SPAR ANNUAL REPORT 2003

Contents

Spar Finland in Brief

Spar Finland's mission is to provide Finnish consumers with groceries in the way they want. Spar Finland plc supports its network of independent Spar traders in a number of ways. The company operates as the wholesale supplier of Spar-branded food retail stores and leases business premises to these stores. It also develops food retailing chain concepts, the Spar Group's network of stores, and the product range and marketing of the stores, and it co-ordinates the Spar Group's purchasing and other shared activities.

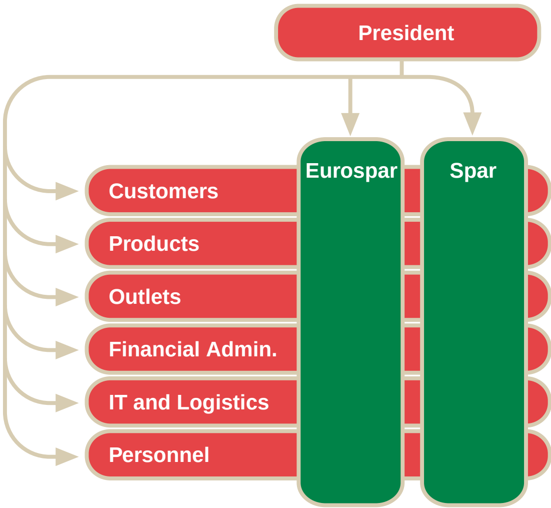
Today's Spar Finland, a corporation operating nationwide in the Finnish wholesale and retail food business, was formed in 1997 when Sentra Oyj acquired Spar Finland Oy from Kesko Corporation. Spar Finland Oy was merged with Sentra Oyj at the beginning of 1998, at which time Sentra Oyj was renamed Spar Finland plc.

The Spar Group comprises 293 retail outlets (31 December 2003), 84 of which are owned by Spar Finland. The Spar Group's share of Finland's retail sales in 2002 was 8.1%.

Spar Finland is a subsidiary of a Swedish company, Axfood AB, which is listed on the O-list of the Stockholm Stock Exchange. Spar Finland's shares are quoted on the Investors List of the Helsinki Stock Exchange. The shares are in two series conferring different voting rights. The company has a total of 208 shareholders.

The Spar Finland business model

Spar Finland operates through two national retail chains, Spar and Eurospar, which comprise the company's two divisions. There are six supporting units: Customers (marketing and communications), Products (purchasing and store space management), Outlets (startups and maintenance of the store network), Financial Administration, IT and Logistics (development and maintenance of IT systems, logistics) and Personnel (employee matters and competence management).



Key indicators Spar Finland Group	**2003**	**2002**	**2001**
Net turnover (MEUR)	567.4	604.3	614.2
Operating profit (MEUR)	5.1	6.6	3.4
Gross capital expenditure (MEUR)	8.9	6.6	6.8
Personnel expenses (MEUR)	24.1	26.2	25.8
Earnings per share (EUR)	3.07	3.92	1.56
Solvency ratio, %	36.5	34.5	30.0
Shareholders' equity per share (EUR)	37.99	35.70	31.37
Personnel, average	775	864	876

"Our **success factors** are a nationwide store network, clear and customer-centric concepts, efficient operation and the strong Spar brand."

How Spar Works

The Spar vision

We will be Finland's most customer-oriented food retailer, with a 20% market share.

Spar's mission

Our mission is to provide Finnish consumers with groceries in the way they want.

Spar's values

Responsibility
We operate with integrity, applying ethics. We bear responsibility for our customers' health and the welfare of the environment. We aim for high quality at every level of our activities.

The will to innovate
We take an unbiased view of changes, we learn in our work every day and we improve our actions with creativity. We are not afraid to question old operating models and contribute ideas for new ways to replace old ones.

Customer-orientation
We know our customers' wishes. We want to fulfil different expectations with appreciation for our customers' needs.

Simplicity
Our operations are clear-cut and efficient. We avoid duplicated effort and complications both in the division of work and in carrying out tasks.

Working together
We work as teams in an open atmosphere. We are able to listen to and appreciate other people's points of view. We include all stakeholders, and we commit ourselves to shared goals.

Adding value for everyone
Our customers benefit from our high-quality operations. Efficiency and profitability add value for our retailers and our owners. Improving our collaboration strengthens the commitment of our suppliers and other partners. A good atmosphere in the workplace and opportunities for training encourage our personnel to reach our collective objectives.

Spar's strategic success factors

Comprehensive store network

The Spar Group is a nationwide chain of food retail stores comprising 282 Spar and 11 Eurospar outlets in 177 localities around Finland. Spar Finland's goal is to achieve profitable growth in the years ahead by developing its existing store network, accelerating the establishment of new stores, and forging alliances with other wholesale and retail companies.

Clear, customer-centric concepts

Spar Finland has two store concepts, Eurospar ja Spar. The stores in the Eurospar chain provide best value in their localities. Two Eurospar outlets renovated in line with this new concept were opened during the latter half of 2003. Store conversion will continue in 2004.

Refinement of the Spar chain concept was completed at the end of 2003. The cornerstones of the Spar store concept are closeness to customers and putting local knowledge into practice. Using the company's own outlets for piloting purposes enables us to stay at the forefront of food retail trends. Similarly, applying the knowledge of our independent Spar traders allows us to take the local needs of customers in different localities into account when planning product ranges and services specific to these areas.

The strong Spar brand

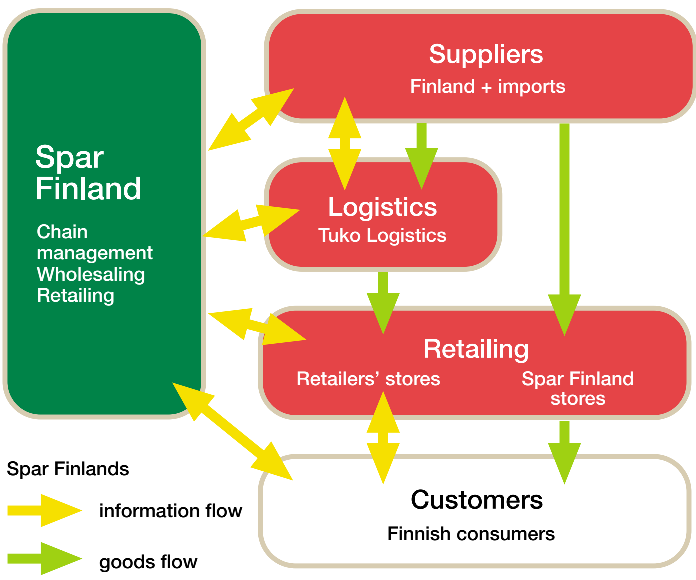
There are more than 15,000 Spar stores in 34 countries and four continents. The International Spar brand, coupled with Spar products offering good price-quality ratio, are also a strength of the Spar Group in Finland. Our own Spar product family is an effective way of making our brand known to consumers. Our growing range of products already includes almost 400 items. The image of the Spar brand among consumers is further reinforced by the presence and visibility of the Spar brand at both domestic and international sports events.

Efficient operation

Purpose-designed control systems, clear division of responsibilities and networking will ensure Spar Finland's solid performance in the future. We aim to concentrate those functions – such as space management, product range planning, pricing, and harmonization of store functions – which, through concentration, will generate clear benefits.

Efficient operation requires recognising and removing overlaps. It also calls for a work ethic in which each Spar employee carries responsibility from start to finish of his or her work.

How Spar Finland works



Spar Finland's business is food wholesaling and retailing. The Spar Group consists of both Spar Finland's own stores and the stores owned by the company's independent retailer-partners. Our logistics operations are handled by our associated company Tuko Logistics Oy.

"One of our values is the **will to innovate**. This, combined with an ability to respond quickly, will be vital during 2004."

Chief Executive's Review

Spar Finland's net profit for 2003 amounted to MEUR 4.4 (MEUR 5.1 in 2002). Operating profit totalled MEUR 5.1 (6.6) and net turnover was MEUR 567.4 (604.3). The Group's solvency ratio at the end of the year was 36.5% (34.5%).

Spar Finland again performed well in 2003. Our net profit, although the second highest in the company's history after the record profit of 2002, was weakened by a decline in net turnover. This was caused by increased competition, lower general price levels, and the reduced number of stores. Nevertheless, by exercising strict cost control we were able to adjust all cost items to match the lower net turnover. We thus maintained the company's healthy performance during the year by operating cost-effectively.

We continued to develop our operations as set out in our strategy. We completed our human resources strategy in 2002, and in 2003 we began to apply it in practice. We conducted personal appraisal interviews throughout the group, and our store staff participated in teamwork training.

Store renovations successful

At the end of the year Spar Group had 293 stores, which was three less than at the end of 2002.

The Eurospar chain's net sales decreased by 7.5% over the financial year. Two large units, Espoonlahti and Koivukylä, underwent renovations that lasted for six months. This disrupted normal operations in the stores and inevitably resulted in lost sales. The lower operating profit was mainly caused by lower sales in these two outlets and by the extra costs incurred by the renovations. The renovated stores have now substantially increased both their sales and their customer volumes compared to pre-renovation figures.

During 2003 we closed down altogether eight Spar stores and opened five new ones. The reduction in Spar chain sales was due to increased competition, a decrease in general price levels and the lower number of stores.

The work conducted throughout the review period on developing store concepts was completed by the end of the year. The operating concepts of different-sized Spar stores have been reviewed, and the concept now includes the experience and insight gained from the new Spar Eliel, opened in central Helsinki in May. Spar Eliel was a pilot project, developed jointly with International Spar, in which we successfully introduced new furnishings, displays and product ranges.

During the last quarter of the year, after the renovations were completed, the decline in sales halted and our performance increased compared to the previous year.

Retailing environment changing

The food retailing market in Finland faces new challenges as international competition increases and the EU expands to include the Baltic countries in 2004. Imports by travellers and growth in the "grey economy" resulting from Estonia's accession to the EU pose special threats to the Finnish food retailing market, and indeed to the competitiveness and employment capabilities of the entire food production sector that Finnish consumers value so highly. Only a highly competitive national retail chain will be able to offer services cost-effectively throughout the country in the future.

The new government's programme did not include the changes proposed by the food retailing business, which would have improved competitiveness and employment prospects in the retail sector. When Estonia joins the European Union on 1 May 2004 we will face a new competitive situation which will affect consumer behaviour. The Finnish government will need to take bold action to rectify the situation in 2004.

The best way to safeguard the competitiveness and operating environment of the food retailing business in the new conditions is to reduce excise duty and VAT on foodstuffs to a level competitive with other EU member countries and to dismantle the restrictions to trade, as recommended by OECD's country report in the spring of 2003.

Team Spar enhances Spar's image

We have now completed development of the Spar chain's concept. In 2004 we will emphasize concept training and, in particular, store employee competences. We will also increase co-operation with our main owner, Axfood. Our customers will benefit from this in the form of lower prices and a wider product range.

We will continue our successful collaboration with the Finnish Amateur Athletics Federation as the main partner to Finland's national athletics team. In this context we launched the Team Spar project, which mainly supports leading Finnish javelin throwers during 2004–2006. The purpose of this partnership is to strengthen the Spar brand's image among consumers.

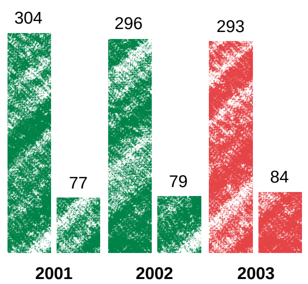
In 2004, we will seek moderate growth, our goal being to retain our current profit levels in this challenging and unpredictable market situation. We have now completed the necessary streamlining measures in our store network and moved back to normal network management. After a long decline in the number of stores, our objective now is to expand our network. Construction of two new Eurospar stores to be opened in 2004 has already begun.

Only change is constant

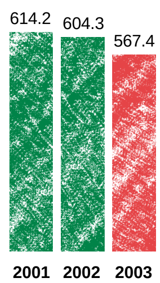
I would like to thank all employees of Spar Finland, our independent Spar retailers and their staff, and all our partners for their flexibility in the changing competitive landscape. One of our values is the will to innovate. This, combined with an ability to respond quickly, will be vital during 2004.

