 items, where local products play an important role. The chain has also built up an extensive range of private label products over the years, which account for 8.7% of total sales.

Hemköp has had weak sales and earnings development

in recent years. Extensive work was devoted to breaking this trend during the year and included an overview of the product selection, the changeover to central purchasing, a general reduction in prices, the introduction of longer business hours and a revitalizing of the concept. The next step will be to more effectively manage store space by displaying products according to a pre-drawn blueprint, or planogram.

The average number of employees during the year was 2,820.

Market and competition

The type of traditional retailing that Hemköp is engaged in is subject to competition from many directions. This is requiring Hemköp to make its customer offering even more clear than in the past and to reduce the gap between the competing segments. Hemköp's aim is to compete through quality and its offering, not price. However, its prices must nevertheless be competitive, which explains the price cut initiative taken by the chain during the year.

Hemköp's large stores that are located on the outskirts of cities (semi-external locations), which offer ample parking, will be catering directly to customers interested in doing their weekly or "big" shopping.

Important events during the year

- One store was opened, one was acquired, seven was converted from other concepts within the Group, and five stores were closed.
- Continued modification of the store structure.
- Launch of pilot large-format store.
- Extensive remodelling programme begun of the chain's stores.

- New price strategy with lower prices for roughly 20% of the 800-1,000 most common food products.
- New, longer business hours.

Sales and earnings

Hemköp has experienced weak development in volume and earnings in recent years. During the fourth quarter of 2002 a slight positive trend could be noted. Hemköp's sales amounted to SEK 6,341 m in 2002 (6,536). Same-store sales were down 1.6%. Operating profit was SEK 106 m (126). The operating margin was 1.7% (1.9%).

Future outlook

Sales and earnings will increase and stabilize in 2003 in pace with the strengthening of Hemköp's overall competitiveness.

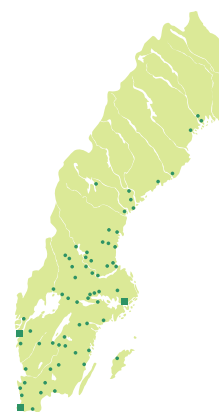
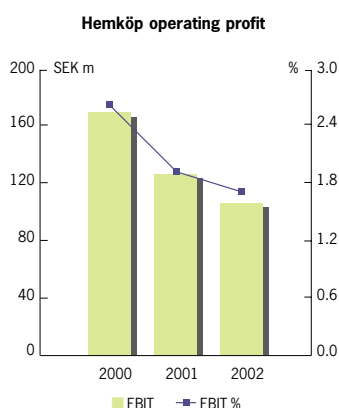
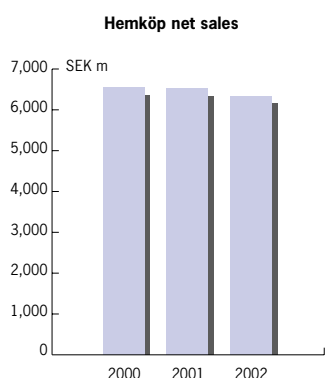
In 2003 Hemköp will be investing heavily in refurbishing and renewing its existing stores. About half of the chain's stores will be remodelled, partly or fully.

The remodelling conducted during the final quarter of 2002 has had a positive impact on sales and customer satisfaction. Capital expenditures in 2003 will increase from SEK 100 m to SEK 170 m.

During the first quarter of 2003 Hemköp's private label brand will be relaunched with a new design and new products. Products currently on store shelves will adopt a new design during the year. Altogether the new private label product line will include 250 items at year-end.

During 2003 Hemköp's head offices will be moving from Falun to Stockholm. This is being done on account of Hemköp's integration with Axfood, where most of the former head office's activities will now be coordinated. All employees in Falun have been offered to relocate to Stockholm.

Hemköp's long-term goal is to reach approximately SEK 7 bn in sales by 2005 and to improve its operating margin to 4%.







Market leader through strong expansion and focus on private label products

WILLYS' BUSINESS CONCEPT is to offer Sweden's lowest grocery prices. The chain grew by 70 stores in 2002, and sales rose 21%. The debate on Sweden's high food prices has attracted the attention of growing numbers of consumers with respect to prices and customer offerings. The Willys stores aim to meet about 95% of customers' needs for groceries and retail food products. Willys stores offer approximately 6,500 items, of which about half are fresh products. Prices are roughly 15%-20% lower than traditional grocery stores. Willys was the market leader in Sweden's discount segment in 2002. Strict concept management, low payroll costs and efficient operation without staffed counters make it possible for Willys to offer the lowest prices in the market.

A key aspect of Willys' customer offering is its broad product offering, including market leading brands, private label products, and discount items ("fighting brands"). The Willys private label brand was launched in March 2002, and at year-end it included some 140 items. By having our own line of private label products, we can offer shoppers low prices and still maintain our profitability. Our customer surveys clearly show that our private label products are appreciated and that customers are eager to see the line extended. At its full potential the Willys brand can include 500-700 items. Sales of private label products at Willys rose from 5.5% to 12.7% of total in 2002.

Willys has 70 stores nationwide in Sweden. Store sizes range from 1,500-4,000 sq.m., and they are usually located outside city centres. During the year we began the conversion of the Exet/Matex chain to Willys. A total of 10 stores have been converted, and approximately 20 remain. These will be converted to Willys in 2003.

The average number of employees during the year was 1,944.

Market and competition

During the last two years the discount segment has shown the highest growth in Sweden, and at year-end 2002 it accounted for approximately 13% of sales. Willys and collaborating grocers accounted for about half of this. Other competitors are mainly in the smaller discount segment.

The market for the discount segment will presumably grow further in the coming years. In a comparison with other European countries, where the discount segment has been established for a longer period of time, discount stores in Sweden still have a small share of the total market. New players and additional customer offerings in the discount segment could bring sales up to approximately 20% of total in the next 3-4 years.

Important events during the year

- Two new stores were opened and five stores were converted from other concepts within the Group, four stores were acquired and three were closed.
- Conversion from the former Exet/Matex discount format was begun. In all, ten stores were converted and approximately 20 remain to be converted.
- A new concept covering product range, pricing strategy, marketing and store layout is being introduced at all newly built and converted stores.
- The Willys brand was launched, enabling Willys to grow its share of private label sales from 5.5% to 12.7% of total sales.

Sales and earnings

Willys' sales increased by 21% in 2002 and amounted to SEK 8,398 m (6,943) at year-end for wholly owned stores. Same-store sales rose 6.6%. Operating profit totalled SEK 368 m (242). The operating margin was 4.4% (3.5%).

Future outlook

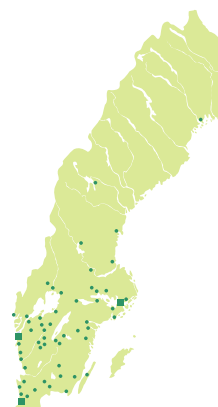
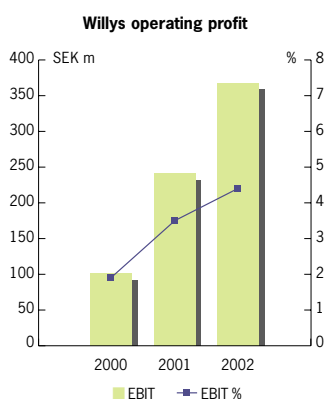
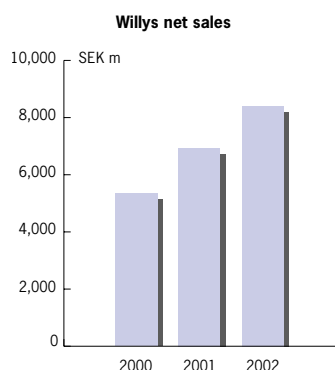
The Willys chain has good potential for continued strong expansion. The discount market as a whole still has room for additional strong growth. As long as the price level is comparable, Willys' customer offering does not compete directly with new hard-discount stores due to the major differences in product range and – not least – in the offering of fresh products. This advantage brought by the

breadth of the product range is becoming increasingly important to point out.

The Willys line of private label products will be expanded by approximately 125 items in 2003. In the long-term the Willys brand can account for 20%-25% of total sales. Developing this brand and continued work on category management are key components in Willys' profitability development in the years ahead.

The continued conversion of the Exet/Matex stores will make the Willys brand more well-known, increase efficiency within the chain and contribute over time to higher sales.

Willys' long-term goal is to grow sales to SEK 12 bn by 2005 and achieve an operating margin of 5%.





First out in new discount segment

WILLYS HEMMA'S BUSINESS CONCEPT is to offer a limited range of food products from neighbourhood stores with prices in the lowest tier of the market.

Willys hemma was launched in February 2002 and opened 42 stores during the year. The stores are located near residential areas and have 400-1,100 sq.m. of retail space. The chain was established to satisfy the needs of people who don't have the means or desire to drive to the more remote discount supermarkets. Another reason for establishing the chain was to head off new competition.

The Willys hemma store structure was derived from the HP Billigt&Nära discount chain, which Axfood acquired at year-end 2001. The 29 HP stores have been converted and the product offering has been changed.

Compared with its main competitors in its segment, Willys hemma has a slightly broader product range and considerably more fresh products. Willys hemma stores offer approximately 2,000 items, which is about twice as much as that offered by comparable competitors. An extensive offering of private label products makes it possible to keep prices low despite low annual sales volume, which is approximately SEK 30 m per store and year.

The average number of employees during the year was 362.

Market and competition

Willys hemma works in the hard discount segment. This international concept is based on small stores, a very lean product offering (about 1,000 items), an almost exclusive offering of private label products and a limited offering of fresh products. In 2002 the Netto chain was introduced, a joint venture between ICA and Dansk Supermarket. In 2003 Lidl will be opening an unknown number of stores.

Due to location and customer offering, Willys hemma

does not compete with Willys. Location and customer offering are also decisive for how shoppers will judge other new discount alternatives in the market.

Important events during the year

- One store was newly opened, ten acquired and two were converted from other concepts within the Group.
- Launch of 42 stores.
- Establishment of organizational structure and start of management system.

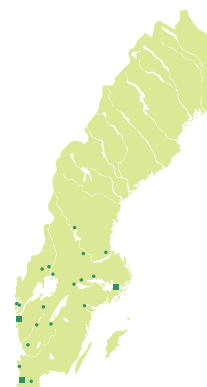
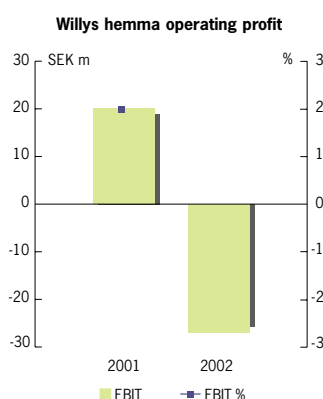
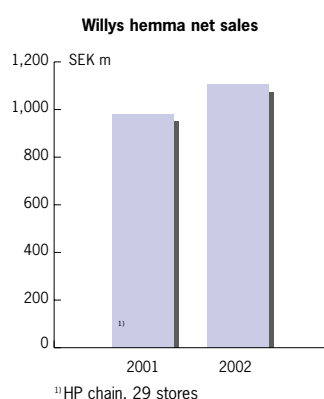
Sales and earnings

Sales for Willys hemma amounted to SEK 1,108 m in 2002 (981). Same-store sales were down 8.4%. The chain reported a loss of SEK -27 m (20). Earnings were charged with approximately SEK 15 m in conversion costs for the year. The operating margin was negative (2.0%).

Future outlook

2002 taught us what is needed to make small stores of this type profitable. During the first half of 2003 we will initiate a consolidation of the chain, whereby we will change parts of the store concept and marketing. This will entail a slight reduction in the product range and the introduction of more private label products and other discount brands. Willys hemma will improve its competitive strength in terms of price. Continued expansion will take place during the second half of 2003. Willys hemma is continuing its work on reducing its internal costs – including payroll – in an effort to enhance profitability and competitiveness.

The long-term goal for Willys hemma is to have established roughly 120 stores nationwide in Sweden by 2005 and to reach annual sales of approximately SEK 4 bn. The operating margin target is slightly more than 2%.





Positive trend for the Spar chain

THE AXFOOD GROUP COOPERATES across a broad spectrum in the private retailer segment. The most important store brands are Spar, with some 130 stores, Tempo, with approximately 100 stores, and Vivo, with about 80 stores. In addition to these are a large number of small stores operating under various names such as Handlarn.

For the small stores, this cooperation is manifested in the customer relationship with Dagab and Axfood Närlivs. Spar and Tempo owners cooperate more closely with Axfood. This means that they are included in the Group's joint purchasing arrangements and thereby benefit from the same favourable purchasing terms. These stores also receive support from Axfood on matters such as marketing, concept development and category management. Axfood Franchise AB is responsible for the Spar chain and, in 2002, for the Tempo chain.

Spar

The Spar chain consists of former Vivo stores outside Stockholm. The stores are tied to Axfood through franchise agreements and pay an annual fee of 1.3% of net sales. The chain was established in 2000 and had 130 affiliated stores by year-end 2002. The Spar concept comprises two store profiles: Spar and Eurospar. The Spar stores are traditional grocery stores with 500-2,000 sq.m. of retail space and sales ranging from roughly SEK 20-60 m. Eurospar stores have over SEK 40 m in annual sales and between 1,000 and 3,000 sq.m. in retail space.

During the year some 1,200 private grocers and store employees participated in concept training to enhance the profile and customer offering of the Spar stores. The concept centres around the theme of "festive food stores," with a distinct focus on fresh products. The chain profiles itself through initiatives such as in-store food demonstrations performed by store employees in an effort to inspire innovative meal ideas. The stores have a product range of some 7,000 items. The introduction of Spar's own private label – which today includes over 40 Spar products – is also an important part of the chain's customer offering and a significant factor for the chain's profitability. At year-end private label products accounted for approximately 4.5% of total sales.

Spar stores are typically the main store in small towns or regional stores in larger cities. This type of store is exposed to fierce competition. Dynamic stores with attractive prices are essential to ward off the call of hypermarkets and discount stores.

The Spar chain has annual sales of approximately SEK 6 bn. Same-store sales rose 2.7% in 2002. Prior to the conversion to Spar the stores as a whole had a negative sales trend.

Tempo

The Tempo chain, consisting of approximately 100 stores, works according to a modern, mini-market concept. The stores are small – most under 800 sq.m. Annual sales vary



between SEK 5 m and SEK 25 m per year. In recent years this type of store has come under fierce competition. However, with a more distinct focus on convenience shopping, this segment of the market has begun growing, not least due to the petrol companies' foray into the retail food market. In 2002 the Tempo concept was modified, and the stores will now adopt a more distinct convenience store/mini-market profile. As a result of this change, the Tempo chain was transferred to Axfood Närlivs from 1 January 2003. The convenience store segment is subject to specific operating conditions due to lower volumes, among other things. With Axfood Närlivs as a cooperation partner these stores will obtain better prospects for development.

