



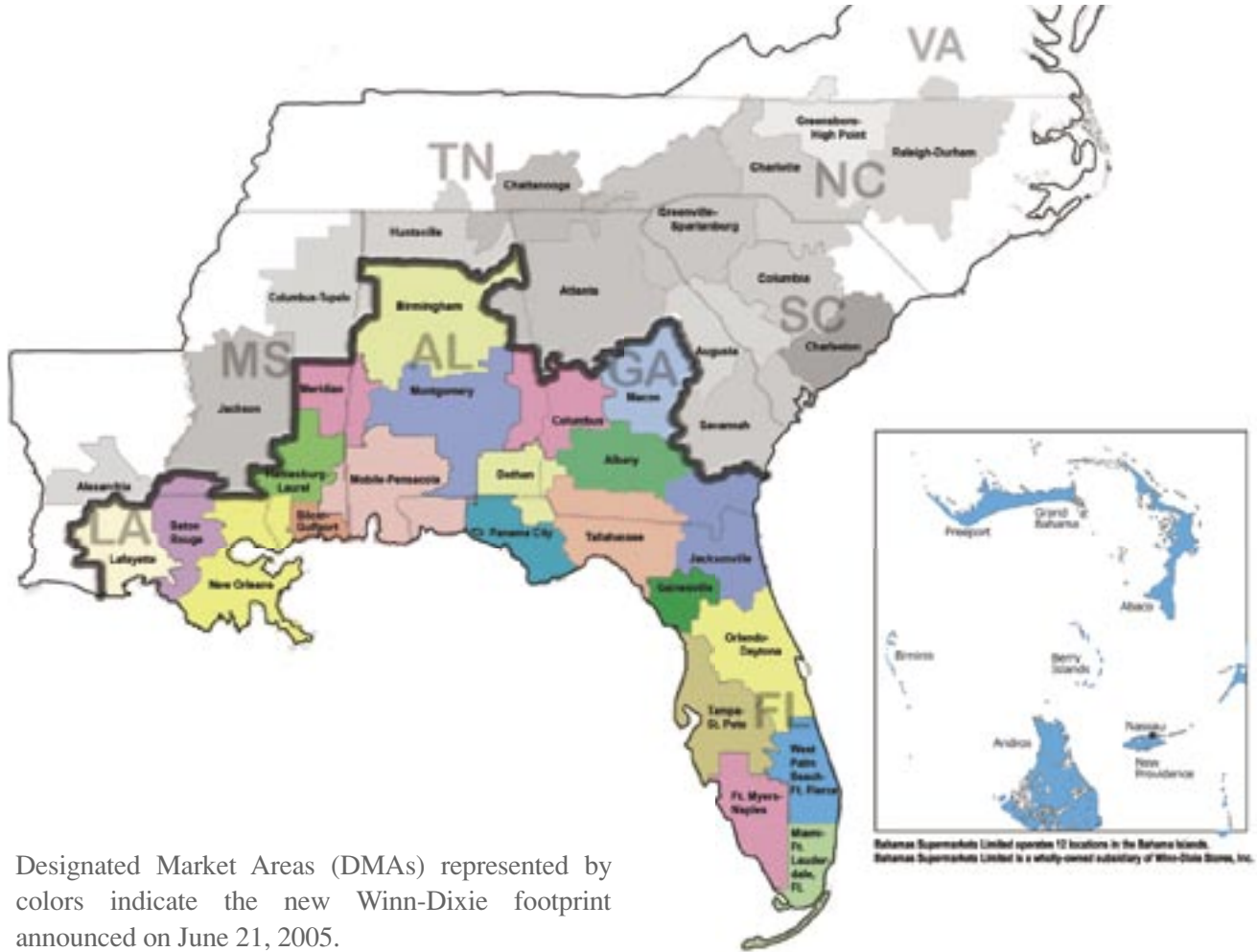
[WWW.WINN-DIXIE.COM](http://WWW.WINN-DIXIE.COM)

Getting better  all the Time.