Pekka Kosonen
President and CEO

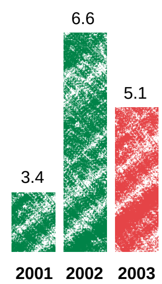
Number of outlets Spar Group and Spar Finland



Spar Finland's net turnover (MEUR)



Spar Finland's operating profit (MEUR)




"Changes in marketing and store **renewals** have proved the right decision."


The Eurospar Chain

Eurospar is a food retail chain owned by Spar Finland. The Eurospar outlets are large stores with between 1,300 and 2,475 square metres of retail space. At the end of 2003, the chain had eleven retail outlets. These were located in Espoo (2), Vantaa (2), Riihimäki, Lahti, Hollola, Ylivieska, Kempele, Kemi and Rovaniemi. No new business locations were opened in 2003.

Each Eurospar seeks to serve as the best-value food retailer in its locality and to make shopping convenient, pleasant and fast. We monitor these promises to our customers with regular customer satisfaction surveys. The most recent survey shows that customers continue to regard Eurospar as one of the most cost-efficient retail stores despite increased competition.

Eurospar's net turnover declined by 7.5% compared to the previous year. This was mainly due to the renovations of the two largest units, Espoonlahti and Koivukylä, which took six months to complete. The stores were expanded and a higher proportion of their floor area was dedicated to fresh products. The costs of the renovation work and the decline in sales substantially weakened the chain's financial performance. During the last quarter of the year, however, when all renovations had been completed, Eurospar's net turnover increased by 6.3%.

Efficiency improved

In 2003 we continued to improve cost efficiency and enhanced both product wastage control and product range management. From autumn 2003 onwards our focus was on achieving profitable growth in sales, and by the year's end we were highly successful in this task. Profitable growth in sales will be a central focus in 2004 as well.

Over the past year, we clarified responsibilities in the chain and raised the cost-efficiency of our store processes. In the autumn we restructured the chain's organization so that our regional store managers now carry responsibility for the financial performance of two units. The purpose of this change is to increase efficiency, improve the quality of our operations and share best practices between the different units.

We gave special priority during the year to store cleanliness and to improving price markings. Customers want an even wider product range, and in response we again increased the number of products in the Eurospar product range to meet this need.

Focus on local competition

The media mix of our marketing from autumn onwards focused in particular on reacting to local competition. A foreign competitor that intensified competition on prices in 2003 now operates in the vicinity of nearly all Eurospar units. The increase in our sales towards the end of the year shows that the measures we took were well chosen.





The Eurospar chain's prospects are bright and last autumn's figures prove that we are on the right track. We believe that growth in net turnover will continue in 2004. We will continue to give high priority to profitable growth of sales and to ensuring cost-efficiency in our daily work. At the start of 2004 we will renovate the Kempele unit and over the second half of the year we will open two completely new units in the Helsinki metropolitan area.

Eurospar chain 2003

- 11 stores
- Store sizes 1,300–2,475 m^2
- 9 localities
- Personnel on average 207

"**The small stores** were especially successful in raising sales."

The Spar Chain

At the end of 2003 the Spar chain comprised 282 stores (2002: 285), of which Spar Finland owned 73 (68). The net turnover of Spar outlets owned by Spar Finland decreased by 6.1% in 2003, while comparable sales declined by 6.5%.

The Spar chain consists of both food retail stores owned by Spar Finland and franchised independent retailers. Spar retailers are an intrinsic part of the Spar chain's operations, but Spar-owned stores provide an important strength, enabling pilot projects and allowing the company to consistently stay in tune with developments in the retail market.

One of the targets of developing the Spar chain is to further centralize processes wherever this generates clear benefits and improves the earning power of the Spar chain and the individual Spar store. These processes include retail space management, product range management, basic pricing and the standardization of store processes.

In 2003 we upgraded our reporting systems and enhanced the chain's operations by systemizing co-operation between Spar's field organization and support units. We also charted the risks relating to work safety in stores and drafted a safety development plan based on this risk report.

In summer 2003 we conducted a special campaign to ensure the cleanliness and tidiness of our stores and the availability of basic products during the year's peak season. The "sparring" interaction between the independent retailers and store managers involved in the campaign produced a good pool of experience.

Local approach a strength

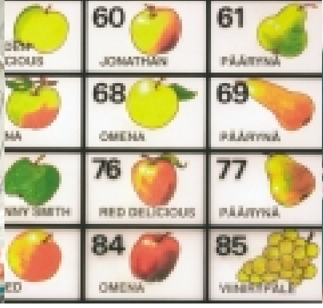
We are entering the final straight in our concept development work. In the small size range, Spar is a good and efficient food store. In the large size range, Spar is the best food store in its operating area, emphasizing the independent retailer's professionalism and local knowledge.

One of Spar's main principles is taking the local competitive landscape and customer structure into consideration when deciding on prices, designing product ranges and planning store-specific services. A clear Spar concept combined with the entrepreneurial approach of the independent retailer makes for efficient, customer-centred management of store operations. This gives Spar a definite competitive edge.

New look, new stores

The concept work generated a new, fresh and distinctive store appearance based on Spar's green and red colours. The new appearance includes updated promises to customers and improved product group signposting to make shopping even easier.

In 2003 we launched the Spar Eliel store at Helsinki railway station, designed in line with the new Spar concept. We also plan to use the furnishings and equipment, designed to improve the look of this store, in new and renovated Spar outlets. Similar new-concept stores were opened in the towns of Levi (Spar Levimarket) and Nurmijärvi (Spar Kieku), and in central Helsinki (Spar Kaleva).



Consumers appreciate small grocery stores

Consumers are clearly placing more trust in their small local food retail store. As weekday eating shifts more and more towards convenience foods, customers value the fast and easy availability of basic products. In 2003 it was precisely the Spar stores with less than 400 square metres of floor area that managed to increase their sales more than the national average.

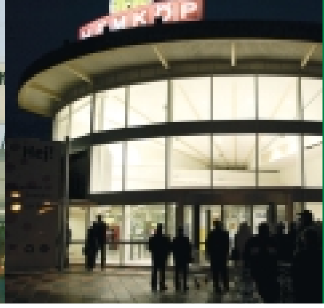
Large Spar stores have developed their product ranges and outlet-specific services in order to strengthen their position as the leading food retail stores in their regions. In their marketing, the larger stores emphasize variety in both product ranges and services as well as their food-related expertise.

Spar strengthens its position

We launched a management training programme for store managers in autumn 2003, which we will continue in spring 2004. Our training focuses on the role of the store manager as an independent leader with responsibility for financial performance. Important elements of this training are personnel management skills and the ability to motivate and commit all store personnel to achieving the shared financial goals.

Our aim in 2004 is to increase the number of Spar outlets. We will also continue to upgrade our existing stores in line with the new concept. By opening new Spar stores, we will be able to offer Spar's existing retailers new challenges as well as independent careers for individuals interested in Spar food retailing. We believe that the new, fresh-looking Spar stores will prove increasingly attractive to consumers too.

Spar chain 2003
- 282 stores
- Store sizes 99–2,230 m^2
- 177 localities
- Personnel on average 476



"Axfood seeks to be **a contender** in the Nordic retail food market."

Part of the Swedish Axfood Group

Spar Finland plc's main owner, Axfood AB, is one of the Nordic region's largest listed companies in the food wholesale and retail business.

Axfood has about 500 retail outlets in Sweden, 210 of which are partly or wholly-owned by the company. Axfood's market share in Sweden is roughly 17%, and the company aims to establish an equally strong position in neighbouring countries.

Axfood's business mission is to create, develop and run successful food retail store chains – wholly-owned or in franchise form. Axfood seeks to be a contender in the Nordic retail food market by offering customers distinct and unique alternatives.

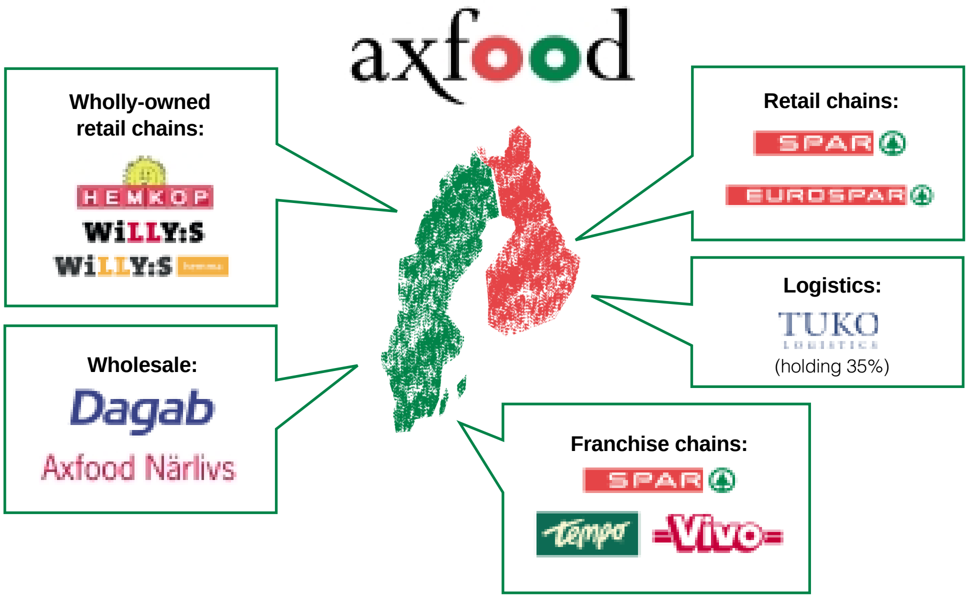
The Axfood Group's store operations are conducted through the wholly-owned retail chains Hemköp, Willys and Willys Hemma. Axfood co-operates with independent traders through the Spar franchising concept. The company owns the Vivo brand and conducts wholesale sales through the companies Dagab and Axfood Närlivs. Vivo Stockholm, which is operated by an association of retailers, is a wholesale customer of Axfood.

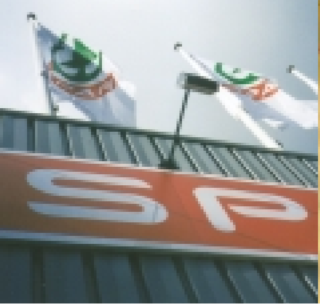
Strongly placed in the Nordic region

Axfood's goal over the next few years is to achieve a strong market position in all the Nordic countries by providing the Nordic food retailing market with an attractive and competitive alternative. Axfood's strengths are its clear and distinctive concepts, purchasing and logistics based on high volumes, flexible and efficient operating models, and state-of-the-art ERP systems. An important element in Axfood's strategy is heavy investment in its own brands.

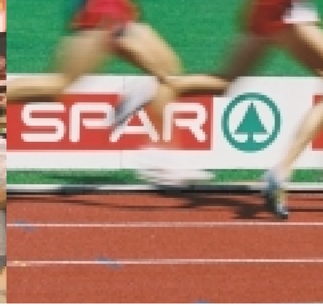
Axfood's net turnover in 2003 amounted to MSEK 33,616 (2002: 33,115) and its operating profit totalled MSEK 1,034 (2002: 1,023). The company employed 8,640 (8,312) people on average during the year.

Axfood was formed in 2000 with the merger of four Swedish companies (Hemköp, D&D Dagligvaror, Spar Sverige and Spar Inn Snabbgross) and Spar Finland. Axfood's largest single owner is Axel Johnson AB, which holds about 45% of its shares.





"Spar gives its customers outstanding service **world-wide**."



International Spar

Spar is one of the world's best-known food retailing brands and the world's most widespread associations of independent retailers. Some 15,000 Spar stores serve more than eight million customers every day in 34 countries.

The Spar story started in the Netherlands in 1932, when the Dutch wholesale trader Adriaan van Well invited his retailer customers to join him under the same banner. Their aim was to benefit from the kind of advantages conferred by volume, synergy and pricing that none of them could achieve on their own.

This philosophy of networking and partnership is just as valid today as it was then, with Internationale Spar Centrale B.V. in Amsterdam supervising international co-operation and holding the rights to the Spar brand. Spar Finland plc (1998) and the companies of the T-Group that preceded it have been part of the international Spar partnership since 1962.