Vivo

Vivo consists of some 80 traditional grocery stores in the Greater Stockholm area and on Gotland. The stores range from 600-4,000 sq.m. in size. The stores in the Vivo Group are important customers for Dagab. Axfood has fee-based cooperation agreements with 13 stores. The Vivo brand is owned by Axfood.

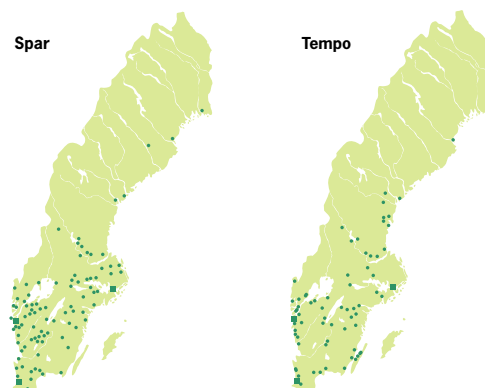
Sales and earnings

Axfood Franchise reported an operating profit of SEK 32 m (26) in 2002. Earnings are reported under joint-Group items.

The average number of employees during the year was 73.

Future outlook

New competitors, especially in the discount segment, can have a major impact in local markets for traditional retailers and convenience stores. The Spar chain is judged to have prospects for relatively stable growth in the coming year. The concept has a stable foundation and is an appreciated store choice for many people. An additional ten or so stores will be added to the chain in 2003. The focus on private labels will continue in 2003, when the Spar chain will be expanding the product line to about 150 items. This venture is being coordinated with Spar in Finland.





Continuous improvement yielded record earnings

DAGAB'S BUSINESS CONCEPT is to convey goods and information between retailers and suppliers on commercial terms.

From its roots as a traditional wholesaler, Dagab is undergoing a major transformation in order to become a more integrated sourcing system within the Axfood Group. Through the increase in the number of wholly owned stores the conditions are in place for an entirely new way of working and new routines. During the next three years a newly started project within Axfood will develop this newly integrated product sourcing within the Group, with opportunities for substantial cost reduction and greater availability on store shelves.

Most of the savings will be made at stores through the adaptation of integrated supplier-wholesaler work processes. Examples include packing deliveries by category, delivering according to set time frames, simplifying ordering routines, and so on. The objective of all these initiatives is to optimize the work in the stores, which is the most time-consuming link in the entire chain from supplier to customer.

Dagab's operations are conducted from three major distribution centres: Borlänge, Jordbro (outside Stockholm), and Backa (Gothenburg). Fresh product warehouses operate out of Jönköping, Kristianstad and Backa. The current organization is the product of several years of work on efficiency improvement. In addition, during 2002 geographic distribution was initiated, entailing that stores always receive goods from the warehouse closest to them. About 170 stores have been affected by this change.

Dagab delivers approximately 60% of its volume to Axfood's wholly owned stores, mainly groceries, meat and processed meats, and some dairy products. The main categories that are delivered directly from producers to stores are fruits and vegetables, beverages, bread, newspapers and

tobacco. Dagab supplies the stores owned by the Group as well as large stores owned by collaborating grocers.

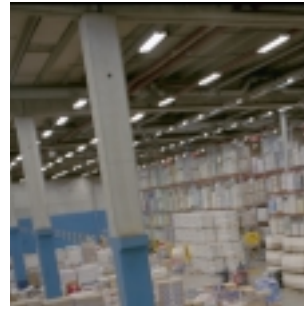
The average number of employees during the year was 1,342.

Market and competition

The four major retailers in Sweden – ICA, Coop, Axfood and Bergendahls – all have their own wholesaling operations.

Important events during the year

- Changeover from customer-steered distribution to geographic distribution, affecting 170 stores in all.
- Axfood Närlivs consolidated its operations in southern Sweden at a new warehouse in Tyninge. The warehouse was transferred to Axfood Närliv's organization as per 1 January 2003.
- A new warehouse was established to accommodate the needs caused by Axfood's rising sales of private label products, which currently account for 20% of Dagab's volume and 50% of inventory value.
- Start of Compass, an internal programme aimed at improving productivity, quality and employee commitment.
- Implementation of a new meat and processed meats organization, with significant earnings improvements. Two processed meat plants were closed in January, and the two remaining meat and processed meat companies in the Group, Ingemar Johansson and Hildebrands, were merged, with subsequent earnings improvements.
- Agreements reached with Scan, under which Dagab is taking over all meat and processed meat distribution to wholly owned stores within the Axfood Group.



Sales and earnings

Dagab experienced favourable growth in volume in 2002, mainly due to the strong trend in the discount segment. Invoicing for directly distributed products also increased during the year and now accounts for 22% of sales. Sales totalled SEK 17,906 m (15,054).

Earnings improved as a result of the changes made in the meat and processed meat operations, and other internal cost cutting measures. Operating profit for the year was SEK 282 m (258). The operating margin was 1.6% (1.7%).

Future outlook

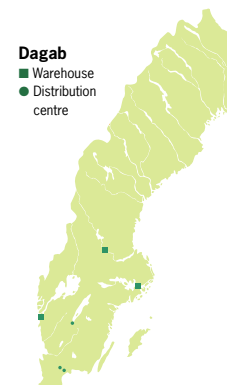
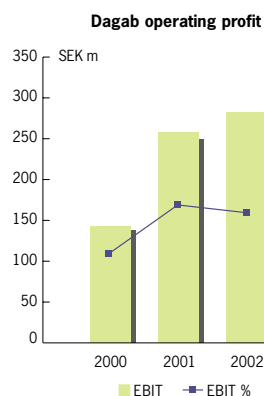
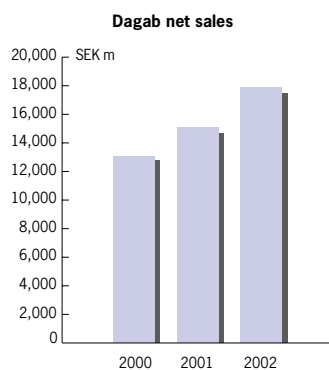
The volume trend for Dagab is expected to remain stable in the coming year. Dagab's primary task in 2003 and 2004 will be to implement its internal rationalization programme, entailing an approximate 20% reduction in the number of salaried employees. Among other things,

the changes will affect Dagab's sales support functions, which will be reduced.

With effect from 1 January 2003 Dagab took over import logistics for private label products. The portion of imported products will be rising strongly in the years ahead.

The newly started "Supply Chain" project, in which Axfood's overall product supply is being analysed and changed, will be a primary undertaking for many people at Dagab. Among other things, in 2003 one of the main distribution centres will be remodelled for inclusion in a pilot test with some 20 stores. The earnings contribution from this undertaking will be visible in its entirety in 2006.

Volume for Axfood-owned stores is being concentrated more and more to Dagab. Through this volume growth and the internal improvement projects that are being carried out within the company, Dagab's long-term goal is to improve its operating margin by a further 0.1% by 2005.





Strong earnings for Axfood Närlivs

AXFOOD NÄRLIVS IS AN OPEN wholesaling operation. Its business concept is to offer a complete system of products as well as marketing and concept support to the diverse range of customers in the convenience store segment. Operations are organized into two components: Närlivs, which is distribution-oriented, and Snabbgross, consisting of cash & carry outlets.

Customers are classified according to three categories: contract customers in the service-station segment, small grocery store chains such as Handlarn, and small businesses and convenience stores.

In 2002 several contract customers renewed their agreements for three years. A new agreement was reached with Shell Select during the year, entailing SEK 95 m in new volume. EMAB, a central organization for some 500 independent service-station operators, also signed a new agreement worth SEK 150 m in new volume. The OK/Q8 service-station chain also renewed its contract, corresponding to SEK 50 m in new volume.

Cooperation with small grocery stores was developed during the year and several stores converted their profile to the Handlarn concept in order to enhance their impact and efficiency. At year-end 2002 some 220 stores were operating under the Handlarn name. These stores noted a positive sales trend during the year.

Axfood Närlivs' strong point is groceries and confectioneries. Over a three-year period the company has successfully built up a confectionery concept for bulk sweets, called Smått&Gott, entailing the placement of some 2,300 units in the small grocery store/convenience store segment. Sales for Smått&Gott are in excess of SEK 100 m. In autumn 2002 Axfood Närlivs introduced the Smått&Gott concept in Axfood's other store chains, including Hemköp. In the stores where the Smått&Gott has been tested, sales of bulk

sweets have risen sharply – by as much as 50%.

Axfood Närlivs also runs a cash & carry operation comprising 24 outlets. Half of the customers are in the convenience store segment, while the other half consist of fast-food stores, restaurants, offices, and such. Sales volume for the cash & carry business grew by approximately 8% in 2002 due to higher demand from restaurants and catering firms.

In 2002 the company continued to simplify its sales and distribution structure. A large warehouse in Tyringe, in southern Sweden, took over the activities of several smaller warehouses in southern and western Sweden. At year-end Axfood Närlivs had four warehouses (Östersund, Skellefteå, Örebro and Tyringe). Originally run by Dagab, the Tyringe warehouse was taken over by Axfood Närlivs as per 1 January 2003.

The average number of employees during the year was 699.

Market and competition

The total market in which Axfood Närlivs works is estimated to be worth SEK 30 bn in retail sales. Measured by wholesale volume the market is estimated at approximately SEK 9.5 bn. Axfood Närlivs accounts for SEK 5 bn of this amount. Customer mobility in the market is high and steered by price. Aside from Axfood Närlivs, ICA-Meny, Privab and local wholesalers are active in the market. To a certain extent, discount retailers also compete with open wholesalers.

Important events during the year

- Continued centralization and simplification of the distribution structure resulted in lower costs and simplified routines.
- Successful launch of Smått&Gott, a new concept for sales of bulk sweets.



- New central warehouse for meat and processed meats opened.
- Renewal of contracts with customers in the service-station segment.

Sales and earnings

Sales for Axfood Närlivs rose 2.1%, to SEK 4,713 m (4,618). Operating profit rose 33.3% to SEK 92 m (69). The operating margin was 1.9% (1.5%).

Future outlook

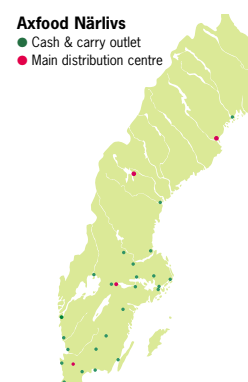
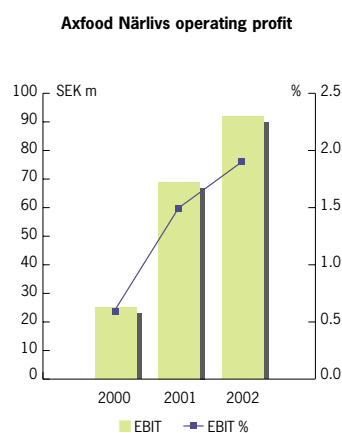
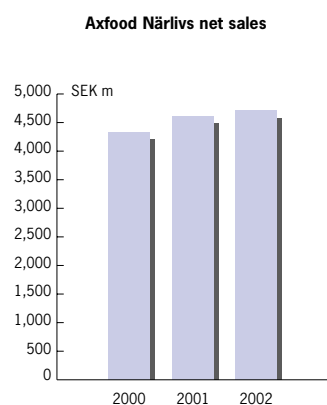
On 1 January 2003 Axfood Närlivs took over all contacts with independent retailers in the Tempo concept. Axfood

has thereby concentrated all of its activities in the small grocery store/convenience store segment in Axfood Närlivs, which can develop these types of small stores in a more focused manner. In 2003 Axfood Närlivs will be introducing the Smått&Gott concept in all of Axfood's wholly owned retail operations.

In 2003 the newly started central warehouse for meats and processed meats will also be expanded to include cheese and dairy products, as well as fruits and vegetables.

Axfood Närlivs aims to address the high degree of mobility in the market by attaching a premium to loyal customers and by improving its reliability and availability.

Axfood Närlivs' long-term goal is to improve its operating margin by an additional 0.1%





Earnings improvement despite lower volume

SPAR FINLAND is listed on the Helsinki Stock Exchange. Axfood is the largest owner with 75.3% of the votes and 69.3% of the capital.

Spar Finland has 79 wholly owned stores and collaborates with some 220 private grocers in the Spar chain. The Spar Group has two concepts. The Spar chain consists of traditional supermarkets with 300-1,000 sq.m. of retail space. The stores offer a high standard of service with staffed counters in the fresh foods departments. Their respective product offerings are adapted to the customer preferences.

The Eurospar chain consists of 11 large discount stores throughout Finland and ranging in size from 1,200-2,700 sq.m., all wholly owned. Eurospar adheres to a distinct discount model with a focus on operating efficiency and a set range of food products. Eurospar stores do not feature any staffed counters.

Spar Finland is a part-owner of Tuko Logistics, with a 35% stake. Tuko distributes products from a central warehouse located outside Helsinki.

Spar Finland improved its profitability in 2002. Purchasing is the single most important function, where the chain's category management initiatives have resulted in significant earnings improvements. Spar Finland also reduced its administrative costs during the year.

The average number of employees during the year was 864.

Market and competition

The Finnish market is highly established and includes a mix of large and small food stores. Spar Finland has 9% of the market. Finland has the highest per capital concentration of hypermarkets of any country in Europe. The number

of hypermarkets has increased by 80% in the last ten years, while the number of small stores has decreased by two-thirds. To date the discount segment has been relatively small in Finland. In autumn 2002 Lidl opened its first stores.

Due to the relatively low number of discount stores in the market, Lidl succeeded in capturing market shares during its first months in business. Eurospar and Prisma (owned by the S-Group) previously had the lowest prices, according to surveys performed by Finland's consumer policies agency. However, Eurospar and Prisma are food stores with a broad range of products.

As a traditional food retailer, the Spar chain is subject to competition from new discount stores as well as hypermarkets. One advantage that the Spar stores have is that starting in 2001 small stores are allowed to be open for business on Sundays, a benefit the hypermarkets do not have.

Important events during the year

- Seven stores were acquired and five were closed.
- Introduction of the euro without store disruptions.
- Streamlining and improvement of the company's most important processes, such as purchasing, category management, marketing and administration. To meet new needs the organization was strengthened with Human Resource, IT and Logistics support units. Significant earnings improvements were achieved.
- A thorough canvassing of employee competencies was carried out, and performance reviews have now been adopted as standard practice.
- Earnings improvements achieved through decrease in shrinkage and better cost control.



Sales and earnings

Sales amounted to SEK 5,537 m (5,683), and operating profit was SEK 55 m (25). The improvement can be credited to lower costs achieved through the centralization of purchasing and marketing, and to improved category management. The operating margin was 1.0% (0.4%).

Future outlook

Spar Finland has been very successful at improving its earnings within its existing structure. However, the chain has too few stores established in southern Finland – particularly the Greater Helsinki area – which has the highest growth.