2005 ANNUAL REPORT

## WINN-DIXIE STORES, INC. OPERATING AREA



Designated Market Areas (DMAs) represented by colors indicate the new Winn-Dixie footprint announced on June 21, 2005.

Bahamas Supermarkets Ltd. stores are included in the new footprint. Areas in gray represent the DMAs no longer included in Winn-Dixie's footprint. Winn-Dixie's 60,000 Associates now serve customers in 23 DMAs and the Bahamas.



Dear Fellow Shareholders,

This Annual Report comes to you at a time of unprecedented transformation for Winn-Dixie Stores, Inc. This is a much different company than when you opened our previous Annual Report.

In the months following the 2004 Annual Shareholders' Meeting in late October, it became apparent that serious and swift measures had to be taken at Winn-Dixie to improve the Company. Despite management's many efforts to turn things around, the Board of Directors determined a change in leadership was needed. In mid-December, they elected me as the new President and Chief Executive Officer.

I came to Winn-Dixie from Albertson's, Inc. where I had served as President and Chief Operating Officer. The Board believed my experience managing store operations, real estate, distribution, merchandising and marketing for 2,500 stores would benefit Winn-Dixie. After more than 30 years in the grocery business, I had worked with companies that had faced similar challenges, and I was excited about the opportunities awaiting me. After a thorough review of Winn-Dixie's operations and finances, it became clear that the Company needed to get back to the basics and focus on sales.

It was late in the second quarter of our fiscal year when I arrived, and to get sales back on track I knew we had our work cut out for us: at a minimum, we would need to clean up the stores, strengthen leadership at all levels, enhance customer service, improve the quality and pricing on perishables, attract and retain more customers, and revitalize the brand.

In short, our Company needs to rebuild the trust of our customers, Associates and shareholders. Our brand has been tarnished, but we do not believe it is broken.

#### **THE NUMBERS WEREN'T GETTING BETTER**

Within weeks of my arrival, holiday sales results came in, and they were lower than we had expected while the second quarter-end inventory levels were higher than we wanted. Consequently, we reported a significant decline in liquidity in our second quarter earnings announcement. Downgrades from the major debt rating agencies followed. We experienced a tightening of trade credit by many of our vendors and our primary bank eliminated our Automated Clearing House ("ACH") float, both of which further reduced our cash availability.

#### **RESTRUCTURING**

On February 21, after careful consideration, the Board voted in favor of Winn-Dixie Stores, Inc. and 23 of its U.S. subsidiaries filing for reorganization under Chapter 11 of the U.S. Bankruptcy Code. We will seek to use the bankruptcy process to restructure our financing arrangements and operations. As a first step, we obtained an \$800 million debtor-in-possession credit facility to provide us with liquidity during the restructuring.

We began the restructuring of our operations with an announcement on June 21 of Winn-Dixie's new "footprint" or marketing area, which the Bankruptcy Court approved in July. We are completing the sale or closure of stores in 14 Designated Market Areas (DMAs) and three distribution centers. We have determined manufacturing is not a core competency of our business and we are marketing our plants for sale.

A smaller footprint and the need to reduce costs overall demanded significant reductions in our support structure. Fewer stores require fewer administrative positions. The decisions to reduce our store base and work force were difficult and made only after much analysis and careful consideration. We kept in mind at all times that these decisions would impact not only our Associates, also their families and the communities served by our stores outside our new footprint.

Once our transition to our new footprint is complete, we will have approximately 60,000 Associates in five states serving customers in 23 DMAs and the Bahamas. Through this process, we will take \$100 million of expense out of the business.

I am proud of our Associates who took on this challenge with a positive attitude and a renewed pride in Winn-Dixie. Their support and relentless efforts to turn around their Company are remarkable.