International Spar's most important tasks are supervising the use of the Spar brand, expanding the Spar network and conveying the best food retailing expertise of 34 countries to all participating countries. Spar's international collaboration includes purchasing, product development, marketing, logistics and concept planning. All the Spar stores in the world share the Spar private label range and a passion for food.

Strong framework for success

The Spar network extends across Europe to Japan, South Africa, Argentina and Australia. In 2003 the network expanded to Singapore, and Spar's goal for the near future is to open the first Spar stores in Brazil and India.

The key to Spar's constant success lies in the international organization's ability to locally utilize world-class expertise and experience. International Spar is constantly working to meet the challenges of store processes by developing flagship stores, and by studying consumer trends, retail sales procedures and sales promotion solutions globally.

Principal athletics sponsor

International Spar has been the principal sponsor of the European Athletics Association (EAA) since 1996. This long-term co-operation, which will continue until 2008, has helped to establish Spar as an interntionally renowned brand.

“More **quality**, lower price.”

Spar Products

Spar products comprise the Spar Group’s family of private label products which are prominently displayed in every Spar and Eurospar store. The Spar brand offers a wide range of high-quality products at prices that are consistently low. The Spar product range, which now makes up nearly 400 products, is constantly growing.

In Finland, Spar products have been available since 1992. Changes in the competitive structure of the retail market highlighted the importance of private label products in a new way in 2003. The media brought this to the public’s attention with price and product range surveys comparing the private label brands of different store chains.

The basics, however, did not change and the rationale underlying Spar’s product family remains the same as before: enhancing each Spar store’s image of better value for money and strengthening the Spar brand, offering a brand alternative with an attractive price-quality ratio, and generating a good, steady profit for all parties. The slogan “more quality, lower price” sums up the underlying idea of Spar products.

A large share, some 60%, of Spar products is manufactured in Finland and these are procured directly from Finnish suppliers. Tuko Logistics imports some of our Spar products, while others are obtained through Buying International Group Spar (BIGS) or Axfood.

Growth in private label products

In Finland, the Spar stores’ private label products generate on average less than 10% of total sales, although there is wide variation between product groups. This figure is highest for sales of paper towels and frozen foods, and lower for the sales of confectionery, soft drinks and coffee.

International comparisons indicate there is ample room for growth in sales of private label products in Spar stores in the Nordic countries. Private label products have the largest share of total retail sales in Switzerland and Great Britain, approximately 40%. In many product groups, brand products have lost market share to private label products and all retail chains are focusing more on their own private label brands.

We have systematically focused on expanding the Spar product family. In 2003 we made fast progress in co-operation with Axfood and launched numerous new products. We were particularly successful in the launch of fresh products.

The leading ten Spar products in terms of sales have remained broadly unchanged as a group for some time, with fruit juices and kitchen paper heading the list. Fresh foods, especially poultry, are increasing market share.

Target 10% of sales

The brands that are currently strong will continue to grow stronger. Shelf space in stores is limited, which means that only the strongest brands and the store's own private label products will prevail. The most popular brand products will dominate the available shelf space alongside private label products.

We aim to increase sales of Spar products to 10% of Spar Finland's total sales. The most important factors contributing to the success of Spar products are price, quality and image. We will continue to develop and expand our product range, and strengthen the product family's role in Spar Group's marketing. We will also give more prominence to the role of Spar products in their own product groups by displaying them more clearly, for example. Spar products will always occupy the best spots for display, right next to the leading brand products.

We will also develop the Spar private label range by increasing collaboration with International Spar and Axfood. The product groups we will especially highlight are fresh products, frozen foods (in particular frozen bakery products) and technochemical products.

Co-operation between Spar products and the FAAF

The Spar private label product family is a cost-effective way of promoting our brand among customers. The final buying decision is always made in the store, so we are able to influence the Spar image held by consumers through effective product displays and other Spar activities. The products carry the Spar name from the store right into the consumer's home.

Spar products play a central role in our marketing communications, enhancing the high profile of our brand. The Spar brand's visibility in both national and international sports arenas further strengthens the image consumers have of the Spar brand. This is displayed on athletes' sportswear and competitors' number tags as well as on billboards and other structures at sports events. International Spar is the principal sponsor of the European Athletics Association (EAA) and Spar Finland is the main partner of the national athletics team of the Finnish Amateur Athletics Federation (FAAF).

The Team Spar project, jointly launched by Spar and the FAAF, will support leading Finnish javelin throwers during 2004–2006. The athletics theme will be highlighted in the marketing material used by Spar stores throughout the year. Carefully chosen Spar products will also carry the Team Spar symbol.

Spar products 2003

- Almost 400 products
- 60% domestic
- No. of new launches 67

"**Teaming up for results** – with knowledge, know-how and commitment!"


Personnel

During 2003 we embeded the processes supporting Spar's human resources strategy throughout the Spar Finland organization. Store managers participated in teamwork training, and appraisal interviews became established as an effective feedback channel and a means of clarifying objectives. In personnel training, we focused on developing system expertise. During the year we examined the development needs underlying our bonus system and we charted the risks relating to work safety throughout our store network.

Spar Finland's human resources policy and the daily management of its personnel are guided by Spar's business goals and values. Spar's vision in its human resources management is to build a motivated, skilled and energetic team that achieves top results through co-operation and mutual respect.

The Personnel unit operates as an internal service responsible for managing, "sparring with" and assisting managers and other staff in personnel matters. Spar's HR professionals and the managements of the chains work together closely to ensure customer-orientation and good financial performance. Regular meetings and systematic training in small groups have improved internal dialogue, clarified personnel development needs and taken our human resources strategy forward in practice.

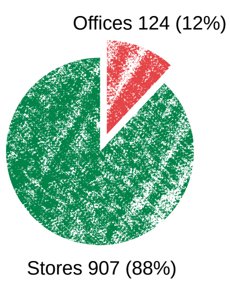
Appraisal interviews enhance job satisfaction

In 2003, appraisal interviews became established as general practice throughout Spar Finland's organization. According to our new staff morale poll, Spar Pulse 2003, the atmosphere of the interviews is open and constructive, and they are perceived as an important channel for receiving feedback and for finding ways to excel at work. Spar Finland can actively contribute to the work satisfaction of its employees through good personnel management, enhancing staff skills, supporting career development, organizing work well and ensuring that work tools are in good condition.

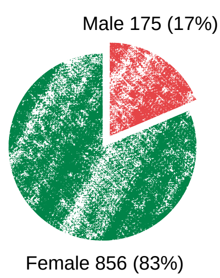
Rewards support management

We hold various competitions aimed at motivating our personnel to excel. In addition to Spar Finland's own competitions, we participated in the Axfood Group's Guldkassen competition, which was arranged for the first time in 2003 and will be held again in 2004. Each year we also formally recognize the individuals who have been most successful at implementing Spar's corporate values in their work, based on nominations made by employees themselves.

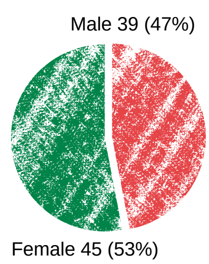
Number of employees

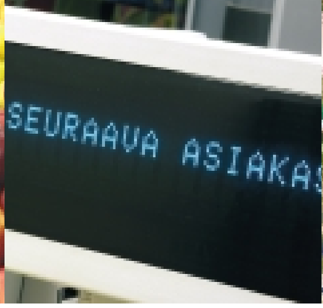


Distribution by sex, all employees



Distribution by sex, Store Managers




In 2003 we conducted a survey to sound out our employees' opinions of Spar Finland's reward system. We will use the results of this survey to develop how we reward employees in the longer term. We have already used the survey results to incorporate the wishes expressed by our personnel into our company-sponsored recreational and leisure activities in 2004. We also plan to further develop and expand our bonus system, which currently covers the company's senior and middle managers. In addition to our existing reward schemes, from 2004 we will also recognize personnel for innovations and initiatives that enhance our business.

Team agreement strengthens commitment

Spar Finland's management system also includes a "team agreement", which empowers store staff to participate in planning and developing the company's operations. The agreement is a tool that store managers use to commit their people to shared goals and to implement Spar's strategy in practice. In 2003 we trained store managers to design team agreements and team agreements will again be signed in all our stores during the first quarter of 2004.

Personnel 31 Dec. 2003
- Number of employees 1 031
- Permanent 27%
- Part-time 73%

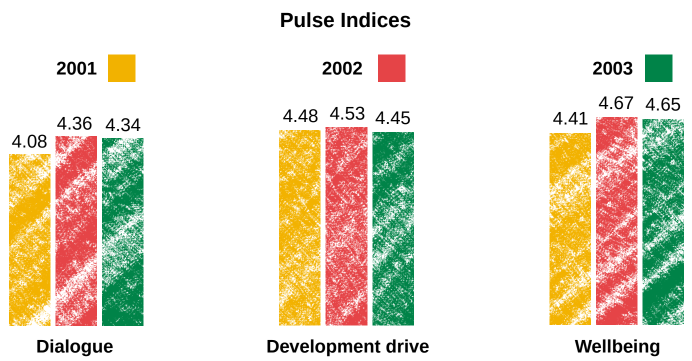
Training based on business skills

The objective of our training programmes is to develop both professional competence and skills in business management. We train our own personnel and we also offer training services through the Spar Academy for stores managed by independent retailers. Every year we start longer programmes for store managers, independent retailers and store personnel aiming for professional retail qualifications. We also arrange development and training courses based on the needs brought to our attention during strategy discussions and appraisal interviews.

Training during 2003 included system training and Swedish language courses for our experts and store managers, as well as fruit & vegetable training for the personnel of the Eurospar stores. We also launched a management and leadership development programme called Sparring Management Training which will continue in 2004. We will conduct a comprehensive training project to establish Spar's new chain concept in all of our stores and support units in 2004. Another training priority will be developing the skills of store personnel in fresh foods management and customer service. The Spar Group's largest training programme, Top Salesperson and Top Retailer, will be conducted in the stores during 2004 as well.

Improving work safety

In 2003 we comprehensively charted the risks to work safety throughout the store chain, as required by the new Occupational Safety and Health Act, and this year we will put into action the development measures indicated by the survey. Improving work safety is one of the main focuses of our human resources management in 2004.



Summary of 2003 results
Spar Finland plc conducted its third staff morale poll in 2003. With a response rate of 76%, the level of participation was considerably higher than the previous year.

The results of the poll are summarized in three main indices. The dialogue index reflects the quality of communication within the working community (i.e. between superior and subordinate) and also within the entire Spar Finland network.

The development drive index measures the success of planning and implementing ideas for development as well as the staff's willingness and opportunities to learn new skills in their work.

The wellbeing index consists of factors that have a significant effect on an individual's motivation and job satisfaction. These factors are related to personal attitudes towards the job, the qualities of the job and the working environment.

The Spar people on pages 14–16. Large photo on page 15: Merja Maasalo, Spar Malminkartano. Other photos: Mikko Sorsa, Spar Eliel; Spar Finland Value Award winners: Kaare Fast, Sirkka Lappi, Päivi Ahtola-Pesonen, Antti Ylätalo, Kirsti Hoffren and Jukka Keinänen; Riikka Haapaniemi, Spar Kieku; Veli-Pekka Hussi, Spar Halinen; Mirja Vuorela, Spar Merikarvia; Tuija Sandberg, Spar Loimaa.

Corporate Governance

Annual General Meeting

The Annual General Meeting is Spar Finland's highest decision-making body. According to the Finnish Companies Act, the tasks of the Annual General Meeting include confirming the company's annual profit and loss account and balance sheet, deciding on the payment of dividend, and electing the members of the Board of Directors and auditors. The Annual General Meeting must be held yearly before the end of June.

Board of Directors

According to the articles of association, the Board of Directors of Spar Finland plc is composed of at least five and at most nine members. The Annual General Meeting decides the number of Board members and elects the members annually.

The term of office of an individual member begins at the closing of the AGM at which he or she was elected and ends at the closing of the following AGM. The Board elects a chairman from among its members.

Spar Finland's rules of procedure complement Finnish legislation on the working of boards of directors and the rules and regulations issued for the responsibilities of Board members and the Chief Executive. In these rules of procedure, the following duties are assigned to the Board of Directors:

- To decide on the company's objectives, essential procedures and strategy, and to supervise the implementation of these.
- To decide on the company's business plans and budget and to monitor compliance with them.
- To decide on business arrangements, investment and loans, major items of capital expenditure, and the granting of guarantees.
- To confirm the main features of the organization.
- To confirm the appointment of the Chief Executive's immediate subordinates.
- To confirm the salaries and other benefits of the senior management.