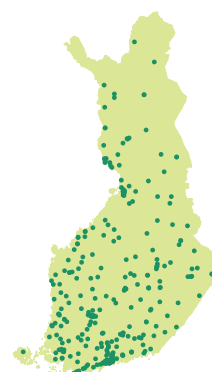
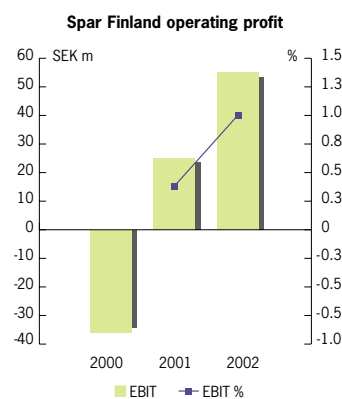
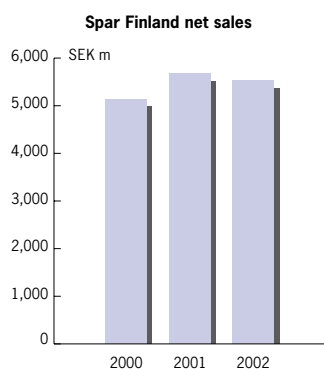
Investments will be made in the year ahead to strengthen the chain in the Helsinki market. Spar Finland will be opening two new stores, and several units will be refurbished.

During 2003 Axfood and Spar Finland will be developing their cooperation in the area of purchasing. This applies for brand-name products as well as private labels.

A comparison of Swedish and Finnish purchasing prices indicates great opportunities to improve purchasing terms.

The ambition is to be able to grow in Finland through acquisitions or mergers.

In Spar Finland's current structure, the long-term goal is to maintain current volume and the operating margin.





A socially responsible company

THE RETAIL FOOD INDUSTRY is encumbered by a multitude of environmental and ethical matters that companies must take positions on. These include everything from global issues surrounding traceability, to industrial uses of Third World resources, to issues closer to consumers, such as food safety and hygiene. Further, Axfood has a strong responsibility toward its employees, customers and shareholders to use good judgement and take an active stance on environmental issues, equal opportunity and sound work environments.

Axfood's employees

Axfood had slightly more than 8,000 full-time employees, of whom approximately 75% worked in stores. For the first time since the merger that formed Axfood, a comprehensive survey was conducted in 2002 of employee attitudes and views on leadership, work environments and development opportunities. Areas that Axfood's employees expressed praise for and are satisfied with include commitment and job satisfaction, confidence instilled by managers, and belief in the company's future. Competence development, equal opportunity and physical work environments received lower marks. Each company has its own action programme, and the respective boards of the companies monitor these programmes on a continuous basis.

One outcome of the surveys is that equal opportunity has come under focus. Each company is currently performing a mapping of salaries to identify any gender-based patterns in salary levels. This work will be completed during the first quarter of 2003. The percentage of women managers must be increased within the Group. Axfood's corporate management team has 11 members, of whom two are women. By 2005, each company and staff management team will be required to have at least one woman. Today four of the Group's ten companies and staff units meet this requirement. The percentage of women managers at the store level is currently low, and Axfood is now working on an action programme to increase the number of women store managers. The long-term goal is that women will make up 25% of store managers.

Axfood's own training centre is about to start. Store employees are the top priority target group. Some 200 new store managers will be needed within the Group in the years immediately ahead. We will recruit and further develop most of these from within our own ranks.

Employee performance reviews are the hub of all competence development initiatives and a simple and effective vehicle for enhancing employees' opportunities to affect their own situation. Performance reviews are standard practice at Axfood, and all employees are required to have at least one a year.

Quality assurance and traceability

During 2002, two of Axfood's chains, Willys and Spar, improved their routines for cold storage handling, labelling and hygiene through the use of training and manuals. Other chains within the Axfood Group are now following the same structure to ensure their own controls within the individual stores.

Axfood's private label products are quality-assured in two aspects: one concerns product safety and covers all items. To be approved a private label supplier must have a valid certification according to one of the internationally recognized food standards: HACCP or BRC. By June 2004 at the latest all suppliers must be approved according to these standards. Suppliers that do not have either of these certifications by that time will be required to submit a written account and describe the aspects of their operations covered by the standards. Axfood conducts its own factory inspections and also invites special certification companies to perform inspection of its facilities.

The other aspect concerns consumer tests and covers the private label products sold by Hemköp, Spar and Willys, to ensure that the products live up to a market-leading standard. The tests are performed by an independent company. For other private labels such as Eldorado, taste tests are conducted in Axfood's own test kitchen. We also conduct regular spot tests of delivered products.

In many areas of the world social problems arise in the production of food products. To increase our employees' awareness about this, in 2002 we published a report on the current situation in various countries and regions as well as with respect to certain products. We have begun amending our agreements with suppliers to include requirements for social responsibility. The possibility of tracing the origin of a product is limited in many cases since products and raw materials are often purchased from several locations and subsequently sold on the market. Changing systems that have been in use for many years takes time. Therefore, our position is that the work on establishing social responsibility and traceability in the food chain must be a long-term undertaking.

Administration report

Reg. no. 556542-0824

The Board of Directors and President of Axfood AB (publ.) herewith submit their annual report and consolidated accounts for the 2002 financial year.

Operations

Axfood conducts food retail and wholesale trading operations in Sweden and Finland. Operating profit for 2002 rose 56.7%, to SEK 1,023 m, and the operating margin was 3.1%. The long-term operating margin target of 3.0% for 2005 was thus already achieved in 2002. The long-term target for 2005 has now been raised to 3.5%. As an important step in achieving maximal profitability in the Group, work is continuing on coordinating purchasing and administration.

A number of small acquisitions were made during the year. The net increase in the number of stores was eleven in Sweden and two in Finland.

Willys hemma was launched in early 2002 with the opening of the first stores in Stockholm. The Willys hemma chain had 42 stores at year-end.

In November Axfood signed a letter of intent with Crown NorthCorp Ltd. on the sale of Axfood's real estate holdings. The holdings comprise 93 properties, of which 17 house operations that are wholly-owned by Axfood. The properties have a book value of approximately SEK 500 m.

Net sales and earnings

Consolidated net sales of the Axfood Group rose 2.1%, to SEK 33,115 m (32,428). Sales in Sweden in own and collaborating stores amounted to SEK 35.8 bn (35.0), including VAT – an increase of 2.2% compared with the preceding year.

Operating profit was SEK 1,023 m (653), and the oper-

ating margin was 3.1% (2.0). Operating profit was not charged with any items affecting comparability (2001: SEK -79 m). After net financial items, totalling SEK -104 m (-126), profit was SEK 919 m (527). A net profit of SEK 625 m (328) was reported for the year after taxes of SEK -280 m (-188) and minority shares of SEK -14 m (-11).

Capital expenditures

Capital expenditures totalled SEK 513 m (561). Of these, SEK 58 m (64) pertained to acquisitions of stores in Sweden, SEK 0 m (93) to purchases of shares in Finland, SEK 404 m (333) to investments in fixed assets in the wholesaling operations and in the store network in Sweden, and SEK 51 m (71) in investments in fixed assets in Finland.

Financial position

The Group's cash and cash equivalent amounted to SEK 444 m (406) at 31 December 2002. Cash flow from continuing operations amounted to SEK 1,104 m (1,046).

Interest-bearing assets, including cash and cash equivalents, decreased by SEK 146 m to SEK 618 m (764), and interest-bearing net debt decreased by SEK 589 m to SEK 1,080 m (1,669). Interest-bearing net debt includes SEK 378 m (365) in pension provisions.

The equity ratio was 24.6% (17.0%), and the debt-equity ratio, net, was 0.6 multiple (1.3).

Parent Company

Other operating revenue for the Parent Company amounted to SEK 35 m (26) during the period. After administrative expenses of SEK 101 m (67), items affecting comparability

of SEK 0 m (-54) and net financial items of SEK -23 m (-50), profit after financial items was SEK -89 m (-145). Capital expenditures totalled SEK 12 m (2). Cash and cash equivalents held by the Parent Company totalled SEK 0 m (0). Interest-bearing external assets amounted to SEK 5 m (1) at the end of the period. Interest-bearing net debt decreased by SEK 153 m and amounted to SEK 541 m (694) at the end of the period.

Share repurchases

During the year the Company did not purchase or transfer any of its own shares. The Company had no holdings of its own shares as per 31 December 2002.

Composition and work of the Board of Directors

Axfood's Board consists of nine members elected by the Annual General Meeting and three employee representatives with alternates. The members of the Board are presented on page 56. The Group CEO is a board member.

According to the Board's work plan, the Board shall have at least five meetings a year. In 2002 the Board met eight times. At each meeting the CEO presents, in connection with the quarterly report, an economic and financial report of operations. In addition, he furnishes the Board with a month-by-month report on significant events and summary financial information. Each year the Board discusses the auditors' report, which describes to what extent the Company's organization is structured so as to ensure satisfactory control of bookkeeping, cash management and the Company's financial position.

The Board of Directors has a compensation committee, which handles matters concerning salaries and other terms of employment for Axfood's CEO and other members of

the executive management. This committee shall consist of a minimum of three and a maximum of five persons, with the Chairman of the Board serving as chair of the committee. The current members of the compensation committee are Göran Ennerfelt, Antonia Ax:son Johnson, and Marcus Storch.

Axfood's main owners have appointed a nominating committee for the period up until the next Annual General Meeting. The nominating committee is responsible for presenting recommendations on the number of directors serving on the Company's board and the composition of the Board of Directors to the Annual General Meeting on 23 April 2003. The members of the nominating committee are Hans Dalborg (chairman), Claes Andersson, Antonia Ax:son Johnson and Lars Otterbeck. Axfood's chairman, Göran Ennerfelt, is a co-opted member of the nominating committee.

Environmental impact

No operations requiring a permit or notification in accordance with the environmental code are conducted by Axfood AB or within the Group.

Proposed disposition of earnings

Reg. no. 556542-0824

According to the consolidated balance sheet, unrestricted shareholders' equity amounted to SEK 709 m at 31 December 2002, of which SEK 625 m consists of the year's profit. No appropriation to restricted reserves in the Group is proposed.

The following profits are available for distribution by the Annual General Meeting:

| | |
|------------------------|----------|
| Profit brought forward | 607,061 |
| Net loss for the year | -189,494 |
| Total, SEK 000 | 417,567 |

The Board of Directors and President propose that the available profits be disposed of as follows:

| | |
|--|---------|
| Shareholder dividend of SEK 5.00 per share totalling | 266,145 |
| To be carried forward | 151,422 |
| Total, SEK 000 | 417,567 |

Stockholm, Sweden, 12 February 2003

Göran Ennerfelt
Chairman

Marcus Storch
Vice Chairman

Antonia Ax:son Johnson

Sven-Erik Brandt

Peggy Bruzelius

Assar Johansson

Hans-Gunnar Johansson

Nils-Erik Johansson

Hans Järvmäker

Gösta Törnroth

Annika Åhnberg

Mats Jansson
President and CEO

Our audit report was submitted on 12 February 2003

Per Bergman
Authorized Public Accountant

Caj Nackstad
Authorized Public Accountant

Profit and loss account

| Amounts in SEK m | Note | Group | | Parent Company | |
|---|-------------------------|----------------|---------|----------------|------|
| | | 2002 | 2001 | 2002 | 2001 |
| Net sales | 1 | 33,115 | 32,428 | – | – |
| Cost of goods sold | | -28,612 | -28,425 | – | – |
| Gross profit | | 4,503 | 4,003 | – | – |
| Selling expenses | | -2,472 | -2,331 | – | – |
| Administrative expenses | | -1,215 | -1,140 | -101 | -67 |
| Items affecting comparability | 2 | – | -79 | – | -54 |
| Share of profits in associated companies | 19 | 32 | 21 | – | – |
| Other operating income | | 175 | 179 | 35 | 26 |
| Operating profit | 1, 3, 4, 5, 6, 7, 8, 32 | 1,023 | 653 | -66 | -95 |
| <i>Financial items</i> | | | | | |
| Result from participations in Group companies | 9 | – | – | 3 | -23 |
| Interest income and similar items | 10 | 20 | 15 | 32 | 56 |
| Interest expenses and similar items | 11 | -124 | -141 | -58 | -83 |
| Profit after financial items | 32 | 919 | 527 | -89 | -145 |
| Appropriations | 12 | – | – | -175 | -99 |
| Profit before tax | | 919 | 527 | -264 | -244 |
| Current tax | 13 | -242 | -144 | 74 | 46 |
| Deferred tax | 13 | -38 | -44 | 1 | 14 |
| Minority interests | | -14 | -11 | – | – |
| Net profit/loss for the year | | 625 | 328 | -189 | -184 |
| Earnings per share (SEK) | | 11.75 | 6.16 | – | – |
| Earnings per share after dilution (SEK) | 36 | 11.51 | 6.07 | – | – |
| Operating profit includes depreciation of | 6 | 533 | 518 | 1 | 1 |

Balance sheet

| | Note | Group | Parent Company | | |
|--|--------|------------|----------------|------------|------------|
| Amounts in SEK m | | 31/12/2002 | 31/12/2001 | 31/12/2002 | 31/12/2001 |
| ASSETS | | | | | |
| Fixed assets | | | | | |
| Intangible assets | 14 | | | | |
| Goodwill | | 1,027 | 1,119 | - | - |
| Other intangible assets | | 71 | 46 | - | - |
| | | 1,098 | 1,165 | - | - |
| Tangible assets | | | | | |
| Land and buildings | 15 | 701 | 788 | 7 | - |
| Equipment, tools and fixtures | 15 | 1,450 | 1,442 | 3 | 3 |
| Construction in progress | 16 | 21 | 34 | - | - |
| | 17 | 2,172 | 2,264 | 10 | 3 |
| Financial assets | | | | | |
| Participations in Group companies | 18, 22 | - | - | 2,468 | 2,468 |
| Participations in associated companies | 19, 22 | 165 | 158 | - | - |
| Receivables from associated companies | | - | 2 | - | - |
| Other long-term securities holdings | 20, 22 | 23 | 15 | - | - |
| Deferred tax assets | 13 | 33 | 24 | 15 | 14 |
| Other long-term receivables | 21, 22 | 191 | 342 | - | - |
| | | 412 | 541 | 2,483 | 2,482 |
| Total fixed assets | | 3,682 | 3,970 | 2,493 | 2,485 |
| Current assets | | | | | |
| Inventories | | | | | |
| Finished products and goods for resale | | 1,631 | 1,559 | - | - |
| | | 1,631 | 1,559 | - | - |
| Current receivables | | | | | |
| Accounts receivable – trade | | 826 | 991 | - | - |
| Receivables from Group companies | | - | - | 993 | 1,099 |
| Receivables from associated companies | | 7 | 12 | - | - |
| Current tax assets | | 47 | 47 | - | - |
| Other current receivables | 23 | 84 | 142 | 6 | 1 |
| Prepaid expenses and accrued income | 24 | 634 | 640 | 2 | 1 |
| | | 1,598 | 1,832 | 1,001 | 1,101 |
| Cash and bank balances | | 444 | 406 | 0 | 0 |
| Total current assets | | 3,673 | 3,797 | 1,001 | 1,101 |
| TOTAL ASSETS | | 7,355 | 7,767 | 3,494 | 3,586 |