#### WE'RE GETTING BETTER

We're not there yet, but we are getting better in many areas. Our Associates have a great deal of loyalty to Winn-Dixie. We will earn back the trust of our customers as we prove that we are getting better all the time. "Say what you mean and do what you say" is the foundation of trust. It will take time and a lot of hard work. It will take your support.

We are making improvements to attract new customers and give customers who have left us a reason to return. Rather than trying to fix the entire store at once, we narrowed our sights on each department, starting with those most important to our customers—perishables.

When a customer first enters our store, our perishables need to capture their attention. We must have bountiful displays featuring the pick of the crop. In March, we launched a campaign to focus on improving our produce from the field to the table. Better quality, better variety and better-informed Associates are all intended to add up to increased sales. Our commitment to quality produce is in writing—our produce manager's signature personally guarantees it.

We have made substantial progress in improving our produce department and will continue with our initiatives in other departments going forward. It's one step toward getting better.

Next, we headed to the meat department. For 80 years, Winn-Dixie has been known as The Beef People. We believe we have always had the best cuts of meat and the best meat cutters in town. No matter where people shopped for the rest of their groceries, they came to Winn-Dixie for their beef. We're celebrating that heritage and reviving our meat departments to make sure we live up to our legacy. As our advertising asks, "Isn't that what you'd expect from The Beef People?"

#### GETTING BETTER ALL THE TIME

We will continue our efforts to get better by launching initiatives in the remaining perishable departments. Then, we will head to Center Store. We don't have enough customers heading down the center aisles. Shopping patterns show most customers tend to shop the perimeter departments and only go down an aisle if they need a particular item. We need to find ways to entice customers to head down every aisle. When we get the perimeter and center store right, we believe customers will then shop the entire store and fill their baskets.

We also need to clean up our stores. We are reducing the clutter, repairing and polishing the floors and straightening up the shelves. Clean doesn't mean sparse, however. From ensuring we're in stock every day to showing off our in-store talent for creating oven-ready meat entrees, we're letting the customers know they can find the variety and selection they want at their neighborhood Winn-Dixie. It's about quantity, but it's also about quality.

#### GETTING THERE

To get better, we need to engage our customers, get them into our stores and drive profitable sales. We must consistently deliver value, service and quality.

We're not there yet, but we are getting better all the time. Our customers told us they want better smiles, better aisles, better products, better variety and better neighbors from Winn-Dixie. Our Associates are working hard each day to deliver on those requests.

We've reallocated our resources to enable our store directors to get more involved with activities for kids and youth sports teams. Tighter budgets have narrowed our focus but not our commitment to the many organizations that improve the quality of life for the neighborhoods we serve. Winn-Dixie is well-regarded for its community support and plans to continue that tradition.

#### OUR COMMITMENT

We know we may have lost your trust and we regret it.

We envision a "new" company built by a reinvigorated team of Associates with renewed hope for the future, focused on executing well the basics of our business.

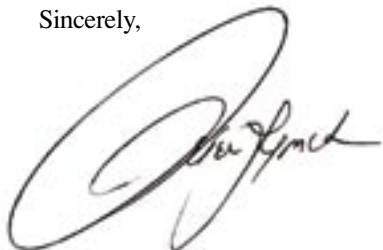
We will do everything possible to fix Winn-Dixie. We will continue to listen to you. We will be better, all the time, when it comes to service, quality and prices you deserve.

We will keep our promises.

You have loved and trusted Winn-Dixie in the past. We're proud of the legacy of Winn-Dixie, proud of an honored name that goes back generations. We're working hard to earn back your trust. With your support, we're up to the challenge. Our family name depends on it.

Winn-Dixie is getting better all the time. Our improvements have only just begun. The future holds no guarantees; however, we do believe it holds promise. On behalf of all our Winn-Dixie Associates, thank you for your support.

Sincerely,

A handwritten signature in black ink, appearing to read "Peter Lynch". The signature is fluid and cursive, with a large, sweeping initial "P".