Monthly reports are submitted to the Board of Directors on the company's sales, performance, balance sheet and financial position. The Chief Executive also reports on the company's operations at each meeting of the Board. The Board elects the company's Chief Executive, whose job is to manage the company in accordance with the Board's instructions and stipulations.

Salaries and emoluments

The Annual General Meeting decides on the fees to be paid to the Board of Directors. The Chief Executive's salaries and other benefits are determined by the Board. The salaries and emoluments paid to the members of the Board and the Chief Executive in 2003 are itemised in the notes to the financial statements (personnel expenses).

Board of Directors

Mats Jansson (b. 1951)
- Chairman since 2000
- President and CEO, Axfood AB
- Chairman or member of the Board of several Axfood Group subsidiaries

Raoul Hasselgren (b. 1936)
- Member of the Board since 2000
- MSc (Econ.)
- Chairmanships and memberships of the Boards of several Swedish companies and organizations, including Amica, Candy King, Kriss, Norfoods, Onninen (Sweden) and Sardus

Lars Nilsson (b. 1956)
- Member of the Board since 2001
- Executive Vice President and CFO, Axfood AB
- Chairman or member of the Board of several Axfood Group subsidiaries

Pekka Kosonen (b. 1954)
- Member of the Board since 2000
- President and CEO of Spar Finland
- Member of the Board: the Federation of Finnish Commerce and Trade, the Finnish Food Marketing Association, the Employers' Confederation of Service Industries in Finland
- Member of the Board: Tuko Logistics Oy and ECR Finland Oy
- Member of the Supervisory Board: Luottokunta (the Finnish Credit Card Association)

Per-Olof Bäckström (b. 1942)
- Member of the Board since 1999
- Retailer, Spar Savio and Spar Hyrylä until 31 January 2004
- Member of the Board, Spar and Neighbourhood Traders Association

Bodil Eriksson (b. 1963)
- Member of the Board since 2003
- Executive Vice President and Director Corporate Communications, Axfood AB
- Chairman or member of the Board for several Axfood Group subsidiaries

Risto Wartiovaara (b. 1942)
- Deputy chairman since 1999, chairman 1995–1999
- MSc (Econ. and Bus. Admin.)
- Chairman of the Board: Captum Group Oy, Ares Oy, Miratel Oy, Rotator Oy

Anders Nyberg (b. 1956)
- Member of the Board since 2001
- Executive Vice President and Director Business Development, Axfood AB
- Chairman or member of the Board of several Axfood Group subsidiaries

Matti Linnainmaa (b. 1940)
- Member of the Board since 1997
- Chairman of the Board, Prizztech Oy; deputy chairman of the Board, Raisio Group plc

Timo Säiläkivi (CFO, Spar Finland) served as secretary to the Board of Directors.

Management

Anita Huuho
Director,
Personnel

Timo Ahvenainen
Director, Marketing and
Communications

Peter Klenberg
Director,
IT and logistics

Markku Kettinen
Commercial Director

Timo Säiläkivi
CFO

Pekka Kosonen
President and CEO

Eija Tahvanainen
Director,
Spar chain

Heikki Kallio
Director,
Outlets

Auditors

Authorized public accountants
KPMG Wideri Oy Ab
Wilhelm Holmberg, APA, supervisory auditor.

Information for Shareholders

Annual General Meeting

The Annual General Meeting of Spar Finland plc will be held at 2 pm on Wednesday, 21 April 2004, in the auditorium of Spar Finland, Tiilenpolttajankuja 5, Petikko, Vantaa, Finland. Shareholders wishing to attend the meeting should notify the company no later than 4 pm on Monday, 19 April 2004, tel. +358 (0)20 532 6034 or by e-mail to benita.sjoblom@spar.fi. Shareholders are entitled to attend the AGM if they have registered themselves no later than 8 April 2004 in the company's shareholder register maintained by the Finnish Central Securities Depository Ltd.

Dividend payment

The Board proposes to the AGM that a dividend of EUR 1.25 per share for both K and A series shares be paid for the financial year ending on 31 December 2003. The dividend decided by the AGM will be paid to shareholders who are registered in the shareholder register maintained by the Finnish Central Securities Depository Ltd on the record date, 26 April 2004. The Board will propose to the AGM that the dividend be paid at the end of the record period on 3 May 2004.

Financial information

Spar Finland plc will publish three interim reports in 2004

- 1 January–31 March 2004, Wednesday 21 April
- 1 January–30 June 2004, Wednesday 21 July
- 1 January–30 September 2004, Tuesday 19 October

The interim reports and all Spar Finland's other stock exchange releases will be available on the company's website on the publication date (www.spar.fi). Shareholders will receive hard copies of the interim reports on request. The publications will be available in English, Swedish and Finnish.

Published materials may be ordered by phone +358 (0)20 532 6085, fax +358 (0)20 532 6253, by e-mail pirjo.hastbacka@spar.fi or by writing to Spar Finland plc, P.O. Box 140, FI-01721 Vantaa, Finland.

Contact Information

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Fax, Board of Directors and management:	+358 (0)20 532 6011
E-mail:	firstname.familyname@spar.fi
Website:	www.spar.fi
	Axfood AB
Address:	Box 7314, Kungsgatan 32
	SE-10390 Stockholm, Sweden
Phone:	+46 (0)8 5539 9800
Fax:	+46 (0)8 5539 9825
E-mail:	firstname.familyname@axfood.se
Website:	www.axfood.se
	Internationale Spar Centrale B.V.
Address:	Rokin 101
	NL-1012 KM Amsterdam, Netherlands
Phone:	+31 (0)2 0626 6749
Fax:	+31 (0)2 0627 5196
Website:	www.spar-international.com
	Tuko Logistics Oy
Address:	P.O. Box 115, Tervahaudankatu 7
	FI-04201 Kerava, Finland
Phone:	+358 (0)9 25 351
E-mail:	firstname.familyname@tuko.fi
Website:	www.tuko.fi

www.spar.fi

SPAR FINANCIAL STATEMENT 2003

Contents

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Report by the Board of Directors

Business conditions

The Spar Group's stores are concentrated today around two nationwide chains, Spar and Eurospar.

Spar Finland plc is a subsidiary of the Swedish food retailing company Axfood AB (publ.). On 31 December 2003 the parent company held 75.2% of Spar Finland plc's voting rights and 69.3% of the share capital. Axfood AB, with approximately 19% of the food retail market in Sweden, is one of the largest food wholesale and retail companies in the Nordic countries. It is listed on the O list of the Stockholm Stock Exchange.

Spar Finland plc operates as the wholesale supplier of Spar-branded food retail stores; the company also leases business premises to these stores and provides marketing, property management and other support services. Spar Finland plc additionally engages directly in food retailing. Three-quarters (3/4) of the Spar Group's stores are independent retail traders and one-quarter (1/4) are owned by Spar Finland. Tuko Logistics Oy, which is 35% owned by Spar Finland plc, holds responsibility for the company's supply chain management. Spar's market share in Finland in 2002 was 8.1%.

On 1 October 2003 the Group's equipment sales and rental business and its store systems rental and maintenance business were transferred from the parent company to Merso Oy (formerly property company Kiinteistö Oy Tyskas), a subsidiary of Spar Finland plc, in order to improve capital utilization. The shares of the property subsidiary company Kiinteistö Oy Porvoon Kesätuulentie 2 were sold at the end of the period.

At the close of the financial period Spar Finland's store chains comprised 11 Eurospar stores (31 December 2002: 11) and 282 (285) Spar stores, making a total of 293 (296) stores. Altogether 84 (79) of these were owned by the company itself. The number of stores was reduced by three during 2003. Four new Spar stores were opened during the year: Eliel and Kaleva in the centre of Helsinki, Kieku in the town of Nurmijärvi and Levi. The Eurospar hyperstores in Espoonlahti and Koivukylä were expanded and renovated.

Spar is an international food retailing brand visible through more than 15,000 stores in 34 countries and covering four continents. Spar Finland plc is a shareholder in the supervisory body, Internationale SPAR Centrale B.V.

Consolidate net turnover and Spar Group sales

Consolidated net turnover in 2003 totalled MEUR 567.4 (MEUR 604.3 in 2002). The company entered MEUR 0.5 (0.5) in other operating income from the sale of store equipment and shares during the year.

Retail taxable sales by the whole Spar Group amounted to MEUR 835.3, down 6.8% on the previous year. The comparable decrease in retail sales of all the stores owned by Spar Finland was 7.0%. Comparable retail sales by the Eurospar stores decreased 7.5% and comparable retail sales by Spar Finland's own Spar stores declined 6.5%. Apart from the reduction in number of stores the main reasons for the fall in sales were a general decline in prices of food products owing to competition. Expansion of two Eurospar hypermarkets, in Espoonlahti and in Koivukylä, started in April and was completed at the end of August. Sales by these units during the construction period was 30–40% lower than in the previous year.

Result

The operating profit in the year was MEUR 5.1 (6.6). Net financial expenses were MEUR +0.1 (-0.0). The pretax profit was MEUR 6.1 (7.3). Extraordinary income totalled MEUR 0.9 (0.7) and comprised an income tax rebate from previous years. The company's appeal concerning prior year taxation is now settled.

The operating profit decreased MEUR 1.5 compared to 2002. Personnel expenses, depreciation and other operating expenses were MEUR 3.2 lower likewise.

The Group's net profit for the year was MEUR 4.4 (5.1). Income tax in the period included tax calculated on the result and the change in deferred tax liability and assets.

Earnings per share (EPS) were EUR 3.07 (3.92).

Balance sheet, financing and contingent liabilities

The balance sheet at 31 December 2003 totalled MEUR 118.8 (31 December 2002: MEUR 118.2).

Fixed assets at the close of the period amounted to MEUR 62.4 (63.2) and current assets were MEUR 56.4 (55.0).

The Group's non-restricted shareholders' equity at 31 December 2003 was MEUR 32.0 (29.4). A dividend of MEUR 1.8 on the financial year 2002 was paid during the review period.

Provisions, consisting of estimated unemployment pension liabilities and rental liabilities related to closed stores, decreased MEUR 0.4 during the year.

Long-term liabilities at the end of the year totalled MEUR 8.6 (8.5) and current liabilities were MEUR 63.6 (65.8).

Net cash flow from operating activities was MEUR 10.6 (14.7) and net cash flow after investing activities was MEUR -7.3 (-5.4). The solvency ratio was 36.5% (34.5%). Interest-bearing loan capital stood at MEUR 16.9 (18.3). Repayments of long-term loans during the period amounted to MEUR 0.9. No new loans were raised during the period. MEUR 1.8 was paid in dividends. Liquid funds increased MEUR 1.7 to total MEUR 15.4 on 31 December 2003.

Contingent liabilities on 31 December 2003 were MEUR 50.2 (53.2).

Rental activities are based on almost three hundred agreements made by Spar Finland plc with various owners of business premises. The largest landlord is the property investment company Vasa-Sijoituskiinteistöt Oy. The rental agreements for the properties rented from Vasa expire on 31 January 2007. The duration of the other rental agreements depends on the properties concerned. MEUR 30.3 was paid in rents for business and commercial premises during the period. Rental commitments based on rental agreements average MEUR 21.4 per year over the following five years. The aggregate rental commitment at the end of 2003 totalled MEUR 133.2.

Capital expenditure

Gross capital expenditure during the period amounted to MEUR 8.9 (6.6). Most investments related to store equipment purchases and store renewals.

Personnel

Calculated in terms of full-time personnel, the Group had 775 employees on average during the period, which was 89 less than in 2002. At the end of the year the Group had 1,031 employees compared to 1,064 employees one year earlier.

General Meetings and administration

The members of the Board of Directors are: Mats Jansson (chairman), Risto Wartiovaara (deputy chairman), Per-Olof Bäckström, Bodil Eriksson, Raoul Hasselgren, Matti Linnainmaa, Lars Nilsson, Anders Nyberg and Pekka Kosonen. The company secretary was CFO Timo Säiläkivi. The company's President and Chief Executive was Pekka Kosonen.