Balance sheet

| | Note | Group | | Parent Company | |
|---|------------|------------|------------|----------------|------------|
| Amounts in SEK m | | 31/12/2002 | 31/12/2001 | 31/12/2002 | 31/12/2001 |
| SHAREHOLDERS' EQUITY AND LIABILITIES | | | | | |
| Shareholders' equity | 25, 26, 32 | | | | |
| Restricted shareholders' equity | | | | | |
| Share capital | | 266 | 266 | 266 | 266 |
| Restricted reserves | | 718 | 589 | 1,609 | 1,609 |
| | | 984 | 855 | 1,875 | 1,875 |
| Unrestricted shareholders' equity | | | | | |
| Unrestricted reserves | | 84 | 25 | 607 | 357 |
| Profit/loss for the year | | 625 | 328 | -189 | -184 |
| | | 709 | 353 | 418 | 173 |
| Total shareholders' equity | | 1,693 | 1,208 | 2,293 | 2,048 |
| Minority interests | | 119 | 109 | - | - |
| Untaxed reserves | 12 | - | - | 275 | 100 |
| Provisions | | | | | |
| Provisions for pensions and similar commitments | 27 | 378 | 365 | 8 | 5 |
| Provisions for deferred tax | 13 | 307 | 257 | - | - |
| Other provisions | 28 | 16 | 15 | - | - |
| | | 701 | 637 | 8 | 5 |
| Long-term liabilities | 29 | | | | |
| Bank overdraft facilities | | 107 | 107 | 93 | 59 |
| Other liabilities to credit institutions | | 600 | 912 | 305 | 532 |
| Other interest-bearing liabilities | | 164 | 160 | 66 | 64 |
| Other long-term liabilities | | 16 | 18 | - | - |
| | | 887 | 1,197 | 464 | 655 |
| Current liabilities | | | | | |
| Liabilities to credit institutions | | 252 | 680 | 192 | 560 |
| Other interest-bearing liabilities | | 197 | 211 | - | - |
| Accounts payable – trade | | 1,822 | 2,054 | 10 | 7 |
| Liabilities to Group companies | | - | - | 87 | 103 |
| Liabilities to associated companies | | 374 | 465 | - | - |
| Current tax liability | 13 | 189 | 74 | 146 | 83 |
| Other current liabilities | | 126 | 163 | 1 | 6 |
| Accrued expenses and deferred income | 30 | 995 | 969 | 18 | 19 |
| | | 3,955 | 4,616 | 454 | 778 |
| TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES | | 7,355 | 7,767 | 3,494 | 3,586 |
| MEMORANDUM ITEMS | | | | | |
| | 31 | | | | |
| Contingent assets | | 1 | 1 | - | - |
| Pledged assets | | 1,888 | 2,106 | 2,149 | 2,177 |
| Contingent liabilities | | 83 | 102 | 335 | 347 |

Cash flow statement

| | Note | Group | Parent Company | | |
|--|------|--------------|----------------|-------------|-------------|
| Amounts in SEK m | | 2002 | 2001 | 2002 | 2001 |
| Operating activities | | | | | |
| Profit/loss after financial items | | 919 | 527 | -89 | -145 |
| Depreciation charged against profit | | 496 | 518 | 1 | 1 |
| Adjustments for non-cash items | 33 | -38 | -37 | 2 | 43 |
| Paid tax | | -121 | -117 | -84 | -1 |
| Cash flow from operating activities before changes in working capital | | 1,256 | 891 | -170 | -102 |
| Cash flow from changes in working capital | | | | | |
| Change in inventories | | -82 | -70 | - | - |
| Change in current receivables | | 215 | -76 | -141 | 458 |
| Change in current liabilities | | -285 | 301 | 147 | -499 |
| Cash flow from operating activities | | 1,104 | 1,046 | -164 | -143 |
| Investing activities | | | | | |
| Acquisitions of intangible fixed assets | | -61 | -22 | - | - |
| Acquisitions of tangible fixed assets | | -368 | -348 | -8 | -1 |
| Acquisitions of subsidiaries | 34 | -19 | -151 | -7 | -142 |
| Acquisitions of associated companies | | 10 | 0 | - | - |
| Sales of subsidiaries, business area | 35 | - | 33 | 30 | - |
| Sales of tangible fixed assets | | 111 | 42 | - | - |
| Change in other financial assets | | 134 | 152 | - | - |
| Change in short-term financial investments | | 1 | 1 | - | - |
| Cash flow from investing activities | | -192 | -293 | 15 | -143 |
| Financing activities | | | | | |
| Option premium/new share issue | | - | 10 | - | 10 |
| New loans | | - | 709 | - | 705 |
| Amortization of debt | | -740 | -1,354 | -595 | -261 |
| Dividend paid | | -133 | 10 | -133 | 22 |
| Group contributions received/rendered, shareholder contribution | | - | - | 433 | 26 |
| Cash flow from financing activities | | -873 | -625 | -295 | 502 |
| CASH FLOW FOR THE YEAR | | | | | |
| | | 39 | 128 | -444 | 216 |
| Cash and cash equivalents at start of year | | | | | |
| | | 406 | 278 | 460 | 244 |
| Translation difference, liquid assets | | -1 | 0 | - | - |
| Cash and cash equivalents at year-end | | 444 | 406 | 16 | 460 |

Cash and cash equivalents held by the Parent Company include the Parent Company's share of the Group account.

The annual report and the consolidated financial statements have been prepared in accordance with the Swedish Annual Accounts Act. The recommendations and pronouncements of the Swedish Financial Accounting Standards Council have been followed.

Principles of consolidation

General. The consolidated financial statements cover, in addition to the Parent Company, all companies in which the Parent Company directly or indirectly controls more than 50% of the number of votes.

In the preparation of the consolidated financial statements, the acquisition method has been used, with the exception of the 2000 merger of Hemköp and Axfood Sverige (formerly D&D Dagligvaror AB), which is accounted for using the pooling-of-interests method, whereby no surplus values are reported. According to the acquisition method, shareholders' equity in acquired subsidiaries is based on a market valuation of assets and liabilities at the time of acquisition. In the event the acquisition value of shares in subsidiaries exceeds the acquired shareholders' equity as above, the difference is reported as a goodwill item in the balance sheet. Goodwill amortization is based on estimated economic life.

Translation of foreign subsidiaries. The Group's foreign subsidiaries are independent entities. The financial statements of foreign subsidiaries are translated using the current method, which entails that the balance sheet is translated at the year-end exchange rate, while the profit and loss account is translated at the average rate for the year. Translation differences that arise are transferred directly to shareholders' equity.

Untaxed reserves. The consolidated financial statements contain no appropriations or untaxed reserves. Deferred taxes on these items are included in deferred tax and deferred tax liability, respectively. Equity share is reported in restricted shareholders' equity.

Associated companies. Companies in which Group companies have more than 20% but not more than 50% of the votes, are accounted for in accordance with the equity method. The increase or decrease of associated companies' book values that arises in accordance with the equity method has increased/decreased the Group's restricted reserves.

Mergers. During the year, 58 mergers took place within the Group. Of these, no mergers were made with Axfood AB. Mergers are reported in accordance with Swedish Accounting Standards Board general recommendation (BFNAR) 1999:1 – "Mergers of wholly owned stock companies." The so-called consolidated value method has been applied, which means that the assets and liabilities of the merged sub-subsidiaries have been reported in the respective companies' parent company at the values these had in the consolidated accounts.

Assets and liabilities

Assets, provisions and liabilities have been stated at acquisition value, unless indicated otherwise. Receivables have been stated

at the amount at which they are expected to be received, after individual assessment.

Receivables and liabilities in foreign currency have been valued at the year-end rate of exchange. For hedges through forward exchange contracts, the forward rate has been used to value the underlying receivable or liability. For forward exchange contracts with a term exceeding three months, the difference between the forward rate and the current rate has been distributed over the term of the contract. Accrued forward contract premiums are reported as interest income or expense, respectively. Foreign exchange gains and losses pertaining to operating receivables and operating liabilities are included in operating profit. Foreign exchange gains and losses pertaining to financial loans are reported as financial items. For hedges of future currency flows, the exchange rate differences on hedge transactions are reported in the same period as the underlying flow. Currency exposure in shareholders' equity in foreign subsidiaries is not hedged.

Inventories have been valued at the lower of cost or market.

Intangible assets

Starting on 1 January 2002, the Axfood Group applies Swedish Financial Accounting Standards Council recommendation RR 15 – "Intangible assets." For the Group this means that a number of IT projects are capitalized. Direct external and internal costs for development of software for internal use are capitalized. Costs for pre-studies, training and continuing maintenance are expensed as incurred.

A review has been made of intellectual property rights, and as a result, reclassification has been made of previously capitalized costs for renovation and improvement of others' property. These costs are now reported under Buildings. Adjustment has been made retroactively for 2001 and 2000.

Depreciation

Amortization of intangible assets and depreciation of fixed assets are based on the estimated economic life of the assets. The following percentages have been applied:

| | |
|-------------------------|-------|
| Machinery and equipment | 10–33 |
| Buildings | 2.5 |
| Fixtures and fittings | 15 |
| Land improvements | 5 |
| Goodwill ¹⁾ | 7–20 |
| IT projects | 20 |
| Other intangible assets | 20–33 |

¹⁾ Acquisitions of material, structural importance are amortized for periods of more than 5 years.

Leases

The Axfood Group applies recommendation RR 6:99 – "Leases" for classification of leasing contacts as finance leases or operating leases. Finance leases are reported as a fixed asset in the consolidated balance sheet. The corresponding commitment to pay future leasing fees is reported as a current or long-term liability.

Accounting principles, cont.

(Amounts in SEK m unless otherwise stated)

Income taxes

The Axfood Group reports income taxes in accordance with RR 9 – “Income taxes.”

Taxes are reported in the profit and loss account except for when the underlying transaction is reported directly against shareholders' equity, whereby the associated tax effect is reported in shareholders' equity. Current tax (previously called paid tax) is tax that is to be paid or received in the current year. This also includes adjustments of current tax pertaining to earlier periods. Deferred tax is calculated in accordance with the balance sheet method and is based on the temporary difference between the reported and taxable value of assets and liabilities. These amounts are calculated based on how the temporary differences are expected to be smoothened and using the tax rates and tax rules that have been decided on or notified as per the balance sheet date. Temporary differences are not taken into account in consolidated goodwill, nor in differences attributable to shares in subsidiaries and associated companies that are not expected to be taxed in the foreseeable future. In legal entities, untaxed reserves are reported inclusive of deferred tax liability. In the consolidated financial statements, however, untaxed reserves are broken down into deferred tax liability and shareholders' equity.

Deferred tax assets in deductible temporary differences and tax-loss carryforwards are reported only to the extent it is likely that they will entail lower tax payments in the future.

Restructuring costs

As per 31 December 2002, a reserve of SEK 1 m (17) remains from the total restructuring costs of SEK 164 m reported in the result for 2000. The costs now incurred for restructuring are treated as a part of operations and are expensed as incurred.

Warrants and convertible debenture loan

The liability pertaining to the convertible debenture loan has been calculated on the basis of the market interest rate upon issue. The difference between the loan amount calculated in this manner and the amount received is applied toward the share premium reserve as a premium on the shares that could be issued later. The reported loan amount is indexed gradually during the term of the loan using an interest rate that will bring the reported liability to the same level as the nominal amount. Payment for the issued warrants is reported in the share premium reserve.

Borrowing costs

Borrowing costs are charged against earnings in the period in which they are incurred, regardless of how the borrowed funds are used.

Finance policy

The Axfood Group has a group-wide finance policy that governs the delegation of responsibility on financial matters between the Board, the CEO/CFO, the central finance department and other Group companies. The Group's external financial management is centralized in the central finance department of the Parent Company, Axfood AB.

Financing

Responsibility for the Group's negotiations in central financing matters is the responsibility of the finance department. The Swedish subsidiaries, with the exception of the real estate company, Axfood Fastigheter AB, are required to finance their operations via the central Group account system. In cooperation with the finance department, the real estate company may obtain financing via mort-gage loans from approved banks and financing institutes. Spar Finland is entitled to seek local financing. Confirmed credit lines must have an average remaining contract term of at least 12 months. As per 31 December 2002 the average remaining contract period was 504 days.

To limit the risk of the Axfood Group not being able to finance the Group's operations at any given time, a refinancing reserve has been established, which is broken down into a liquidity, a financing, and an operating reserve. The finance department is responsible for monitoring and overseeing the refinancing reserve.

Interest rate risk

The goal of the Axfood Group's financial management is to limit the short-term effect on the Group's earnings and cash flow caused by fluctuations in the financial markets. Interest rate risk in the Group's debt portfolio shall be limited. The norm is to have terms of fixed interest that entail a risk-neutral position. This is achieved by maintaining short terms of fixed interest, which is defined as a remaining average term of fixed interest of 12 months. However, for commercial and administrative reasons, the finance department is given the opportunity to act within the framework of a limited deviation mandate. In terms of amount, this deviation mandate is set at a one percentage point parallel shift in the yield curve. As per 31 December 2002 the average term of fixed interest was 542 days, and the deviation from the fixed interest norm was within the established deviation mandate.

Currency management

Transaction exposure in foreign currency arises in connection with the import of goods paid for in foreign currency. The Axfood Group's finance policy prescribes that transaction exposure must be hedged to 100% not later than at the time an order is placed. Approved hedge instruments are spot contracts, forward exchange contracts and currency swap contracts.

Exposure of shareholders' equity arises in the consolidated balance sheet as a result of investment of shareholders' equity in Spar Finland. The Axfood Group's policy is that exposures of shareholders' equity should not be hedged.

Counterparty policy

The Axfood Group shall only cooperate with counterparties that are judged to be able to fulfil their commitments to the Axfood Group. The banks and financial institutes that the Group cooperates with shall have a high credit rating in order to be able to support the Group in the long term. Limits per counterparty and instrument are established on a yearly basis.

NOTE 1. BREAKDOWN OF NET SALES AND EBIT

| Per business unit | Net sales | | EBIT | |
|-------------------------------|---------------|---------------|--------------|------------|
| | 2002 | 2001 | 2002 | 2001 |
| Hemköp | 6,341 | 6,536 | 106 | 126 |
| Willys | 8,398 | 6,943 | 368 | 242 |
| Willys hemma | 1,108 | 981 | -27 | 20 |
| Axfood Direkt | - | 82 | - | -41 |
| Axfood Närlivs | 4,713 | 4,618 | 92 | 69 |
| Spar Finland | 5,537 | 5,683 | 55 | 25 |
| Dagab | 17,906 | 15,054 | 282 | 258 |
| Other | 2,118 | 2,247 | 147 | 33 |
| Internal sales | -13,006 | -9,716 | - | - |
| Items affecting comparability | - | - | - | -79 |
| Total | 33,115 | 32,428 | 1,023 | 653 |

| Per geographic market | Net sales | | EBIT | |
|-----------------------|---------------|---------------|--------------|------------|
| | 2002 | 2001 | 2002 | 2001 |
| Sweden | 27,578 | 26,745 | 968 | 628 |
| Finland | 5,537 | 5,683 | 55 | 25 |
| Total | 33,115 | 32,428 | 1,023 | 653 |

NOTE 2. ITEMS AFFECTING COMPARABILITY

| | Group | | Parent Company | |
|--------------------------|----------|------------|----------------|------------|
| | 2002 | 2001 | 2002 | 2001 |
| Restructuring costs | - | 2 | - | - |
| Closure of Axfood Direkt | - | -28 | - | - |
| Write-down Baltic Food | - | -46 | - | -47 |
| Other | - | -7 | - | -7 |
| Total | - | -79 | - | -54 |

NOTE 3. INFORMATION ON INTRA-GROUP REVENUES AND EXPENSES

The Parent Company's revenues from subsidiaries amounted to SEK 35 (25) m.