Peter Lynch  
*President and CEO*

## BOARD OF DIRECTORS

### H. Jay Skelton

*Chairman of the Board, Winn-Dixie Stores, Inc., Vice Chairman of D. D. I., Inc.  
(a diversified investment company)*

### Peter L. Lynch

*President and Chief Executive Officer, Winn-Dixie Stores, Inc.*

### John E. Anderson •

*President, Chief Executive Officer, Patriot Transportation Holding, Inc.  
(a transportation and real estate company)*

### John H. Dasburg ‡

*Chairman and Chief Executive Officer, ASTAR Air Cargo, Inc.  
(formerly DHL Airways, Inc., an air freight company)*

### T. Wayne Davis

*Private Investor and Former Executive Officer of Winn-Dixie Stores, Inc.*

### Edward W. Mehrer •

*Former Chief Financial Officer and Treasurer, CyDex, Inc.  
(a pharmaceutical delivery company)*

### Julia B. North † ‡

*Former President and Chief Executive Officer, VSI Enterprises, Inc.  
(a telecommunications and videoconferencing company)*

### Carleton T. Rider † •

*Senior Administrator, Mayo Foundation  
(a non-profit healthcare organization)*

### Charles P. Stephens ‡

*Vice President, Director, and a principal stockholder, Norman W. Paschall Co., Inc.  
(a broker, importer, exporter and processor of textile products)*

### Ronald Townsend † •

*Communications Consultant and Former President of Gannett Television Group,  
a division of Gannett Company, Inc.  
(a print and electronic media company)*

Committee Membership as of August 27, 2005

• Audit Committee

† Nominating and Corporate Governance Committee

‡ Compensation Committee

## SHAREHOLDER INFORMATION

### Shareholder Communications

Please address any inquiries or comments to:

Wachovia Bank, N.A.

Transfer Agent and Registrar

1525 West W. T. Harris Boulevard, 3C3

Charlotte, NC 28288-1153

ZIP code for courier delivery: 28262-1153

Toll-Free Number: 1-888-U-CALL-WD

(1-888-822-5593)

For Hearing Impaired: 1-800-835-8415

Internet Address: [www.wachovia.com/firstlink](http://www.wachovia.com/firstlink) or

Shareholder Relations

Winn-Dixie Stores, Inc.

P.O. Box B

Jacksonville, Florida 32203-0297

The Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission may be obtained by any shareholder, free of charge, upon written request to the Company or can be retrieved through Winn-Dixie's Web site or at [www.sec.gov](http://www.sec.gov).

### Corporate Headquarters

Winn-Dixie Stores, Inc.

P.O. Box B

Jacksonville, Florida 32203-0297

Web Site: [www.winn-dixie.com](http://www.winn-dixie.com)

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### Independent Auditors

KPMG LLP

Jacksonville, Florida

### Additional Information Resources

The Company's Web site, [www.winn-dixie.com](http://www.winn-dixie.com), provides information about the Company. Shareholders may obtain, free of charge, certain documents filed with the Securities and Exchange Commission through the Company's Web site or by written request to the Company's headquarters, listed above. These documents include the company's Proxy Statement, Annual Reports on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K, including any amendments.

You can help us save significant printing and mailing expenses by consenting to receive the Proxy Statement, Proxy Card and Annual Report electronically via the Internet. You can consent to receive next year's Proxy materials and Annual Report by following the instructions set forth at the Web site <http://www.giveconsent.com/win>. If you choose to receive your Proxy materials and Annual Report electronically, then prior to the next shareholders' meeting, you will receive e-mail notification when the Proxy materials and Annual Report are available for on-line review over the Internet. Your choice for electronic distribution will remain in effect for all future shareholders' meetings unless you revoke it prior to the meeting by following the instructions set forth in the Web site <http://www.giveconsent.com/win>. If you elect to access these materials via the Internet, you can still request paper copies by contacting your brokerage firm, bank or Wachovia.