The Board of Directors has no unexercised authorizations to raise the share capital or issue convertible bonds, bonds with warrants or stock options. The company does not own any of its own shares, nor is the Board authorized to purchase such shares.

The company will adopt the Corporate Governance guidelines for listed companies issued by the Helsinki Exchanges on 2 December 2003 when these guidelines come into force on 1 July 2004.

The company's auditors were the firm of authorized public accountants KPMG Wideri Oy Ab under the supervision of Wilhelm Holmberg APA.

Insider guidelines

The company's Insider Guidelines were updated on 1 March 2003 in line with the insider guidelines issued by the Helsinki Exchanges on 28 October 1999.

Share performance

Altogether 4,310 A shares and 3,705 K shares were traded on the Investors List of the Helsinki Exchanges during the year, which represented 0.7% of the total number of shares. At the end of December the price of the A share was EUR 40.00 (EUR 38.50 at 31 December 2002) and the price of the K share was EUR 40.00 (38.50).

The price of the A share was EUR 34.00 at its lowest and EUR 40.00 at its highest during the year. The K share was EUR 34.00 at its lowest and EUR 41.50 at its highest. The market capitalization of the company's shares on 31 December 2003 was MEUR 45.5 (43.7).

Adoption of IFRS reporting

Spar Finland plc will adopt IAS/IFRS financial reporting procedures in its interim and annual financial statements in 2005. Preparations for the adoption of IFRS started in 2003 with the establishment of an IFRS project team. This project is being implemented together with Axfood AB.

Various aspects of the company's operations were reviewed during 2003 to establish any differences between IFRS and Finnish GAAP that affect the accounting principles used to prepare Spar Finland plc's financial statements.

During 2004 decisions will be made on optional accounting principles and the opening IFRS balance sheet and comparable data for 2004 will be calculated for the 2005 interim reports. Similarly, the necessary IT system changes will be made in order to begin IFRS reporting from the beginning of 2005. The project has proceeded on schedule.

A preliminary analysis indicates that the following areas in particular could require changes to the accounting principles:

- According to IFRS principles, goods taken for leasing purposes under finance leasing contracts are entered under assets and liabilities in the balance sheet.
- Liabilities or assets arising from defined benefit pension plans or other benefits are entered in the accounts based on actuarial calculations.
- Deferred taxes should as a general rule be entered on all temporary differences arising from the consolidated balance sheet and the taxable balance sheet values.
- Goodwill and other fixed assets will be tested for impairment at the transition.
- The presentation of mutual property companies will change.

Furthermore, the IFRS financial statements require more detailed notes to the financial statements than at present, as well as a more detailed explanation of the company's accounting principles, and a new calculation on shareholders' equity. The cash flow statement should be based on cash flows and it will require new notes of its own.

The first IFRS financial statements for 2005, including comparable information on 2004, should be prepared in accordance with the standards in force on the balance sheet date. The final versions of some standards are not expected until the end of the first quarter in 2004 and the impact of these standards is still partly open. Furthermore, certain new standards contain optional accounting principles, on some of which Spar Finland plc has not yet decided. Nor has the company decided how it will apply the exemptions allowed by IFRS 1 when adopting the standards for the first time. In these respects not all the possible changes that might occur have necessarily been recognized with sufficient certainty. It is also possible that as the project proceeds other changes and impacts might arise in addition to those described here.

Prospects

Spar Group's strengths in the increasingly competitive retail market are its customer-driven operating models, the strong, international Spar brand, the support of its solid Nordic owner, the expertise of its independent traders, and the company's own knowledge of the food retail business.

The company's target during 2004 is to generate an operating profit between MEUR 4.5 and MEUR 5.0. Investments in stores will be increased during the year.

Profit and Loss Account

Group (EUR 1,000)	1 Jan.–31 Dec. 2003	1 Jan.–31 Dec. 2002
Net turnover (1)	567,446	604,261
Other operating income (2)	504	493
Materials and services (3)	-509,177	-541,344
Personnel expenses (4)	-24,150	-26,138
Depreciation	-8,353	-8,928
Other operating expenses	-21,177	-21,705
Operating profit	5,093	6,639
Financing income and expenses (5)	75	-13
Profit before extraordinary items	5,168	6,626
Extraordinary items (6)	936	694
Profit before taxes	6,104	7,320
Direct taxes (8)	-1,684	-2,169
Net profit for the year	**4,420**	**5,151**

Parent company (EUR 1,000)	1 Jan.–31 Dec. 2003	1 Jan.–31 Dec. 2002
Net turnover (1)	565,683	604,236
Other operating income (2)	422	493
Materials and services (3)	-508,549	-541,618
Personnel expenses (4)	-24,150	-26,138
Depreciation	-6,214	-8,104
Other operating expenses	-23,058	-22,328
Operating profit	4,134	6,541
Financing income and expenses (5)	700	563
Profit before extraordinary items	4,834	7,104
Extraordinary items (6)	-2,885	694
Profit before appropriations and taxes	1,949	7,798
Appropriations (7)	3,446	-981
Direct taxes (8)	-1,323	-2,068
Net profit for the year	**4,072**	**4,749**

Balance Sheet

Group (EUR 1,000)	31 Dec. 2003	31 Dec. 2002
Assets		
Non-current assets		
Intangible assets (9)	2,994	3,685
Goodwill on consolidation (10)	4,857	5,440
Tangible assets (11)	41,840	41,087
Holdings in associated companies (12)	10,290	10,554
Other placements (12)	2,401	2,478
Non-current assets	**62,382**	**63,244**
Current assets		
Stocks (13)	10,675	10,813
Non-current debtors (14)	1,084	1,258
Current debtors (15)	29,234	29,238
Cash in hand and at banks	15,405	13,677
Current assets	**56,398**	**54,986**
	118,780	**118,230**

Parent company (EUR 1,000)	31 Dec. 2003	31 Dec. 2002
Assets		
Non-current assets		
Intangible assets (9)	6,288	7,422
Tangible assets (11)	3,202	24,291
Holdings in Group companies (12)	8,159	8,807
Other placements (12)	16,463	16,540
Non-current assets	**34,112**	**57,060**
Current assets		
Stocks (13)	10,675	10,813
Non-current debtors (14)	22,084	1,258
Current debtors (15)	32,077	31,513
Cash in hand and at banks	15,397	13,644
Current assets	**80,233**	**57,228**
	114,345	**114,288**

Group (EUR 1,000)	31 Dec. 2003	31 Dec. 2002
Liabilities and shareholders' equity		
Shareholders' equity (16)		
Share capital	1,932	1,932
Reserve fund	9,201	9,201
Other reserves	11	11
Retained earnings	27,608	24,275
Net profit for year	4,420	5,151
Shareholders' equity	**43,172**	**40,570**
Minority interest	**0**	**30**
Provisions (18)	**2,375**	**2,756**
Liabilities		
Deferred tax liability (19)	996	562
Long-term liabilities (20)	8,599	8,514
Short-term liabilities (21)	63,638	65,798
Liabilities	**73,233**	**74,874**
	118,780	**118,230**

Parent company (EUR 1,000)	31 Dec. 2003	31 Dec. 2002
Liabilities and shareholders' equity		
Shareholders' equity (16)		
Share capital	1,932	1,932
Reserve fund	9,201	9,201
Other reserves	11	11
Retained profit	17,429	14,498
Net profit for the year	4,072	4,749
Shareholders' equity	**32,645**	**30,391**
Accumulated appropriations (17)	**8,254**	**11,700**
Provisions (18)	**2,375**	**2,756**
Liabilities		
Non-current liabilities (20)	3,920	2,966
Current liabilities (21)	67,151	66,475
Liabilities	**71,071**	**69,441**
	114,345	**114,288**

Cash Flow Statement

Group (EUR 1,000)	2003	2002
Business operations		
Operating profit	5,093	6,639
Adjustments to operating profit:		
Planned depreciation	8,353	8,928
Other adjustments	-800	350
Cash flow before change in net working capital	12,646	15,917
Change in net working capital:		
Current receivables, increase/decrease	-16	7,117
Stocks, increase/decrease	138	-951
Current liabilities, increase/decrease	-403	-6,751
Cash flow from operations before financing items and taxes	12,365	15,332
Interest paid and other financing expenses	-683	-1,034
Dividends received	185	192
Interest received and other financing income	768	810
Taxes paid	-2,070	-587
Cash flow from operations	**10,565**	**14,713**
Investments		
Capital expenditure on tangible and intangible assets	-8,910	-5,507
Proceeds from divestments of tangible and intangible assets	1,395	1,060
Increase in other investments	-	-1,057
Decrease in other investments	238	71
Investments, total	**-7,277**	**-5,433**
Financing		
Increase/decrease in short-term financing	-	-
Repayment of long-term loans	-869	-1,016
Long-term receivables, increase/decrease	174	-268
Long-term liabilities, increase/decrease	953	165
Dividends paid	-1,818	-227
Financing, total	**-1,560**	**-1,346**
Change in cash reserves	1,728	7,934
Cash reserves 1 Jan.	13,677	5,743
Cash reserves 31 Dec.	**15,405**	**13,677**

Parent company (EUR 1,000)	2003	2002
Business operations		
Operating profit	4,134	6,541
Adjustments to operating profit:		
Planned depreciation	6,214	8,104
Other adjustments	-803	103
Cash flow before change in net working capital	9,545	14,748
Change in net working capital:		
Current receivables, increase/decrease	-582	6,740
Stocks, increase/decrease	138	-951
Current liabilities, increase/decrease	2,360	-6,601
Cash flow from operations before financing items and taxes	11,461	13,936
Interest paid and other financing expenses	-512	-806
Dividends received	185	192
Interest received and other financing income	971	893
Taxes paid	-2,070	-587
Cash flow from operations	**10,035**	**13,628**
Investments		
Capital expenditure on tangible and intangible assets	-5,587	-5,330
Proceeds from divestments of tangible and intangible assets	21,754	1,060
Increase in other investments	-	-1,192
Decrease in other investments	988	71
Investments, total	**17,155**	**-5,391**
Financing		
Increase/decrease in short-term financing	-	-
Repayment of long-term loans	-	-
Long-term receivables, increase/decrease	-20,825	-268
Long-term liabilities, increase/decrease	955	165
Dividends paid	-1,818	-227
Group contributions paid	-3,749	-
Financing, total	**-25,437**	**-330**
Change in cash reserves	1,753	7,907
Cash reserves 1 Jan.	13,644	5,737
Cash reserves 31 Dec.	**15,397**	**13,644**

Notes to the Financial Statement

Spar Finland plc belongs to the Swedish Axfood Group. Spar Finland's financial statements are included in Axfood AB's consolidated financial statements, which are available from the Group's head office in Stockholm, Sweden, at the address Kungsgatan 32.

Accounting Conventions

Scope of consolidation

The consolidated financial statements include Spar Finland plc, those companies in which the Spar Finland Group has a majority holding, and associated companies. The ordinary business activities of the Spar Finland Group are conducted entirely through the parent company, Spar Finland plc.

Principles of consolidation

Intragroup shareholdings are eliminated by the acquisition cost method. The difference arising from the elimination of Spar Finland plc shares is shown in the consolidated balance sheet as goodwill on consolidation. On 2 January 1998 Suomen Spar Oy was merged with Sentra Oyj and its name was changed to Suomen Spar Oyj (Spar Finland plc). Since the beginning of 2000 the period for amortizing goodwill on consolidation has been extended from ten to fifteen years in compliance with the conventions of the parent company. The difference arising from the acquisition cost of one property holding company and its shareholders' equity at the time of acquisition was very minor and was allocated to the property.

Intragroup transactions, receivables and payables have been eliminated. There were no internal unrealized margins or internal distribution of profit. Spar Finland plc's share of the associated company Tuko Logistics Oy's result is included in the consolidated accounts.

The associated companies are consolidated using the equity method. The Group's share of the results of its associated companies is shown as a separate item under materials and services. The Group's share of Tuko Logistics Oy's result includes planned depreciation on the elimination difference arising from its acquisition (acquisition cost of the shares less share of shareholders' equity at the time of acquisition and provisions less the deferred tax liability). The difference on elimination was originally MEUR 5.9 and the amortization period was ten years. Since the beginning of 2000 the amortization period has been extended from ten to fifteen years in compliance with the conventions of the parent company.