The Parent Company's expenses from subsidiaries amounted to SEK 0 m (0).

NOTE 4. INFORMATION ON EMPLOYEES; COMPENSATION OF DIRECTORS AND CEO

Average number of employees (a full-time employee is calculated on the basis of 1,600 hours).

| Average number of employees | 2002 | Of whom, | | 2001 | Of whom, | |
|-----------------------------|--------------|--------------|-----|--------------|----------|--------------|
| | | men | men | | men | men |
| Parent Company | | | | | | |
| Sweden | 36 | 18 | | 10 | | 5 |
| Subsidiaries | | | | | | |
| Sweden | 7,412 | 3,295 | | 7,628 | | 3,394 |
| Finland | 864 | 187 | | 876 | | 199 |
| Total, subsidiaries | 8,276 | 3,482 | | 8,504 | | 3,593 |
| TOTAL, GROUP | 8,312 | 3,500 | | 8,514 | | 3,598 |

Wages, salaries and other remuneration and social security charges

| | 2002 | | 2001 | |
|---------------------------------------|--|-------------------------|--|-------------------------|
| | Wages, salaries and other remuneration | Social security charges | Wages, salaries and other remuneration | Social security charges |
| Parent Company | | | | |
| Sweden | 32 | 23 | 19 | 14 |
| Of which, pension costs | - | 12 | - | 7 |
| Subsidiaries | | | | |
| Sweden | 1,761 | 728 | 1,727 | 694 |
| Of which, pension costs | - | 110 | - | 106 |
| Finland | 189 | 50 | 190 | 49 |
| Of which, pension costs | - | 37 | - | 32 |
| Total, subsidiaries | 1,950 | 778 | 1,917 | 743 |
| Of which, pension costs | - | 147 | - | 138 |
| TOTAL, GROUP | 1,982 | 801 | 1,936 | 757 |
| Of which, pension costs ¹⁾ | - | 159 | - | 145 |

¹⁾ Of the Parent Company's pension costs, SEK 3 m (3) pertains to CEO and SEK 4 m (2) to vice presidents. Of pension costs for subsidiaries, SEK 5 m (8) pertains to presidents and vice presidents. The Group has no outstanding pension commitments with respect to boards, presidents and vice presidents, other than pension provisions already entered as a liability and under contingent liabilities.

Wages, salaries and other remuneration, broken down by directors, etc., and other employees

| | 2002 | | 2001 | |
|---------------------|--|-----------------|--|-----------------|
| | Boards, presidents and vice presidents | Other employees | Boards, presidents and vice presidents | Other employees |
| Parent Company | | | | |
| Sweden | 18 ¹⁾ | 14 | 16 ¹⁾ | 3 |
| Subsidiaries | | | | |
| Sweden | 26 ²⁾ | 1,735 | 27 ²⁾ | 1,700 |
| Finland | 4 ³⁾ | 185 | 3 ³⁾ | 187 |
| Total, subsidiaries | 30 | 1,920 | 30 | 1,887 |
| TOTAL, GROUP | 48 | 1,934 | 46 | 1,890 |

¹⁾ Of the year's costs, SEK 2 m pertains to the Board, SEK 8 m to the CEO, and SEK 8 m to vice presidents, of which SEK 2 m (2) in bonuses to the CEO and SEK 2 m (2) in bonuses to vice presidents.

²⁾ Of which, bonuses 5 (5).

³⁾ Of which, bonuses 1 (0).

Notes

(Amounts in SEK m unless otherwise stated)

The annual fee payable to directors was set by the 2002 Annual General Meeting at SEK 1,500,000, of which SEK 275,000 is payable to the Chairman. Directors' fees are paid out in full after year-end. In addition to his fee as a director, one board member is currently receiving severance pay, etc., amounting to SEK 2.1 m, stemming from his previous employment within the Group.

Axfood's CEO, Mats Jansson, received salary and other benefits totalling SEK 8.1 m in 2002, including a bonus of SEK 2.1 m. The CEO's bonus system is based for the most part on the performance and development of the business, and in part on personal targets established in accordance with rules set up by the compensation committee. The bonus can amount to a maximum of a half year's salary. The CEO is entitled to retirement pension from 60 years of age. Retirement pension between 60 and 65 years of age amounts to 75% of his final monthly salary, and thereafter 60%. Provision for this has been made in the year's accounts. The CEO also has a defined-benefit family pension plan. This is reported under contingent liabilities, and the value of this benefit as per 31 December 2002 was SEK 2.2 m. The present value of survivorship benefits that would be paid out for a claim made today is SEK 38.6 m. In the event Axfood serves notice, the CEO is entitled to a 12-month term of notice plus 24 months' severance pay, on account.

Other senior executives – Axfood's three executive vice presidents – received salary and other benefits amounting to a total of SEK 7.9 m, including total bonuses of SEK 1.9 m. Bonuses are based for the most part on the performance and development of the business, and in part on personal targets. Bonuses can amount to a maximum of 40% of annual salary. These executives have customary terms of employment and are entitled to salary during the period of notice and severance pay for a combined total of not more than 18 months. The retirement age has been set at 60 years at the earliest. The ITP plan serves as the primary cost framework.

2000 Stock option programme

In December 2000, Axfood AB issued a promissory note with 427,500 detachable warrants (options). To date, the option programme covers 17 persons in senior positions within the Axfood Group, who have subscribed for 358,800 options. The remaining options can be purchased at a later date by other senior executives of the Axfood Group. Such sales take place on all occasions at market price. The exercise price is SEK 77, and the holders of the options are entitled to subscribe for one new share per option during the period 22 November 2003 – 21 August 2004.

NOTE 5. AUDITORS' FEES

| | Group | | Parent Company | |
|---------------------------|----------|-----------|----------------|----------|
| | 2002 | 2001 | 2002 | 2001 |
| KPMG | | | | |
| Auditing fees | 6 | 8 | 1 | 1 |
| Fees for other consulting | 2 | 3 | 1 | 0 |
| Total | 8 | 11 | 2 | 1 |

NOTE 6. DEPRECIATION AND AMORTIZATION

| | Goodwill | | Other intangible assets | | Land and buildings | | Equipment, tools and fixtures | | Total | |
|--|------------|------------|-------------------------|----------|--------------------|-----------|-------------------------------|------------|------------|------------|
| | 2002 | 2001 | 2002 | 2001 | 2002 | 2001 | 2002 | 2001 | 2002 | 2001 |
| Depreciation according to plan broken down by function | | | | | | | | | | |
| Cost of goods sold | 122 | 116 | 7 | 6 | 30 | 35 | 207 | 207 | 366 | 364 |
| Selling expenses | – | – | 1 | 1 | 1 | 1 | 125 | 115 | 127 | 117 |
| Administrative expenses | – | – | – | – | – | – | 40 | 37 | 40 | 37 |
| Total | 122 | 116 | 8 | 7 | 31 | 36 | 372 | 359 | 533 | 518 |

The Parent Company's depreciation of SEK 1 m (1) for equipment, tools and fixtures is reported under administrative expenses.

NOTE 7. OPERATING LEASES

| | Group | | Parent Company | |
|---|--------------|--------------|----------------|-----------|
| | 2002 | 2001 | 2002 | 2001 |
| Leasing costs during the financial year | 1,091 | 981 | 4 | 4 |
| Of which, rent for premises | 1,027 | 924 | 4 | 4 |
| Contracted minimum future leasing fees: | | | | |
| Maturity year 1 | 1,047 | 1,034 | 5 | 4 |
| Maturity year 2 | 964 | 919 | 1 | 4 |
| Maturity year 3 | 783 | 782 | 1 | 4 |
| Maturity year 4 | 565 | 607 | – | – |
| Maturity year 5 | 329 | 431 | – | – |
| Maturity year 6- | 510 | 567 | – | – |
| Total future leasing fees | 4,198 | 4,340 | 7 | 12 |

Of contracted and future minimum leasing fees, approximately one-third pertain to premises that have been sub-let to others.

NOTE 8. TRANSACTIONS WITH RELATED PARTIES

The Axfood Group's transactions with related parties, aside from those covered by the consolidated accounting, consist mainly of transactions with associated companies. During the year purchases from associated companies amounted to SEK 5,501 m, including SEK 5,400 m in purchases from Tuko Logistics Oy, SEK 96 m in purchases from WM-data Axfood AB, and SEK 5 m from others. Sales to associated companies totalled SEK 631 m and consisted primarily of sales of goods. All prices are set at going rates in the market.

Axfood AB is 45.5%-owned by Axel Johnson AB. Axfood AB and Axel Johnson AB have signed joint purchasing agreements in the areas of travel and transport. No transactions between the companies took place during the year. All pledges are made on commercial terms.

Axfast AB, a company in the Axel Johnson Group, leases property to companies in the Axfood Group. During the year Axfood's earnings were charged with SEK 180 m in rents to Axfast AB. All rents have been set according to current rates in the market.

Notes

(Amounts in SEK m unless otherwise stated)

NOTE 9. RESULT FROM PARTICIPATIONS IN GROUP COMPANIES

| Parent Company | 2002 | 2001 |
|--------------------|----------|------------|
| Dividends received | 8 | – |
| Write-downs | -5 | -23 |
| Total | 3 | -23 |

NOTE 11. INTEREST EXPENSES AND SIMILAR ITEMS

| | Group | | Parent Company | |
|--------------------------|------------|------------|----------------|-----------|
| | 2002 | 2001 | 2002 | 2001 |
| Interest expenses | 103 | 127 | 56 | 81 |
| Other financial expenses | 21 | 14 | 2 | 2 |
| Total | 124 | 141 | 58 | 83 |

Interest expenses from Group companies in the Parent Company amounted to SEK 0 (0).

NOTE 10. INTEREST INCOME AND SIMILAR ITEMS

| | Group | | Parent Company | |
|------------------------|-----------|-----------|----------------|-----------|
| | 2002 | 2001 | 2002 | 2001 |
| Interest income | 19 | 14 | 32 | 56 |
| Other financial income | 1 | 1 | – | – |
| Total | 20 | 15 | 32 | 56 |

Interest income from Group companies in the Parent Company amounted to SEK 31 m (55).

NOTE 12. APPROPRIATIONS AND UNTAXED RESERVES

| Parent Company | 2002 | 2001 |
|----------------------------------|-------------|------------|
| Appropriations | | |
| Change in tax allocation reserve | -175 | -99 |
| Total | -175 | -99 |

Untaxed reserves

| | | |
|---------------------------------|------------|------------|
| Accumulated excess depreciation | 1 | 1 |
| Tax allocation reserve 2001 | 99 | 99 |
| Tax allocation reserve 2002 | 175 | – |
| Total | 275 | 100 |

NOTE 13. TAXES

| | Group | | Parent Company | |
|--|-------------|-------------|----------------|-----------|
| | 2002 | 2001 | 2002 | 2001 |
| Current tax | | | | |
| Current tax on profit/loss for the year | -246 | -142 | 74 | 46 |
| Adjustment of current tax from previous years | 4 | -2 | – | – |
| | -242 | -144 | 74 | 46 |
| Deferred tax | | | | |
| Deferred tax pertaining to temporary differences | -37 | -27 | 1 | 14 |
| Deferred tax pertaining to tax value of capitalized tax-loss carryforward | -1 | -15 | – | – |
| Deferred tax on reconsideration of reported value of deferred taxes receivable | – | -2 | – | – |
| | -38 | -44 | 1 | 14 |
| Total reported tax charge | -280 | -188 | 75 | 60 |

| Reconciliation of current tax rate and effective tax rate | 2002 | % | 2001 | % | 2002 | % | 2001 | % |
|---|-------------|-----------|-------------|-----------|-------------|-----------|-----------|-----------|
| Reported profit before tax | 919 | | 527 | | -264 | | -244 | |
| Tax based on current tax rate for Parent Company | -257 | -28 | -148 | -28 | 74 | 28 | 68 | 28 |
| Effect of other tax rates for foreign subsidiaries | -1 | 0 | 0 | | – | | – | |
| Tax effect of: | | | | | | | | |
| Amortization of Group goodwill | -32 | -3 | -31 | -6 | – | | – | |
| Other non-deductible expenses | -8 | -1 | -11 | -3 | -2 | -1 | -8 | -3 |
| Other non-taxable revenues | 7 | 1 | 6 | 1 | 2 | 1 | – | |
| Adjustments of current tax attributable to previous years | 4 | 0 | -3 | 0 | – | | – | |
| Adjustments of deferred taxes in previous years | 9 | 1 | – | | – | | – | |
| Tax-loss carryforward utilized during the year | 3 | 0 | 3 | 0 | – | | – | |
| Unutilized tax-loss carryforwards | – | | -2 | 0 | – | | – | |
| Other temporary differences | -5 | 0 | -2 | 0 | 1 | 0 | – | |
| Reported tax charge/effective tax rate | -280 | 30 | -188 | 36 | 75 | 28 | 60 | 25 |
| Current income tax rate (%) | | 28 | | 28 | | 28 | | 28 |
| Effective tax rate (%) | | 30 | | 36 | | 28 | | 25 |
| Deferred tax items are recorded directly in shareholders' equity | 0 | | – | | – | | – | |

Notes

(Amounts in SEK m unless otherwise stated)

NOTE 13. TAXES, cont.

| Reported deferred tax assets and deferred tax liabilities | Group | | Parent Company | |
|--|-------------|-------------|----------------|------------|
| | 31/12/2002 | 31/12/2001 | 31/12/2002 | 31/12/2001 |
| Intangible assets | 2 | -2 | - | - |
| Land and buildings | -1 | -6 | - | - |
| Equipment, tools and fixtures | 1 | - | - | - |
| Financial assets | 13 | 13 | 13 | 13 |
| Other receivables | 14 | 2 | - | - |
| Tax-loss carryforward | 1 | 1 | - | - |
| Untaxed reserves | -306 | -246 | - | - |
| Provisions | 3 | -2 | 2 | 1 |
| Long-term liabilities | - | 7 | - | - |
| Total deferred tax assets (+)/deferred tax liabilities (-), net | -273 | -233 | 15 | 14 |
| Deferred tax assets | 33 | 24 | 15 | 14 |
| Deferred tax liabilities | 307 | 257 | - | - |

| Unreported deferred tax assets and deferred tax liabilities on temporary differences | Group | |
|--|------------|------------|
| | 31/12/2002 | 31/12/2001 |
| Tax-loss carryforward | - | 1 |
| Total | - | 1 |

| Change in deferred tax in temporary differences during the year, Group | Amount at start of year | Reported in profit and loss account | Acquired via subsidiaries | Amount at end of year |
|--|-------------------------|-------------------------------------|---------------------------|-----------------------|
| Intangible assets | -2 | 4 | - | 2 |
| Land and buildings | -6 | 5 | - | -1 |
| Equipment, tools and fixtures | 0 | 1 | - | 1 |
| Financial assets | 13 | - | - | 13 |
| Other receivables | 1 | 13 | - | 14 |
| Tax-loss carryforward | 2 | -1 | - | 1 |
| Untaxed reserves | -246 | -58 | -2 | -306 |
| Provisions | -2 | 5 | - | 3 |
| Current liabilities | 7 | -7 | - | 0 |
| Total | -233 | -38 | -2 | -273 |

Notes

(Amounts in SEK m unless otherwise stated)

NOTE 14. INTANGIBLE ASSETS

| Group | Goodwill ¹⁾ | | Other intangible assests ²⁾ | |
|--|------------------------|--------------|--|------------|
| | 31/12/2002 | 31/12/2001 | 31/12/2002 | 31/12/2001 |
| Opening acquisition value | 1,557 | 1,507 | 103 | 94 |
| Investments | 32 | 32 | 35 | 12 |
| (-of which, developed internally) | - | - | (10) | - |
| Increases through mergers and acquisitions | - | 2 | - | 1 |
| Sales and disposals | - | -5 | -3 | -9 |
| Translation differences | -5 | 6 | -2 | 5 |
| Reclassifications | - | 15 | - | - |
| Closing accumulated acquisition value | 1,584 | 1,557 | 133 | 103 |
| Opening amortization | -412 | -286 | -57 | -56 |
| Increases through mergers and acquisitions | - | -2 | - | - |
| Sales and disposals | - | 3 | 3 | 8 |
| Translation differences | 3 | -2 | - | - |
| Reclassifications | - | -9 | - | -2 |
| Amortization for the year | -122 | -116 | -8 | -7 |
| Closing accumulated amortization | -531 | -412 | -62 | -57 |
| Opening write-downs | -26 | -26 | - | - |
| Write-down for the year | - | - | - | - |
| Closing accumulated write-downs | -26 | -26 | - | - |
| CLOSING PLANNED RESIDUAL VALUE | 1,027 | 1,119 | 71 | 46 |

¹⁾ Goodwill pertains primarily to acquisition goodwill acquired from 1999 to 2001. The three largest entries pertain to Dagab, SEK 546 m (600), Willys SEK 190 m (195) and Spar Finland SEK 128 m (142), for a total of SEK 864 m (937).

²⁾ Reclassification has been made of previous, current leaseholds. These are reported under Buildings. Comparison figures have been adjusted.

NOTE 15. TANGIBLE ASSETS

| Group | Land and buildings ^{1) 2) 3)} | | Equipment, tools and fixtures | |
|--|--|--------------|-------------------------------|---------------|
| | 31/12/2002 | 31/12/2001 | 31/12/2002 | 31/12/2001 |
| Opening acquisition value | 1,012 | 998 | 3,000 | 2,804 |
| Investments | 7 | 34 | 390 | 343 |
| Increases through mergers and acquisitions | - | - | - | 79 |
| Finance leases | - | - | - | 109 |
| Sales and disposals | -93 | -34 | -371 | -374 |
| Translation differences | -7 | 14 | -14 | 32 |
| Reclassifications | 2 | - | 35 | 7 |
| Closing accumulated acquisition value | 921 | 1,012 | 3,040 | 3,000 |
| Opening depreciation | -224 | -198 | -1,545 | -1,452 |
| Increases through mergers and acquisitions | - | - | - | -43 |
| Finance leases | - | - | - | 1 |
| Sales and disposals | 33 | 12 | 332 | 332 |
| Translation differences | 2 | -2 | 8 | -18 |
| Reclassifications | - | - | - | -6 |
| Depreciation for the year | -31 | -36 | -372 | -359 |
| Closing accumulated depreciation | -220 | -224 | -1,577 | -1,545 |
| Opening write-downs | - | - | -13 | -11 |
| Redassifications | - | - | - | 1 |
| Write-downs for the year | - | - | - | -3 |
| Closing accumulated write-downs | - | - | -13 | -13 |
| CLOSING PLANNED RESIDUAL VALUE | 701 | 788 | 1,450 | 1,442 |

¹⁾ The tax assessment value of Swedish buildings was SEK 410 m (407) and of land SEK 60 m (63).

²⁾ The acquisition value of land was SEK 112 m (119).

³⁾ Reclassification has been made of previous, current leaseholds. These are reported under Buildings. Comparison figures have been adjusted.

Notes

(Amounts in SEK m unless otherwise stated)

NOTE 15. TANGIBLE ASSETS, cont.

| Parent Company | Land and buildings | Equipment, tools and fixtures | |
|---|-----------------------|-------------------------------|------------|
| | 31/12/2002 | 31/12/2002 | 31/12/2001 |
| Opening acquisition value | - | 4 | 3 |
| Investments from other Group Companies | 7 | 4 | 1 |
| Closing accumulated acquisition value | 7 | 8 | 4 |
| Opening depreciation | - | -1 | - |
| Investments from other Group companies | - | -3 | - |
| Depreciation during the year | - | -1 | -1 |
| Closing accumulated depreciation | - | -5 | -1 |
| CLOSING PLANNED RESIDUAL VALUE | 7 | 3 | 3 |

NOTE 16. CONSTRUCTION IN PROGRESS

| Group | 31/12/2002 | 31/12/2001 |
|----------------------------------|------------|------------|
| Opening acquisition value | 34 | 27 |
| Investments | 23 | 11 |
| Reclassifications | -36 | -4 |
| CLOSING ACQUISITION VALUE | 21 | 34 |

NOTE 17. FINANCE LEASES

| Group | Equipment, tools and fixtures | |
|--|-------------------------------|------------|
| | 31/12/2002 | 31/12/2001 |
| Opening acquisition value | 147 | - |
| Increases through acquisitions | 2 | - |
| Change in accounting principle | - | 125 |
| Investments | 46 | 34 |
| Sales and disposals | -36 | -12 |
| Closing accumulated acquisition value | 159 | 147 |
| Opening depreciation | -35 | - |
| Increases through acquisitions | -1 | - |
| Change in accounting principle | - | -1 |
| Sales and disposals | 23 | 2 |
| Depreciation for the year | -37 | -36 |
| Closing accumulated depreciation | -50 | -35 |
| Current liability (1 year) | 27 | 29 |
| Remaining long-term liability | | |
| Maturity year 2 | 28 | 26 |
| Maturity year 3 | 21 | 27 |
| Maturity year 4 | 22 | 10 |
| Maturity year 5 | 11 | 20 |
| Maturity year 6– | - | - |
| Total long-term liability | 82 | 83 |

NOTE 18. PARTICIPATIONS IN GROUP COMPANIES

| Parent Company | Reg. no. | Reg'd office | No. shares | Equity share, % | Book value |
|--|-------------|--------------|---------------------|------------------|--------------|
| Sweden | | | | | |
| Hemköpskedjan AB | 556113-8826 | Falun | 100,000 | 100 | 155 |
| Axfood Sverige AB | 556004-7903 | Solna | 3,434,656 | 100 | 1,548 |
| SDU, Svensk Detaljhandelsutveckling AB | 556564-1692 | Jönköping | 20,000 | 100 | 43 |
| MP Mellansverige AB | 556400-8620 | Västerås | 5,000 | 100 | 10 |
| Axfood Direkt AB | 556367-4166 | Solna | 1,000 | 100 | 12 |
| Eurotaste i Tyringe AB | 556263-0896 | Solna | 4,500 | 50 ²⁾ | 21 |
| Axfood Franchise AB | 556025-1992 | Göteborg | 14,100 | 100 | 19 |
| AB Handelskredit | 556039-0188 | Solna | 142,027 | 100 | 86 |
| HP Billigt & Nära Holding AB | 556554-5786 | Göteborg | 1,000 | 100 | 92 |
| Willys AB | 556083-6354 | Göteborg | 10,000 | 100 | 112 |
| Axfood Närlivs AB | 556488-5654 | Örebro | 1,000 | 100 | 27 |
| Axfood Private Label AB | 556055-0674 | Solna | 20,000 | 100 | 36 |
| Total, Swedish Group companies | | | | | 2,161 |
| Finland | | | | | |
| Spar Finland Abp:s ¹⁾ | 73897 | Finland | 357,715 A/429,657 K | 69 | 307 |
| Total, Group companies | | | | | 2,468 |

¹⁾ The market value at 31 December 2002 was EUR 30 m (SEK 279 m). Share of votes: 75%.

²⁾ The Group's total holding amounts to 100%.

NOTE 19. PARTICIPATIONS IN ASSOCIATED COMPANIES

| Group | Reg. no. | Reg'd office | No. shares | Equity share, % | Profit after tax | Shareholders' equity | Book value |
|-----------------------|-------------|--------------|------------|-----------------|------------------|----------------------|------------|
| Owned indirectly: | | | | | | | |
| Tuko Logistics Oy | 0858675-5 | Finland | 2,100 | 35 | -2 | 190 | 97 |
| Bohus Detaljhandel AB | 556303-6141 | Strömstad | 2,205 | 49 | 7 | 30 | 23 |
| WM-data Axfood AB | 556143-9307 | Solna | 500 | 50 | 4 | 14 | 7 |
| Others | | | | | 14 | - | 38 |
| Total | | | | | 23 | | 165 |

NOTE 20. OTHER LONG-TERM SECURITIES

Other holdings of long-term securities consist mainly of participations in real estate companies in Finland.

NOTE 21. OTHER LONG-TERM RECEIVABLES

| Group | 31/12/2002 | 31/12/2001 |
|--|------------|------------|
| Long-term, noninterest-bearing receivables | 21 | 17 |
| Alecta (formerly SPP) | 14 | 25 |
| Long-term, interest-bearing receivables | 156 | 300 |
| Total | 191 | 342 |

Notes

(Amounts in SEK m unless otherwise stated)

NOTE 22. FINANCIAL FIXED ASSETS

| | Participations in Group companies | Participations in associated companies | Other holdings of long-term securities | Other long-term receivables |
|---------------------------------------|--------------------------------------|---|---|--------------------------------|
| | Parent Company | Group | Group | Group |
| Opening reported value | 2,468 | 158 | 15 | 342 |
| Disposals/amortization | -30 | - | - | -144 |
| Utilization | - | - | - | -11 |
| Acquisitions | 2 | - | 9 | 4 |
| Share in associated companies' profit | - | 23 | - | - |
| Dividends received | - | -10 | - | - |
| Translation differences | - | -4 | -1 | - |
| Reclassifications | - | -2 | - | - |
| Write-downs | -5 | - | - | - |
| Shareholder contribution | 33 | - | - | - |
| Closing reported value | 2,468 | 165 | 23 | 191 |

NOTE 23. OTHER CURRENT RECEIVABLES

| | Group | | Parent Company | |
|---------------------------------------|------------|------------|----------------|------------|
| | 31/12/2002 | 31/12/2001 | 31/12/2002 | 31/12/2001 |
| Other noninterest-bearing receivables | 50 | 70 | - | - |
| Alecta (formerly SPP) | 16 | 12 | - | - |
| Other interest-bearing receivables | 18 | 60 | 6 | 1 |
| Total | 84 | 142 | 6 | 1 |

NOTE 24. PREPAID EXPENSES AND ACCRUED INCOME

| | Group | | Parent Company | |
|-----------------------------|------------|------------|----------------|------------|
| | 31/12/2002 | 31/12/2001 | 31/12/2002 | 31/12/2001 |
| Prepaid rents | 201 | 159 | - | - |
| Prepaid leasing fees | 3 | 3 | - | - |
| Accrued bonuses and similar | 311 | 368 | - | - |
| Accrued interest income | 2 | 12 | - | - |
| Delivered, uninvoiced | 70 | 40 | - | - |
| Other prepaid expenses | 42 | 51 | 2 | 1 |
| Other accrued income | 5 | 7 | - | - |
| Total | 634 | 640 | 2 | 1 |

NOTE 25. SHAREHOLDERS' EQUITY

| | Share capital | Restricted reserves | Unrestricted shareholders' equity | Total |
|---|------------------|------------------------|---|--------------|
| Change in shareholders' equity, Group | | | | |
| Amount at beginning of year, according to adopted balance sheet for preceding year | 266 | 589 | 353 | 1,208 |
| Translation difference | - | -2 | -5 | -7 |
| Dividend to shareholders | - | - | -133 | -133 |
| Transfers between restricted and unrestricted shareholders' equity | - | 131 | -131 | 0 |
| Profit for the year | - | - | 625 | 625 |
| Amount at year-end | 266 | 718 | 709 | 1,693 |

| | Share capital | Share premium reserve | Statutory reserve | Unrestricted shareholders' equity | Total |
|---|------------------|--------------------------|----------------------|---|--------------|
| Change in shareholders' equity, Parent Company | | | | | |
| Amount at beginning of year, according to adopted balance sheet for preceding year | 266 | 1,584 | 25 | 173 | 2,048 |
| Dividend to shareholders | - | - | - | -133 | -133 |
| Group contribution | - | - | - | 788 | 788 |
| Tax effect of Group contribution | - | - | - | -221 | -221 |
| Loss for the year | - | - | - | -189 | -189 |
| Amount at year-end | 266 | 1,584 | 25 | 418 | 2,293 |

The share capital as per 31 December 2002 consisted of 53,229,028 shares with a par value of SEK 5.00 each.

Notes

(Amounts in SEK m unless otherwise stated)

NOTE 26. SHARE REPURCHASES

During the year the Company did not purchase or transfer any of its own shares. The Company had no holdings of its own shares as per 31 December 2002.

NOTE 27. PROVISION FOR PENSIONS

| | Group 31/12/2002 | Other pension liabilities | Parent Company 31/12/2002 |
|----------------------------------|---------------------|------------------------------|------------------------------|
| | FPG/PRI | | Other pension liabilities |
| Opening acquisition value | 352 | 13 | 5 |
| Provision for the year | 11 | 3 | 3 |
| Reversal for the year | -1 | 0 | - |
| Translation difference | 0 | - | - |
| Closing acquisition value | 362 | 16 | 8 |

NOTE 28. OTHER PROVISIONS

| Group | 31/12/2002 |
|----------------------------------|------------|
| Opening acquisition value | 15 |
| Provisions for the year | 5 |
| Utilization | -4 |
| Acquired and divested companies | 0 |
| Closing acquisition value | 16 |

Pertains entirely to leaseholds in Spar Finland.