Tangible and intangible assets and depreciation

Intangible and tangible assets are entered in the balance sheet at their direct acquisition cost. Other long-term expenses mainly comprise major renovation and repair costs of leased retail premises. Planned depreciation is calculated in straight-line instalments based on the economic life of the fixed assets. Since the beginning of 2000 the period of planned depreciation on shop machinery and equipment has been extended from five to eight years. Securities included in fixed assets have been recorded at the original acquisition cost.

The amortization period for goodwill on consolidation arising from the acquisition of the Spar Finland Oy shares and the Tuko Logistics Oy shares has, since the beginning of 2000, been extended from ten to fifteen years. These acquisitions are substantial to the Group and their period of influence is considered to be at least fifteen years.

Planned depreciation periods:

Intangible assets	5–10 years
Goodwill on consolidation	15 years
Other long-term expenses	5–10 years
Buildings and structures	10–25 years
Machinery and equipment	5–8 years
Data systems	5–8 years
Other tangible assets	5–10 years

Stocks

Stocks are recorded at the original acquisition cost or probable selling price, whichever is the lower.

Trade debtors

The trade debtors item consists mainly of receivables from Spar retailers. These receivables are valued in accordance with the principles applied by Spar Finland plc in previous years, i.e. at their nominal value or probable market value, whichever is the lower.

Pension arrangements

The pension cover of the employees of Group companies is insured with insurance companies. Pension costs are recorded as calculated by the insurance company. They also include the pension costs of any personnel to be made redundant in the future.

Provisions

Provisions include unrealized rental commitments on vacant business premises which the company is contractually committed to covering, as well as contingent pension insurance costs arising from restructuring measures which may later fall due for payment by the employer. Spar Finland plc's rental activities include individual cases in which the rent paid by the company exceeds the rental income received. Such cases do not fall within the scope of provisions as they are considered to be a normal part of retailer operations. Similarly, no provision has been entered on premises which are partly occupied by the company and partly leased out.

Accumulated appropriations

The change in the difference between planned and booked depreciation in the separate financial statements of the parent company and its subsidiaries is shown as an appropriation in the profit and loss account, and the accumulated difference between planned and booked depreciation is shown as accumulated appropriations in the balance sheet.

In the consolidated balance sheet, accumulated appropriations are divided between deferred tax liability and shareholders' equity. The change in appropriations for the financial year has been entered in the consolidated profit and loss account, divided between the net profit for the year and the change in deferred tax liability.

In previous years repurchasing provisions totalling MEUR 7.9 were employed to cover the acquisition costs of shares in subsidiary property holding companies. These provisions were recognized in the Group net of tax liabilities and this item is recorded on the accumulated appropriations of the parent company. No tax liability is calculated on the net profit of the Group or the parent company since the payment of the tax liability is monitored on a permanent basis. In property holding companies, the acquisition costs of equipment and fittings are tax-deductible.

The accumulated appropriations entered in the Group's shareholders' equity are not distributable equity.

Deferred tax liability and refund

The item deferred tax liability and refund is included only in the consolidated accounts and these are entered net in the consolidated balance sheet. The deferred tax liability is calculated on provisions. The deferred tax liability is allocated in its entirety to accumulated appropriations with the exception of that portion which is allocated to the use of the replacement fund.

Notes to the Profit and Loss Account

EUR 1,000	Group 2003	Group 2002	Parent company 2003	Parent company 2002
1. Net turnover				
Wholesale sales	343,317	364,990	342,554	364,990
Retail sales	199,099	213,570	199,099	213,570
Rental activities	25,030	25,701	24,030	25,676
Total	567,446	604,261	565,683	604,236
2. Other operating income				
Capital gains on sale of shares	341	63	264	63
Capital gains on sale of fixed assets	163	430	158	430
Total	504	493	422	493
3. Materials and services				
Purchases during the year	508,954	542,047	508,411	542,569
Change in stocks	138	-951	138	-951
Share of associated companies' results	85	248		
Total	509,177	541,344	508,549	541,618
4. Personnel expenses				
Salaries and bonuses	19,298	20,635	19,298	20,635
Pension costs	3,057	4,055	3,057	4,055
Other staff-related costs	1,795	1,448	1,795	1,448
Total	24,150	26,138	24,150	26,138
Salaries and emoluments for senior management				
Salaries and emoluments paid to members of the Board and the Chief Executive	335	415	335	415
Average personnel of the Group and parent company				
Personnel	775	864	775	864

Management pension liabilities

The agreed retirement age of the parent company's President is 60. The pension liability is covered by annual payments to an insurance company.

EUR 1,000	Group 2003	Group 2002	Parent company 2003	Parent company 2002
5. Financing income and expenses				
Dividend income				
From associated companies, dividends			179	189
From associated companies, tax credit			73	77
From others	6	3	6	3
Dividend income, total	**6**	**3**	**258**	**269**
Interest and other financing income				
From Group companies			204	83
From others	752	872	751	872
Interest and other financing income, total	**752**	**872**	**955**	**955**
Interest and other financing expenses				
To Group companies			38	81
To others	683	888	475	580
Interest and other financing expenses, total	**683**	**888**	**513**	**661**
Financing income and expenses, total	**75**	**-13**	**700**	**563**

	Group		Parent company	
EUR 1,000	**2003**	**2002**	**2003**	**2002**
6. Extraordinary items				
Extraordinary income				
Tax refund from previous financial years	936	694	864	694
Extraordinary expenses				
Group contributions given			3,749	-
Extraordinary expenses, total	936	694	2,885	694
7. Appropriations				
Difference between planned depreciation and depreciation made for tax purposes			-3,446	981
8. Direct taxes				
Taxes for year	1,250	1,991	1,323	2,068
Change in deferred tax refund/liability	434	178		
Total	1,684	2,169	1,323	2,068

Notes to the Balance Sheet

	Group		Parent company	
EUR 1,000	**31 Dec. 2003**	**31 Dec. 2002**	**31 Dec. 2003**	**31 Dec. 2002**
Intangible and tangible assets				
9. Intangible assets				
Intangible rights				
Acquisition cost 1 Jan.	1,031	1,230	1,031	1,230
Increases 1 Jan.– 31 Dec.	148	28	139	28
Intragroup transfer			-132	
Decreases 1 Jan.–31 Dec.	-157	-227	-157	-227
Acquisition cost 31 Dec.	1,022	1,031	881	1,031
Accumulated planned depreciation 1 Jan.	-750	-705	-750	-705
Accumulated planned depreciation on intragroup transfer				91
Accumulated planned depreciation in decreases	155	227	155	227
Planned depreciation in year	-140	-272	-136	-272
Accumulated planned depreciation 31 Dec.	-735	-750	-640	-750
Book value 31 Dec.	287	281	241	281
Other long-term expenses				
Acquisition cost 1 Jan.	8,124	8,323	8,075	8,274
Increases 1 Jan.–31 Dec.	491	706	491	706
Decreases 1 Jan.–31 Dec.	-310	-905	-310	-905
Transfers between items	44		44	
Acquisition cost 31 Dec.	8,349	8,124	8,300	8,075
Accumulated planned depreciation 1 Jan.	-4,764	-4,160	-4,729	-4,130
Accumulated planned depreciation in decreases	265	882	265	882
Planned depreciation in year	-1,218	-1,486	-1,213	-1,481
Accumulated planned depreciation 31 Dec.	-5,717	-4,764	-5,677	-4,729
Book value 31 Dec.	2,632	3,360	2,623	3,346

EUR 1,000	Group 31 Dec. 2003	Group 31 Dec. 2002	Parent company 31 Dec. 2003	Parent company 31 Dec. 2002
Advance payments				
Acquisition cost 1 Jan.	44	1	44	1
Increases 1 Jan.–31 Dec.	75	44	75	44
Decreases 1 Jan.–31 Dec.		-1		-1
Transfers between items	-44		-44	
Book value 31 Dec.	75	44	75	44
Goodwill				
Acquisition cost 1 Jan.			6,342	6,342
Acquisition cost 31 Dec.			6,342	6,342
Accumulated planned depreciation 1 Jan.			-2,591	-2,190
Planned depreciation in year			-402	-401
Accumulated planned depreciation 31 Dec.			-2,993	-2,591
Book value 31 Dec.			3,349	3,751
10. Goodwill on consolidation				
Acquisition cost 1 Jan.	9,803	9,803		
Acquisition cost 31 Dec.	9,803	9,803		
Accumulated planned depreciation 1 Jan.	-4,363	-3,780		
Planned depreciation in year	-583	-583		
Accumulated planned depreciation 31 Dec.	4,946	-4,363		
Book value 31 Dec.	4,857	5,440		
11. Tangible assets				
Land				
Acquisition cost 1 Jan.	6,191	6,215	468	545
Increases 1 Jan.–31 Dec.	60	53	11	
Decreases 1 Jan.–31 Dec.	-91	-75		-75
Transfers between items		-2		-2
Acquisition cost 31 Dec.	6,160	6,191	479	468
Accumulated planned depreciation 1 Jan.	-107	-122		-45
Accumulated planned depreciation in decreases		47		47
Planned depreciation in year	-31	-32		-2
Accumulated planned depreciation 31 Dec.	-138	-107		
Book value 31 Dec.	6,022	6,084	479	468
Buildings and structures				
Acquisition cost 1 Jan.	16,037	16,005	2,493	2,461
Increases 1 Jan.–31 Dec.	2,694	48	468	48
Decreases 1 Jan.– 31 Dec.	189	18		18
Transfers between items		-2		-2
Acquisition cost 31 Dec.	18,070	16,037	2,961	2,493
Accumulated planned depreciation 1 Jan.	-3,776	-3,125	-1,095	-1,012
Accumulated planned depreciation in decreases	189	18		18
Accumulated planned depreciation in transfers		-2		-2
Planned depreciation in year	-683	-667	-95	-99
Accumulated planned depreciation 31 Dec.	-4,270	-3,776	-1,190	-1,095
Book value 31 Dec.	13,800	12,261	1,771	1,398

EUR 1,000	Group 31 Dec. 2003	Group 31 Dec. 2002	Parent company 31 Dec. 2003	Parent company 31 Dec. 2002
Machinery and equipment				
Acquisition cost 1 Jan.	52,471	55,816	52,149	55,494
Increases 1 Jan.–31 Dec.	5,442	4,479	4,403	4,479
Intragroup transfer			-50,833	
Decreases 1 Jan.–31 Dec.	-3,677	-7,824	-3,568	-7,824
Transfers between items	19		19	
Acquisition cost 31 Dec.	54,255	52,471	2,170	52,149
Accumulated planned depreciation 1 Jan.	-29,879	-31,238	-29,749	-31,148
Accumulated planned depreciation on intragroup transfer			29,658	
Accumulated planned depreciation in decreases	3,216	7,247	3,117	7,247
Planned depreciation in year	-5,580	-5,888	-4,250	-5,848
Accumulated planned depreciation 31 Dec.	-32,243	-29,879	-1,224	-29,749
Book value 31 Dec.	22,012	22,592	946	22,400
Other tangible assets				
Acquisition cost 1 Jan.	143	148	143	148
Decreases 1 Jan.–31 Dec.		-3		-3
Transfers between items		-2		-2
Acquisition cost 31 Dec.	143	143	143	143
Accumulated planned depreciation 1 Jan.	-143	-148	-143	-148
Accumulated planned depreciation in decreases		5		5
Accumulated planned depreciation 31 Dec.	-143	-143	-143	-143
Book value 31 Dec.				
Advance payments and work in progress				
Acquisition cost 1 Jan.	150		25	
Increases 1 Jan.–31 Dec.		150		25
Transfers between items	-144		-19	
Book value 31 Dec.	6	150	6	25

EUR 1,000 Group	Shares associated companies	Shares others	Total
12. Placements			
Acquisition cost 1 Jan. 2003	10,554	2,478	13,032
Decreases	-264	-77	-341
Acquisition cost 31 Dec. 2003	10,290	2,401	12,691

Parent company	Shares group companies	Shares associated companies	Shares others	Total
12. Placements				
Acquisition cost 1 Jan. 2003	8,807	14,062	2 ,478	25,347
Decreases	-648		-77	-725
Acquisition cost 31 Dec. 2003	8,159	14,062	2,401	24,622

Group companies	Group holding, %	Parent company holding, %
Merso Oy, Helsinki	100.00	100.00
Kiinteistö Oy Vantaan Niittypolku, Vantaa	100.00	100.00
Kiinteistö Oy Bonodo, Siilinjärvi	100.00	100.00
Kiinteistö Oy Lempoisten Kauppakulma, Lempäälä	100.00	100.00
Kiinteistö Oy Pieksämäen Kauppakulma, Pieksämäki	100.00	100.00
Kiinteistö Oy Varkauden Relanderinkatu 42, Varkaus	100.00	100.00
Kiinteistö Oy Vantaan Simonsampo, Vantaa	100.00	100.00
Interspar Oy, Vantaa	100.00	100.00
Optitukku Oy, Vantaa	100.00	100.00

Associated companies	Group holding, %	Parent company holding, %
Eurospar Oy, Helsinki	50.00	50.00
Tuko Logistics Oy, Kerava	35.00	35.00

All associated companies were consolidated using the equity method. All subsidiaries and associated companies are consolidated in the Group accounts. The residual value of the Tuko Logistics elimination is EUR 2.9 million.