NOTE 29. LONG-TERM LIABILITIES

| Group | Granted amount 31/12/2002 | Utilized amount 31/12/2002 | Granted amount 31/12/2001 | Utilized amount 31/12/2001 |
|---|---------------------------------|----------------------------------|---------------------------------|----------------------------------|
| Overdraft facilities | 495 | 107 | 591 | 107 |
| Other long-term, committed credit lines | 250 | - | 250 | - |
| Total | 745 | 107 | 841 | 107 |

| Parent Company | Granted amount 31/12/2002 | Utilized amount 31/12/2002 | Granted amount 31/12/2001 | Utilized amount 31/12/2001 |
|---|---------------------------------|----------------------------------|---------------------------------|----------------------------------|
| Overdraft facilities | 450 | 93 | 450 | 59 |
| Other long-term, committed credit lines | 250 | - | 250 | - |
| Total | 700 | 93 | 700 | 59 |

Axfood also has a revolving credit facility of SEK 650 m (650), with a term of up to one year. Of this amount, SEK 0 m (370) has been utilized.

| | Group 31/12/2002 | 31/12/2001 | Parent Company 31/12/2002 | 31/12/2001 |
|--------------------------------|---------------------|--------------|------------------------------|------------|
| Loans from credit institutions | 600 | 910 | 305 | 530 |
| Utilized overdraft facilities | 107 | 107 | 93 | 59 |
| Warrant loan | - | 2 | - | 2 |
| Convertible debenture loan | 66 | 64 | 66 | 64 |
| Finance leases | 82 | 83 | - | - |
| Other interest-bearing | 16 | 13 | - | - |
| Other noninterest-bearing | 16 | 18 | - | - |
| Total | 887 | 1,197 | 464 | 655 |

Notes

(Amounts in SEK m unless otherwise stated)

NOTE 29. LONG-TERM LIABILITIES, cont.

| | Group | | Parent Company | |
|--|------------|------------|----------------|------------|
| | 31/12/2002 | 31/12/2001 | 31/12/2002 | 31/12/2001 |
| Current portion of long-term debt | 273 | 344 | 192 | 175 |
| Overdraft facilities utilised | 107 | 107 | 93 | 59 |
| Maturity year 1 | 446 | 307 | 256 | 192 |
| Maturity year 2 | 183 | 357 | 75 | 190 |
| Maturity year 3 | 71 | 162 | 40 | 139 |
| Maturity year 4 | 53 | 173 | - | 75 |
| Maturity year 5 | 10 | 61 | - | - |
| Maturity year 6- | 17 | 30 | - | - |
| Total long-term liabilities | 887 | 1,197 | 464 | 655 |

The warrant financing of SEK 2.1 m that was arranged in December 2000 with maturity in November 2003 is reported as a current portion of long-term debt. The warrant has 427,500 detachable options. Each option entitles its holder to subscribe for one share at an exercise price of SEK 77 during the period 22 November 2003 - 21 August 2004. In January 2001 a convertible debenture of SEK 73 m was issued to the employees, of which SEK 66 m (64) is reported as a convertible debenture. Conversion to shares can take place from 21 January 2005 to 20 March 2006, at the conversion price of SEK 73.

NOTE 30. ACCRUED EXPENSES AND DEFERRED INCOME

| | Group | | Parent Company | |
|-----------------------------|------------|------------|----------------|------------|
| | 31/12/2002 | 31/12/2001 | 31/12/2002 | 31/12/2001 |
| Payroll-related items | 579 | 562 | 8 | 2 |
| Restructuring measures | 12 | 23 | - | 1 |
| Accrued bonuses and similar | 71 | 88 | 5 | 6 |
| Accrued auditing costs | 2 | 3 | - | - |
| Accrued real estate costs | 85 | 97 | - | - |
| Accrued interest | 5 | 5 | 3 | 5 |
| Delivered, uninvoiced | 150 | 28 | - | - |
| Other accrued expenses | 62 | 100 | 2 | 5 |
| Other deferred income | 29 | 63 | - | - |
| Total | 995 | 969 | 18 | 19 |

NOTE 31. CONTINGENT ASSETS, PLEDGED ASSETS AND CONTINGENT LIABILITIES

| | Group | | Parent Company | |
|------------------------------------|------------|------------|----------------|------------|
| | 31/12/2002 | 31/12/2001 | 31/12/2002 | 31/12/2001 |
| Contingent assets | | | | |
| Legal claim with uncertain outcome | 1 | 1 | - | - |
| Total | 1 | 1 | - | - |

| | Group | | Parent Company | |
|------------------------|--------------|------------|----------------|------------|
| | 31/12/2002 | 31/12/2001 | 31/12/2002 | 31/12/2001 |
| Pledged assets | | | | |
| Property mortgages | 424 | 610 | - | - |
| Chattel mortgages | 432 | 434 | - | - |
| Shares in subsidiaries | 888 | 911 | 2,149 | 2,177 |
| Other pledged assets | 144 | 151 | - | - |
| Total | 1,888 | 2,106 | 2,149 | 2,177 |

| | Group | | Parent Company | |
|-------------------------------|------------|------------|----------------|------------|
| | 31/12/2002 | 31/12/2001 | 31/12/2002 | 31/12/2001 |
| Contingent liabilities | | | | |
| Guarantees for subsidiaries | - | - | 330 | 344 |
| Guarantees for others | 63 | 79 | - | - |
| FPG/PRI | 7 | 7 | - | - |
| Other contingent liabilities | 13 | 16 | 5 | 3 |
| Total | 83 | 102 | 335 | 347 |

Guarantees for others consist for the most part of guarantee commitments pertaining to bank financing and product deliveries for franchisees in Sweden and Finland. In cases where there is a risk of loss, a provision has been made among possible loan losses. Other contingent liabilities consist primarily of bank guarantees that have been made for the Axfood Group to the tax authorities and to Swedish Customs.

Notes

(Amounts in SEK m unless otherwise stated)

NOTE 31. CONTINGENT ASSETS, PLEDGED ASSETS AND CONTINGENT LIABILITIES, cont.

PLEDGED ASSETS BROKEN DOWN INTO OWN PROVISIONS AND LIABILITIES

| | Group | | Parent Company | |
|--|--------------|--------------|----------------|--------------|
| | 31/12/2002 | 31/12/2001 | 31/12/2002 | 31/12/2001 |
| Provisions for pensions, PRI | | | | |
| Chattel mortgages | 300 | 300 | - | - |
| Property mortgages | - | 12 | - | - |
| Total | 300 | 312 | - | - |
| Liabilities to credit institutions | | | | |
| Chattel mortgages | 132 | 134 | - | - |
| Property mortgages | 424 | 598 | - | - |
| Shares in subsidiaries | 888 | 911 | 2,149 | 2,177 |
| Other pledged asstes | 144 | 151 | - | - |
| Total | 1,588 | 1,794 | 2,149 | 2,177 |
| Total pledged assets for own provisions and liabilities | 1,888 | 2,106 | 2,149 | 2,177 |

NOTE 32. EXCHANGE RATE DIFFERENCES AND CURRENCY EXPOSURE

| Group | 31/12/2002 | 31/12/2001 |
|---|------------|------------|
| Exchange rate differences reported in profit and loss account | | |
| Exchange rate differences reported in financial items | 0 | 0 |
| Total | 0 | 0 |
| Exchange rate differences reported directly against shareholders' equity | | |
| Exchange rate differences at start of year | 19 | 3 |
| Change for the year | -7 | 16 |
| Exchanges rate differences at year-end | 12 | 19 |

| | Calculated future net flow | Of which contracted net flow | Amount hedged through forward exchange contracts | Estimated average forward rate | Outstanding currency risk |
|--|----------------------------|------------------------------|--|--------------------------------|---------------------------|
| Currency exposure | | | | | |
| EUR | 32 | 32 | 32 | 9.11 | - |
| USD | 5 | 5 | 5 | 9.36 | - |
| DKK | 5 | 5 | 5 | 1.22 | - |
| NOK | 1 | 1 | 1 | 1.24 | - |
| Total outstanding currency risk | 43 | 43 | 43 | | - |
| Deferred gains/losses for outstanding currency hedges | | | | | |
| EUR | 0 | | | | |
| USD | 0 | | | | |
| Other | 0 | | | | |
| Total | 0 | | | | |

Flow hedges, transaction exposure in foreign currency arises due to the import of goods which are paid for in foreign currency. The Axfood Group's finance policy prescribes that transaction exposures shall be 100% hedged at the time the order is placed at the latest. Of the SEK 43 m in outstanding forward contracts as per 31 December 2002, no contracts had a term in excess of 3 months.

NOTE 33. ADJUSTMENT FOR NON-CASH ITEMS

| | Group | | Parent Company | |
|---|------------|------------|----------------|-----------|
| | 2002 | 2001 | 2002 | 2001 |
| Change in pension liabilities | 14 | 8 | 3 | 3 |
| Items affecting comparability not affecting cash flow | - | 70 | - | 18 |
| Changes in provisions not affecting cash flow | - | 1 | - | - |
| Capital gains/losses pertaining to fixed assets | -26 | -39 | - | 23 |
| Restructuring programme 2000 | -34 | -81 | - | -1 |
| Other | 8 | 4 | -1 | - |
| Total | -38 | -37 | 2 | 43 |

Notes

(Amounts in SEK m unless otherwise stated)

NOTE 34. ACQUISITIONS OF SUBSIDIARIES

| | Group | | Parent Company | |
|---|-----------|------------|----------------|------------|
| | 2002 | 2001 | 2002 | 2001 |
| Intangible assets | 9 | 50 | - | 23 |
| Tangible assets | 7 | 38 | - | - |
| Financial assets | - | 4 | - | - |
| Inventories | 7 | 30 | - | - |
| Other current assets | 7 | 29 | - | 32 |
| Liquid assets | 10 | 12 | - | - |
| Minority interests | - | 90 | - | 90 |
| Provisions | - | -9 | - | - |
| Long-term liabilities | -9 | -26 | - | - |
| Current liabilities | -11 | -45 | - | 2 |
| Total purchase price paid | 20 | 173 | - | 147 |
| Liquid assets in acquired companies | -10 | -12 | - | - |
| Impact on the Group's liquid assets of acquisitions for the year | 10 | 161 | - | 147 |
| Unpaid portion of purchase price pertaining to the year's acquisitions | - | -10 | - | -5 |
| Purchase price pertaining to acquisitions in previous years | 9 | - | 7 | - |
| Total cash flow pertaining to investments in subsidiaries | 19 | 151 | 7 | 142 |

NOTE 35. SALES OF SUBSIDIARIES, BUSINESS AREA

| Group | 2002 | 2001 |
|--|----------|-----------|
| Inventories | - | 30 |
| Current assets | - | 3 |
| Total cash flow pertaining to sales of subsidiaries | - | 33 |

NOTE 36. EARNINGS PER SHARE AFTER DILUTION

| | 2002 | 2001 |
|--|-------------------|-------------------|
| Net profit for the year | 625 | 328 |
| Reversal of interest expense after tax pertaining to convertible | 2 | 2 |
| Adjusted net profit | 627 | 330 |
| Number of shares before dilution | 53,229,028 | 53,229,028 |
| Additional shares upon full conversion | 1,006,100 | 1,006,100 |
| Dilutive effect pertaining to warrants | 224,865 | 92,396 |
| Total number of shares after dilutive effect | 54,459,993 | 54,327,524 |
| EARNINGS PER SHARE AFTER DILUTION | 11.51 | 6.07 |

Definitions and explanations

Definitions

- **Capital employed:** Total assets less noninterest-bearing liabilities and noninterest-bearing provisions. Average capital employed is calculated as capital employed at the start of the year plus capital employed at the end of the year, divided by two.
- **Cash flow per share:** Cash flow for the year divided by the number of shares outstanding. For cash flow per share after the dilutive effect see "Earnings per share after dilution" below.
- **Earnings per share:** Net profit for the year divided by the number of shares outstanding.
- **Earnings per share after dilution:** Profit for the year after tax, adjusted for interest expenses after taxes pertaining to outstanding convertibles, divided by the average number of common shares adjusted for the dilutive effect of convertibles and stock options. The dilutive effect of convertibles consists of the number of shares that would be issued upon full conversion. The dilutive effect of stock options arises when the present value of the exercise price is lower than the current value of the common shares. The current value of the common shares consists of the average market price during the accounting period. The dilutive effect arises as the difference between the number of shares that holders of the stock options have the right to subscribe for and the number of shares valued at current value that this subscription payment corresponds to.
- **EBIT:** Operating profit.
- **EBITG:** Operating profit before goodwill amortization.
- **Equity ratio:** Shareholders' equity including minority interests, as a percentage of total assets.
- **Debt-equity ratio:** Interest-bearing liabilities, divided by shareholders' equity including minority interests.
- **Debt-equity ratio, net:** Interest-bearing liabilities less liquid assets and interest-bearing receivables, divided by shareholders' equity including minority interests.
- **Interest cover ratio:** Profit after financial items plus financial expenses, divided by financial expenses.
- **Operating margin:** Operating profit after depreciation, as a percentage of net sales for the year.
- **Margin after financial items:** Profit after financial items as a percentage of net sales for the year.
- **Net asset value per share:** Shareholders' equity divided by the number of shares outstanding. For net asset value per share after the dilutive effect, see "Earnings per share after dilution" above.
- **Net interest-bearing assets:** Liquid assets plus interest-bearing receivables less interest-bearing liabilities and interest-bearing provisions.
- **Number of full-year employees:** Total number of hours worked divided by the year's work time (1,600 hours).
- **Return on capital employed:** Profit after financial items, plus financial expenses, as a percentage of average capital employed.
- **Return on shareholders' equity:** Net profit as per the profit and loss account as a percentage of average shareholders' equity. Average shareholders' equity is calculated as shareholders' equity at the beginning of the year plus shareholders' equity at the end of the year, divided by two.

Explanations

Attract40

Stockholm Stock Exchange rules for inclusion on the Attract40 list:

Selection to the list is conducted biannually and is based on statistics for a period of six months ending with the month before each half and full year.

1. The company's turnover rate (for the most actively traded class of stock) during the last six-month period, adjusted for free float, must be among the top 40 on the Stockholm Stock Exchange's O-list.
2. Companies that do not meet the turnover requirement can be given the opportunity to be included on the Attract40 list if trading in the company's shares is so extensive that the company, if it had been quoted on the A-list, would have met the requirement for trading volume in excess of SEK 3 billion during the half-year period (corresponding to approx. SEK 24 m/day), plus the company must have a market capitalization in excess of SEK 8 billion.
3. The company must have a free float of at least SEK 500 m at the end of the measurement period.
4. The company must issue market information in English.
5. Companies on the observation list are not eligible for inclusion on the Attract40. If a company is the subject of a hostile takeover bid, this can prevent it from inclusion on the Attract40.
6. In certain specific cases, newly introduced companies can be given the opportunity to be included on the Attract40. In order for the Stockholm Stock Exchange to be able to approve a company for inclusion on the Attract40 from the onset, it must be considered to be very likely that the basic conditions outlined above will be met.

BRC

British Retail Consortium. A consortium of British retailers, such as Tesco, Sainsbury's and Safeway. The BRC standard is a food-adapted ISO 9000 complemented with an HACCP plan.

HACCP

Hazard Analysis and Critical Control Points. An analysis of an entire production line that identifies hazards and lays out control points for follow-up.

Several-year overview

| Amounts in SEK m | 2002 | 2001 | 2000 | 1999P |
|---|--------------------|------------|--------------------|------------|
| Profit and loss account | | | | |
| Net sales | 33,115 | 32,428 | 30,230 | 29,077 |
| Operating profit | 1,023 | 653 | 112 | 344 |
| Profit after financial items | 919 | 527 | 0 | 261 |
| Minority interests | -14 | -11 | -10 | -15 |
| Taxes | -280 | -188 | -24 | -105 |
| Net profit for the year | 625 | 328 | -34 | 141 |
| Balance sheet | | | | |
| Intangible assets | 1,098 | 1,165 | 1,233 | 1,021 |
| Tangible assets | 2,172 | 2,264 | 2,168 | 1,650 |
| Financial assets | 412 | 541 | 716 | 796 |
| Inventories | 1,631 | 1,559 | 1,518 | 1,425 |
| Other current assets | 1,598 | 1,832 | 1,707 | 1,629 |
| Cash and cash equivalents | 444 | 406 | 278 | 192 |
| Assets | 7,355 | 7,767 | 7,620 | 6,713 |
| Shareholders' equity | 1,693 | 1,208 | 855 | 741 |
| Minority interests | 119 | 109 | 181 | 185 |
| Provisions | 701 | 637 | 595 | 542 |
| Interest-bearing liabilities | 1,320 | 2,070 | 2,610 | 2,157 |
| Noninterest-bearing liabilities | 3,522 | 3,743 | 3,379 | 3,088 |
| Shareholders' equity and liabilities | 7,355 | 7,767 | 7,620 | 6,713 |
| Cash flow | | | | |
| Cash flow from continuing operations | 1,104 | 1,046 | 445 ^{p1} | 365 |
| Cash flow from investing activities | -192 | -293 | -690 ^{p1} | -326 |
| Cash flow from financing activities | -873 | -625 | 331 ^{p1} | 36 |
| Cash flow for the period | 39 | 128 | 86 ^{p1} | 75 |
| Key ratios | | | | |
| Operating margin, % | 3.1 | 2.0 | 0.4 | 1.2 |
| Operating margin before items affecting comparability and goodwill amortization | 3.5 | 2.3 | 0.9 | 1.8 |
| Margin after financial items, % | 2.8 | 1.6 | 0.0 | 0.9 |
| Equity ratio, % | 24.6 | 17.0 | 13.7 | 13.8 |
| Debt-equity ratio, net, multiple | 0.6 | 1.3 | 2.1 | 2.0 |
| Debt-equity ratio, multiple | 0.94 | 1.85 | 2.86 | 2.9 |
| Capital employed SEK m | 3,510 | 3,752 | 4,003 | 3,620 |
| Return on capital employed, % | 28.7 | 17.3 | 3.8 | 10.3 |
| Return on shareholders' equity, % | 43.1 | 31.8 | neg. | 20.0 |
| Interest coverage, multiple | 8.4 | 4.7 | 1.0 | - |
| Capital expenditures in intangible and tangible assets, SEK m | 455 | 404 | 579 | 563 |
| Earnings per share, SEK | 11.75 | 6.16 | -0.64 | 2.77 |
| Earnings per share after dilution, SEK | 11.51 | 6.07 | -0.64 | - |
| Net asset value per share, SEK | 31.81 | 22.70 | 16.06 | 14.61 |
| Net asset value per share after dilution, SEK | 31.09 | 22.24 | 16.05 | - |
| Cash flow per share, SEK | 0.73 | 2.40 | 1.62 | 1.48 |
| Cash flow per share after dilution, SEK | 0.72 | 2.36 | 1.61 | - |
| Number of shares outstanding | 53,229,028 | 53,229,028 | 53,229,028 | 50,729,028 |
| Number of shares outstanding after dilution | 54,459,993 | 54,327,524 | 53,274,545 | - |
| Number of full-year employees | 8,312 | 8,514 | 8,146 | 7,364 |
| Dividend per share, SEK | 5.00 ¹¹ | 2.50 | 0 | 2.60 |

^{p1} Pro forma for 1999

¹¹ Proposed by the Board of Directors

Auditors' Report

to the Annual General Meeting of Axfood AB (publ.)
reg. no. 556542-0824

We have audited the parent company and consolidated financial statements, the accounts and the administration of the Board of Directors and the President of Axfood AB (publ.) for the 2002 financial year. These accounts and the administration of the Company are the responsibility of the Board of Directors and the President. Our responsibility is to express an opinion on the financial statements and the administration based on our audit.

We conducted our audit in accordance with Generally Accepted Auditing Standards in Sweden. Those Standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the President, as well as evaluating the overall presentation of information in the financial statements. As a basis for our opinion with respect to discharge from liability, we have examined significant decisions, actions taken and circumstances of the Company in order to be able to determine the possible liability to the Company of any board member or the President or whether they have in any other way acted in contravention of the Swedish Companies Act, the Swedish Annual Accounts Act, or the Company's Articles of Association. We believe that our audit provides a reasonable basis for the opinion set out below.

The parent company and consolidated financial statements have been prepared in accordance with the Swedish Annual Accounts Act and give a true and fair view of the result and the financial position of the Group in accordance with Generally Accepted Auditing Standards in Sweden.

We recommend that the Annual General Meeting adopt the profit and loss accounts and balance sheets of the parent company and the Group, dispose of the profit of the parent company in accordance with the proposal in the Administration Report, and discharge the members of the Board of Directors and the President from liability for the financial year.

Stockholm, Sweden, 12 February 2003

Per Bergman
Authorized
Public Accountant

Caj Nackstad
Authorized
Public Accountant



1



3



2



4



5



6



7



8



9



10



11



Corporate management

1. Anders Nyberg, b. 1956

Executive Vice President, Director of
Retail Trade Development
Number of shares: 4,000
Number of options: 35,000
Holdings of convertibles: SEK 109,500

2. Lars Nilsson, b. 1956

Executive Vice President and CFO,
Deputy CEO
Number of shares: 13,200
Number of options: 35,000
Holdings of convertibles: SEK 109,500

3. Mats Jansson, b. 1951

President and CEO
Number of shares: 4,300
Number of options: 60,000
Holdings of convertibles: SEK 36,500

4. Stefan Karlsson, b. 1961

President of Dagab
Number of shares: 4,500
Number of options: 17,500
Holdings of convertibles: SEK 109,500

5. Pekka Kosonen, b. 1954

President of Spar Finland
Number of shares: 0
Number of options: 0
Holdings of convertibles: SEK 0

6. Lennart Andersson, b. 1955

President of Hemköpskedjan
Number of shares: 0
Number of options: 17,500
Holdings of convertibles: SEK 0

7. Tommy Kvist, b. 1950

President of Willys hemma
Number of shares: 190,330,
plus 108,200 through companies
Number of options: 0
Holdings of convertibles: SEK 109,500

8. Anders Strålman, b. 1953

President of Willys
Number of shares: 22,500
Number of options: 17,500
Holdings of convertibles: SEK 109,500

9. Bodil Eriksson, b. 1963

Executive Vice President, Corporate
Communications
Number of shares: 0
Number of options: 17,500
Holdings of convertibles: SEK 43,800

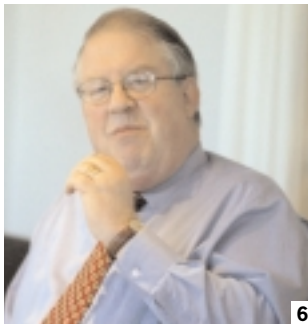
10. Helena Molinero, b. 1964

Head of Group Human Resources
Strategies
Number of shares: 0
Number of options: 0
Holdings of convertibles: SEK 0

11. Urban Dahl, b. 1953

President of Axfood Närlivs
Number of shares: 0
Number of options: 17,500
Holdings of convertibles: SEK 109,500

All shareholdings as per 30 December 2002.



Board of Directors and auditors

1. Peggy Bruzelius, b. 1949

Director since 2000.

Chairman of Grand Hôtel Holding AB and Lancelot Asset Management AB.

Director of AB Electrolux, Scania AB, Ratos AB, Drott AB, Syngenta AG, the Stockholm School of Economics Association, the Industry and Commerce Stock Exchange Committee, the Securities Council, and others. Former President of ABB Financial Services and former Vice President of Skandinaviska Enskilda Banken.

Number of shares: 1,500

2. Gösta Törnroth, b. 1943

Director since 2000.

Chairman of AB Gostin, Färgsam AB and FärgSpektrum AB. Director of Willys hemma AB. President of Nyföretagarcentrum, Solna. Former President and Chairman of D-gruppen AB from the start in 1983 until 1998, and director of Dagab AB from 1991-1994.

Number of shares: 2,500

3. Antonia Ax:son Johnson, b. 1943

Director since 2000.

Chairman or director of various companies in the Axel Johnson Group. Director of Nordstjernan AB, the Axel and Margaret Ax:son Johnson Foundation for Public Service, NCC AB, the World Childhood Foundation, Xerox Corporation, the Royal Swedish Academy of Engineering Sciences (IVA), and others. Chairman of the City Mission of Stockholm.

Number of shares: 24,252,566

via companies

4. Annika Åhnberg, b. 1949

Director since 2000.

Chairman of the programme board of the ELSA (Ethical, Legal and Social Aspects of Genome Research and Gene Technology) research programme and Save the Children, Sweden. Vice Chairman of Skandia Liv. Director of Skandia Link, HANDU AB, ETIX, the Royal Swedish Academy of Agriculture and Forestry (KSLA) and the Royal Swedish Academy of Engineering Sciences (IVA). Member of the Monsanto Biotech Advisory Council.

Number of shares: 0

5. Nils-Erik Johansson, b. 1933

Director since 2000.

Chairman of Clas Ohlsson AB, Heberleins i Båstad AB and Leksands IF. Director of Axel Johnson AB, Dalarnas Hus, Sigill Kvalitetssystem AB, the Swedish Hockey League and Åhléns AB. Member of the Föreningssparbankens Company Council in Stockholm. Former President and CEO of Hemköpskedjan AB.

Number of shares: 6,375

6. Marcus Storch, b. 1942

Vice Chairman. Director since 2002.

Vice Chairman of Axel Johnson AB and the Nobel Foundation. Director of Dagens Industri AB, AB Hanells Industrier, NCC AB, Nordstjernan AB, Stockholmsbörsen AB, Crane AB, the Royal Swedish Academy of Science and the Royal Swedish Academy of Engineering Sciences (IVA). D. Med. h.c. Former President and CEO of AGA AB.

Number of shares: 12,000

7. Göran Ennerfelt, b. 1940

Chairman. Director since 2002.

Chairman or director of various companies in the Axel Johnson Group. Chairman of the Board of Trustees of SNS (the Center for Business and Policy Studies), Chairman of Svensk Handel, the General Export Association of Sweden and the Stockholm Institute of East European Economics.

Director of Spirent plc, Svenska Handelsbanken, the Confederation of Swedish Enterprise, the International Chamber of Commerce, and others.

Number of shares: 10,000

8. Sven-Erik Brandt, b. 1947

Employee representative

Director since 2000.

Sven-Erik Brandt joined Dagab AB 1976 represents the Commercial Employees Union.

Number of shares: 0

Holdings of convertibles: SEK 29,200

9. Mats Jansson, b. 1951

President and CEO of Axfood AB

Director since 2000.

Chairman or director of various companies in the Axfood Group. Director of Hufvudstaden AB. Former President and CEO of Oy Karl Fazer AB.

Number of shares: 4,300

Number of options: 60,000

Holding of convertibles: SEK 36,500

10. Hans G. Johansson, b. 1945

Employee representative

Director since 2000.

Hans G. Johansson in an employee of Hemköp and an employee representative for the Commercial Employees Union.

Number of shares: 0

11. Hans Järvmarker, b. 1952

Director since 2001.

Director of Motivationshuset AB and Divergens Holding AB.

Former principal owner and Chairman of HP Billigt & Nära.

Number of shares: 1,482,532

12. Assar Johansson, b. 1939

Employee representative

Director since 2002.

Assar Johansson joined the Ce-Jis Kolonial in 1962, which merged with Dagab AB in 1989, and represents the Salaried Employees Union HTE.

Number of shares: 0

Alternate directors:

Lars-Olof Johansson, b. 1957

Alternate director since 2000.

Alternate union representative for the boards of Dagab AB and Axfood Närlivs AB.

Number of shares: 34

Håkan Karlsson, b. 1953

Alternate director since 2000.

Number of shares: 0

Holding of convertibles: SEK 109,500

Inger Sjöstrand, b. 1953

Alternate director since 2000.

Director of Hemköp. Chairman of the Hemköp Union Reference Group.

Number of shares: 0

Auditors:

Per Bergman

Authorized Public Accountant, KPMG

Caj Nackstad

Authorized Public Accountant, KPMG

All shareholdings as per 30 December 2002.

Annual General Meeting and financial information 2003

Annual General Meeting

The Annual General Meeting of Axfood AB (publ.) will be held at 5 p.m. on Wednesday, 23 April 2003, at Norra Latin, Norra Bantorget, Stockholm.

Notification

Shareholders who wish to attend the Annual General Meeting must notify the Company of their intention not later than 4 p.m. on Wednesday, 16 April 2003, by writing to the following address: Axfood AB, Box 7314, SE-103 90 Stockholm.

Notification can also be made by phone, +46 8 553 998 13, by fax +46 8 553 998 05 or by e-mail: eva.goransson@axfood.se. Notification should include the shareholder's name, address, social security number/company registration number, phone number and the number of shares held.

Participation

To be able to participate in the Meeting, shareholders must be recorded in the register of shareholders maintained by VPC AB not later than Friday, 11 April 2003, and they must notify the Company of their intention to participate in the Meeting not later than 4 p.m. on Wednesday, 16 April 2003. Shareholders whose shares are registered in the name of a nominee must temporarily re-register their

shares in their own names with VPC AB to be entitled to participate in the Meeting. Shareholders must notify their nominee in ample time prior to Friday, 11 April 2003. If participating by proxy, a power of attorney must be sent to the Company and in Axfood's possession before the Annual General Meeting.

Proposed dividend

The Board of Directors proposes a dividend of SEK 5.00 (2.50) per share, totalling SEK 266 m (133), based on 53,229,028 shares. The record date is Monday, 28 April 2003, and dividends are expected to be paid by VPC on Monday, 5 May 2003.

Summons and agenda

A summons to the Annual General Meeting will be issued in Svenska Dagbladet and the Official Swedish Gazette. The agenda for the Annual General Meeting will be included in the summons.

Financial information 2003

| | |
|------------------------------------|-----------------|
| First-quarter interim report 2003 | 23 April 2003 |
| Second-quarter interim report 2003 | 23 July 2003 |
| Third-quarter interim report 2003 | 22 October 2003 |

Staffs and subsidiaries

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