	Group		Parent company	
	31 Dec. 2003	31 Dec. 2002	31 Dec. 2003	31 Dec. 2002
13. Stocks				
Goods	10,651	10,787	10,651	10,787
Advance payments	24	26	24	26
Total	10,675	10,813	10,675	10,813
14. Non-current debtors				
Sales receivables	388	534	388	534
Group receivables			21,000	
Other receivables	696	724	696	724
Total	1,084	1,258	22,084	1,258

EUR 1,000	Group 31 Dec. 2003	Group 31 Dec. 2002	Parent company 31 Dec. 2003	Parent company 31 Dec. 2002
15. Current debtors				
Sales receivables	25,249	26,088	25,152	26,088
Receivables from Group companies:				
Sales receivables			689	26
Other receivables			2,400	2,343
Total			3,089	2,369
Receivables from associated companies:				
Sales receivables	18	76	18	76
Prepayments, annual discounts	270	266	270	266
Prepayments, other	807	696	807	696
	1,095	1,038	1,095	1,038
Loan receivables	12	12	12	12
Other receivables	546	483	428	390
Prepayments, discounts and marketing	1,702	1,127	1,702	1,127
Prepayments, social costs	147	9	147	9
Prepayments, pension refund	145	129	145	129
Prepayments, other	338	352	307	351
	2,890	2,112	2,741	2,018
Current debtors, total	**29,234**	**29,238**	**32,077**	**31,513**
16. Shareholders' equity				
Share capital 1 Jan.	1,932	1,911	1,932	1,911
Transfers from share premium fund		6		6
Transfers from reserve fund		15		15
Share capital 31 Dec.	1,932	1,932	1,932	1,932
Share premium fund 31 Dec.		6		6
Transfers to share capital		-6		-6
Share premium account 31 Dec.		-		-
Reserve fund 1 Jan.	9,201	9,216	9 201	9 216
Transfers to share capital		-15		-15
Reserve fund 31 Dec.	9,201	9,201	9,201	9,201
Other funds 1 Jan. and 31 Dec.	11	11	11	11
Profit from previous years 1 Jan.	29,426	24,502	19,247	14,725
Dividend payment	-1,818	-227	-1,818	-227
Profit from previous years 31 Dec.	27,608	24,275	17,429	14,498
Net profit for year	4,420	5,151	4,072	4,749
Shareholders' equity, total	**43,172**	**40,570**	**32,645**	**30,391**

EUR 1,000	Group 31 Dec. 2003	Group 31 Dec. 2002	Parent company 31 Dec. 2003	Parent company 31 Dec. 2002
Calculation of distributable assets 31 Dec.				
Other funds	11	11	11	11
Profit from previous years	27,608	24,275	17,429	14,498
Net profit for the year	4,420	5,151	4,072	4,749
Part of accumulated depreciation difference and voluntary reserves entered in shareholders' equity	-12,030	-11,236		
Total	20,009	18,201	21,512	19,258

The parent company's share capital is divided into share series as follows:

	31 Dec. 2003		31 Dec. 2002	
	No.	**EUR**	**No.**	**EUR**
Series A (1 vote/share)	570,000	969,000	570,000	969,000
Series K (20 votes/share)	566,271	962,661	566,271	962,661
Total	1,136,271	1,931,661	1,136,271	1,931,661

EUR 1,000	Group 31 Dec. 2003	Group 31 Dec. 2002	Parent company 31 Dec. 2003	Parent company 31 Dec. 2002
17. Accumulated appropriations				
Accumulated depreciation difference			8,254	11,700
18. Reserves				
Pension reserves	842	1,053	842	1,053
Other reserves	1,533	1,703	1,533	1,703
Total	2,375	2,756	2,375	2,756
19. Deferred tax refunds and liabilities				
Deferred tax refunds				
From matching differences	689	799		
Deferred tax liabilities				
From appropriations	1,685	1,361		
Deferred tax refunds and liabilities, total	**996**	**562**		
20. Long-term liabilities				
Debts maturing after five years				
Loans from financial institutions	1,205	2,074		
Other long-term debts				
Loans from financial institutions	3,474	3,474		
Others	3,920	2,966	3,920	2,966
Total	7,394	6,440	3,920	2,966
Long-term liabilities, total	**8,599**	**8,514**	**3,920**	**2,966**

EUR 1,000	Group 31 Dec. 2003	31 Dec. 2002	Parent company 31 Dec. 2003	31 Dec. 2002
21. Current liabilities				
Loans from financial institutions	869	869		
Advances received	358	574	358	574
Accounts payable	3,342	2,930	2,636	2,906
	4,569	4,373	2,994	3,480
Debts to Group companies:				
Accounts payable			699	
Other debts			4,470	1,704
			5,169	1,704
Debts to associated companies:				
Accounts payable	42,140	40,370	42,140	40,370
Other debts	10,056	12,075	10,019	12,015
Deferred liabilities, wages, holiday pay and social costs	4,112	4,605	4,112	4,605
Deferred liabilities, tax reserve	264	2,020	264	1,948
Deferred liabilities, annual discount	1,499	1,536	1,499	1,536
Deferred liabilities, other	998	819	954	817
	16,929	21,055	16,848	20,921
Current liabilities, total	**63,638**	**65,798**	**67,151**	**66,475**
Non-interest-bearing debts	**56,297**	**56,596**	**58,962**	**55,905**

Other notes (EUR 1,000)

Pledges, contingent liabilities and other liabilities				
Pledges given for own commitments				
Real estate mortgages	14,126	14,126	1,177	1,177
Shares at book value	15,043	15,120	15,043	15,120
Corporate mortgages	11,016	11,026	11,016	11,016
Pledges provided, total	40,185	40,272	27,236	27,313
Debts guaranteed by pledges of asset items				
Financial institution loans	5,547	6,416		
Guarantee liabilities				
Guarantees for Group companies			5,154	5,827
Guarantees for shareholders, Spar retailers	284	389	284	389
Guarantees for others, Spar retailers	4,303	5,144	4,303	5,144
Guarantee liabilities, total	4,587	5,533	9,741	11,360
Other liabilities				
Repurchase pledges	260	612	260	612
Leasing agreements				
Due for payment during the year	1,026	1,434	504	1,434
Due for payment later	4,151	5,317	3,876	5,317
Total	5,177	6,751	4,380	6,751
Derivative contracts				
24.9 GWh electricity derivative contract that entered into force on 1 Jan. 2004; fair value at 31 Dec. 2003	44		44	

Leasing business is described in the report by the Board of Directors.

Board's Proposal to the Annual General Meeting

Distributable funds according to the Group's balance sheet on 31 December 2003 total EUR 20,009,434.13. The parent company's distributable funds total EUR 21,512,232.85.

The Board of Directors proposes that a dividend of EUR 1.25 per share be paid on 2003 totalling EUR 1,420,338.75, after which Spar Finland plc's non-restricted equity totals EUR 20,091,894.10.

Vantaa, 28 January 2004

Mats Jansson
Per-Olof Bäckström
Raoul Hasselgren
Lars Nilsson
Pekka Kosonen
Risto Wartiovaara
Bodil Eriksson
Matti Linnainmaa
Anders Nyberg

Auditor's Report

To the shareholders of Spar Finland plc

We have audited the accounting records and the financial statements, as well as the administration by the Board of Directors and the Managing Director of Spar Finland plc for the year 2003. The financial statements prepared by the Board of Directors and the Managing Director include the report of the Board of Directors, consolidated and parent company income statements, balance sheets, cash flow statements and notes to the financial statements. Based on our audit we express an opinion on these financial statements and the company's administration.

We have conducted our audit in accordance with Finnish Generally Accepted Auditing Standards. Those standards require that we plan and perform the audit in order to obtain reasonable assurance about whether 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, assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. The purpose of our audit of the administration has been to examine that the Board of Directors and the Managing Director have complied with the rules of the Finnish Companies Act.

In our opinion, the financial statements, showing a profit of EUR 4,420,045.36 in the consolidated income statement and a profit of EUR 4,072,015.05 in the parent company income statement, have been prepared in accordance with the Finnish Accounting Act and other rules and regulations governing the preparation of financial statements in Finland. The financial statements give a true and fair view, as defined in the Accounting Act, of both the consolidated and parent company result of operations, as well as of the financial position. The financial statements can be adopted and the members of the Board of Directors and the Managing Director of the parent company can be discharged from liability for the period audited by us. The proposal made by the Board of Directors on how to deal with the result is in compliance with the Finnish Companies Act.

Vantaa, 9 February 2004

KPMG WIDERI OY AB
Wilhelm Holmberg
Authorized Public Accountant

Shares and Shareholders

Ownership structure, all shares	Number of shareholders	%	Number of shares	%
Companies	41	19.71	148,824	13.10
Financial and insurance institutions	2	0.96	52,887	4.66
Public entities	4	1.92	845	0.07
Public households	154	74.04	73,312	6.45
Foreign	6	2.89	859,753	75.66
Nominee-registered	1	0.48	650	0.06
Total	**208**	**100.00**	**1,136,271**	**100.00**

Ownership structure, series A shares	Number of shareholders	%	Number of shares	%
Companies	25	16.78	73,750	12.94
Financial and insurance institutions	2	1.34	52,531	9.22
Public entities	2	1.34	405	0.07
Private households	113	75.84	44,865	7.87
Foreign	6	4.03	397,799	69.79
Nominee-registered	1	0.67	650	0.11
Total	**149**	**100.00**	**570,000**	**100.00**

Ownership structure, series K shares	Number of shareholders	%	Number of shares	%
Companies	22	18.97	75,074	13.26
Financial and insurance institutions	1	0.86	356	0.06
Public entities	3	2.59	440	0.08
Private households	88	75.86	28,447	5.02
Foreign	2	1.72	461,954	81.58
Total	**116**	**100.00**	**566,271**	**100.00**

Distribution of shareholdings, all shares Shares per shareholder	Number of shareholders	%	Number of shares	%
1 –99	118	56.73	2,998	0.26
100 –999	51	24.52	17,605	1.55
1,000 –9,999	28	13.46	64,887	5.71
10,000 –99,999	10	4.81	263,409	23.18
100,000–999,999	1	0.48	787,372	69.30
Total	**208**	**100.00**	**1,136,271**	**100.00**

Distribution of shareholdings, series A shares Shares per shareholder	Number of shareholders	%	Number of shares	%
1 –99	91	61.07	2,425	0.43
100 –999	31	20.81	10,971	1.92
1,000 –9,999	18	12.08	49,430	8.67
10,000 –99,999	8	5.37	149,459	26.22
100,000–999,999	1	0.67	357,715	62.76
Total	**149**	**100.00**	**570,000**	**100.00**

Distribution of shareholdings, series K shares Shares per shareholder	Number of shareholders	%	Number of shares	%
1 –99	63	54.31	1,720	0.30
100 –999	36	31.04	10,117	1.79
1,000 –9,999	14	12.07	25,027	4.42
10,000 –99,999	2	1.72	99,750	17.62
100,000 –999,999	1	0.86	429,657	75.87
Total	**116**	**100.00**	**566,271**	**100.00**

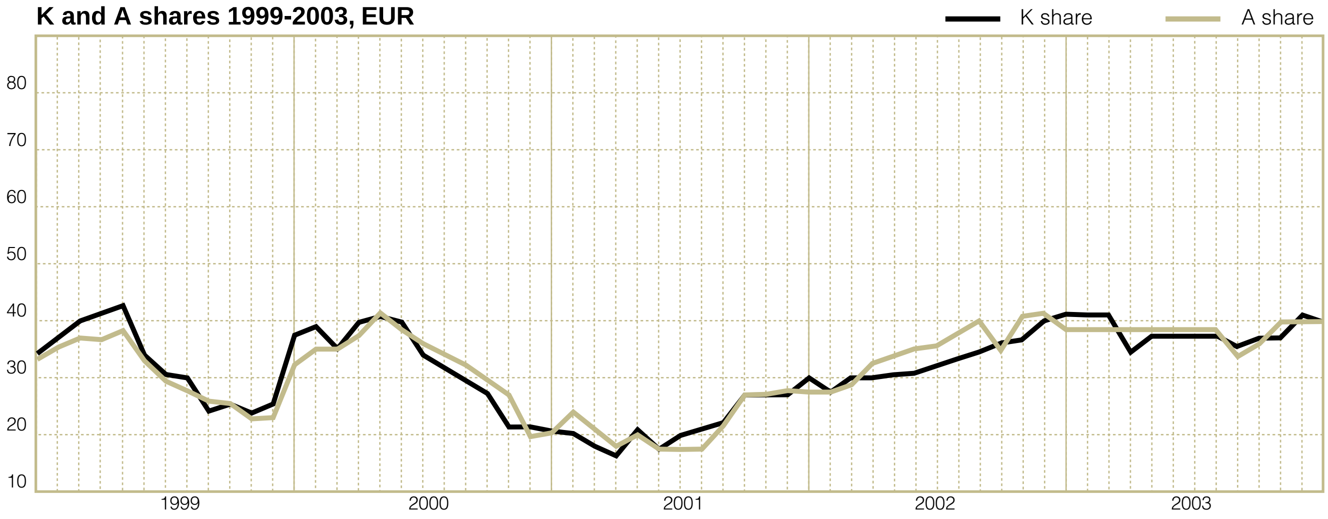
Major shareholders by number of shares 31 Dec. 2003	K shares	A shares	Total shares	% of share capital
Axfood AB	429,657	357,715	787,372	69.3
Ingman Finance Oy Ab	67,453	0	67,453	5.9
Odin Finland	32,297	27,265	59,562	5.2
Pohjola Non-Life Insurance Company	0	52,194	52,194	4.6
eQ Värdevinnare	0	20,000	20,000	1.8
von Bonsdorff Per Erik Christoffer	8,100	6,100	14,200	1.2
Oy Cacava Ab	0	10,000	10,000	0.9
Ehrnrooth Helene	0	10,000	10,000	0.9
Ehrnrooth Magnus	0	10,000	10,000	0.9
eQ Pikkujättiläiset	0	10,000	10,000	0.9
Sto-Rahoitus Oy	0	10,000	10,000	0.9

Major shareholders by voting rights 31 Dec. 2003	K shares	A shares	Total shares	% of total voting rights
Axfood AB	429,657	357,715	787,372	75.2
Ingman Finance Oy Ab	67,453	0	67,453	11.3
Odin Finland	32,297	27,265	59,562	5.7
von Bonsdorff Per Erik Christoffer	8,100	6,100	14,200	1.4
Pohjola Non-Life Insurance Company	0	52,194	52,194	0.4
Ström Claes kuolinpesä	2,392	0	2,392	0.4
Oy M.J. Wahlström Partners Ab	2,000	0	2,000	0.3
Planting-Invest Ab	1,500	3,500	5,000	0.3
Dahlqvist Rolf Karl Sven	1,600	640	2,240	0.3
Drumbo Oy	1,000	5,000	6,000	0.2

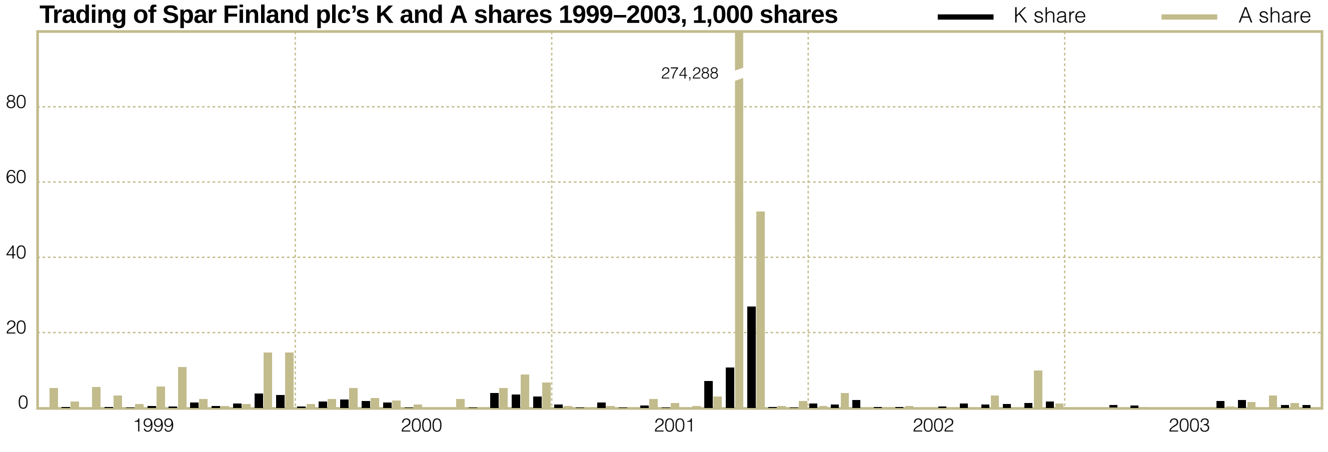
Share performance 1 Jan. 1999–31 Dec. 2003	K shares, EUR highest	K shares, EUR lowest	A shares, EUR highest	A shares, EUR lowest
1 Jan. 1999–31 Dec. 1999	46.00	21.60	40.00	20.50
1 Jan. 2000–31 Dec. 2000	48.15	18.05	47.15	18.00
1 Jan. 2001–31 Dec. 2001	33.00	15.06	28,00	14.00
1 Jan. 2002–31 Dec. 2002	42.00	27.00	41.00	27.00
1 Jan. 2003–31 Dec. 2003	41.50	34.00	40.00	34.00

Share turnover 1 Jan. 1999–31 Dec. 2003	K shares No.	K shares %	A shares No.	A shares %
1 Jan. 1999–31 Dec. 1999	11,280	2.0	66,248	11.6
1 Jan. 2000–31 Dec. 2000	18,034	3.2	37,006	6.5
1 Jan. 2001–31 Dec. 2001	48,229	8.5	336,848	59.1
1 Jan. 2002–31 Dec. 2002	9,140	1.6	19,060	3.3
1 Jan. 2003–31 Dec. 2003	3,705	0.7	4,310	0.8

Average monthly quotations of Spar Finland plc's K and A shares 1999-2003, EUR



Trading of Spar Finland plc's K and A shares 1999–2003, 1,000 shares



Key Indicators for Shares

Per share data			31 Dec. 2003	31 Dec. 2002	31 Dec. 2001	31 Dec. 2000	31 Dec. 1999
Earnings per share	1)	EUR	3.07	3.92	1.56	-2.93	0.50
P/E ratio							
Series K			13.03	9.82	19.24	neg.	80,62
Series A			13.03	9.82	17.96	neg.	70.54
Shareholders' equity/share	2)	EUR	37.99	35.70	31.37	29.81	29.60

Share capital and dividend payment			31 Dec. 2003	31 Dec. 2002	31 Dec. 2001	31 Dec. 2000	31 Dec. 1999
Share capital		EUR 1,000	1,931.7	1,931.7	1,911.1	1,911.1	1,917.3
Series K shares		EUR 1,000	962.7	962.7	952.4	952.4	958.7
Series A shares		EUR 1,000	969.0	969.0	958.7	958.7	958.7
Market capitalization	3)	EUR 1,000	45,450.8	43,746.4	32,948.1	22,387,7	42,600,8
Number of shares, average		No.	1,136,271	1,136,271	1,136,271	1,136,271	1,136,271
Number of shares, adjusted		No.	1,136,271	1,136,271	1,136,271	1,136,271	1,136,271
Dividend payment		EUR 1,000	1,420.3 *)	1,818.0	227.3	-	955.5
Payout ratio		%	73.5 *)	94.1	11.9	-	50.0
Dividend, nominal		EUR	1.25 *)	1.60	0.20	-	0.84
Dividend, adjusted		EUR	1.25 *)	1.60	0.20	-	0.84
Dividend as % of profit	4)	%	40.8 *)	40.8	12.8	-	169.5
Effective dividend yield	5)						
Series K shares		%	3.1 *)	4.2	0.7	-	2.1
Series A shares		%	3.1 *)	4.2	0.7	-	2.4

*) Board's proposal to the AGM.

1) Earnings per share $= \dfrac{\text{Profit before extraordinary items +/- minority interest - taxes}}{\text{Average number of shares adjusted for share issues}}$

2) Shareholders' equity per share $= \dfrac{\text{Shareholders' equity on balance sheet}}{\text{Adjusted number of shares at year-end}}$

3) Market capitalization = Number of shares x last traded price at year-end

4) Payout ratio, % $= \dfrac{\text{Dividend/share}}{\text{Earnings/share}} \times 100$

5) Effective dividend yield, % $= \dfrac{\text{Dividend/share}}{\text{Last traded price at year-end}} \times 100$

Five Years in Figures

Group (EUR million)	31 Dec. 2003	31 Dec. 2002	31 Dec. 2001	31 Dec. 2000	31 Dec. 1999
Net turnover	567.4	604.3	614.2	608.4	614.4
Change in net turnover, %	-6.1	-1.6	0.9	-1.0	-5.5
Operating profit before depreciation	13.4	15.6	12.0	3.9	10.1
% of net turnover	2.4	2.6	2.0	0.6	1.7
Planned depreciation	8.3	8.9	8.6	7.9	8.5
Operating profit/loss	5.1	6.6	3.4	-3.9	1.6
% of net turnover	0.9	1.1	0.6	-0.6	0.3
Financing income and expenses, net	0.1	0.0	-0.6	-0.4	-0.1
Profit before appropriations and taxes	5.2	6.6	2.8	-4.4	1.5
% of net turnover	0.9	1.1	0.5	-0.7	0.2
Profit before taxes	6.1	7.3	2.8	0.2	2.1
% of net turnover	1.1	1.2	0.5	0.0	0.3
Net profit for the year	4.4	5.2	1.8	1.2	1.2
Shareholders' equity	43.2	40.6	35.6	33.9	33.6
Balance sheet total	118.8	118.2	119.6	126.2	121.6
Return on equity, % 1)	8,3	11.7	5.1	-9.9	1.7
Return on investment, % 2)	9.8	13.6	7.6	-4.9	3.8
Current ratio 3)	0.9	0.8	0.7	0.7	0.7
Interest-bearing liabilities, EUR million	16.9	18.3	16.1	23.4	28.1
Solvency ratio, % 4)	36.5	34.5	30.0	27.0	27.8
Gearing, % 5)	3.5	11.3	28.9	58.5	76.5
Gross capital expenditure, EUR million	8.9	6.6	6.8	15.9	14.8
% of net turnover	1.6	1.1	1.1	2.6	2.4
Personnel, average	775	864	876	968	929

1) $\frac{\text{Profit before extraordinary items - taxes}}{\text{Shareholders' equity + minority interest (average)}} \times 100$

2) $\frac{\text{Profit before extraordinary items + interest and other financing expenses}}{\text{Balance sheet total - non-interest-bearing debt (average)}} \times 100$

3) $\frac{\text{Current assets}}{\text{Current liabilities}}$

4) $\frac{\text{Shareholders' equity + minority interest}}{\text{Balance sheet total - advances received}} \times 100$

5) $\frac{\text{Interest-bearing debt - cash in hand and at bank plus current investments}}{\text{Shareholders' equity + minority interest}} \times 100$

Changes in depreciation conventions from 1 January 2000 have not been made to the figures for previous years.

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