

# **Annual Report 2002**

**Swedish Co-operative Union (KF)**

# Notes on reading the annual report

KF's annual report for 2002 reflects the results and activities of the KF Group and its most important associated companies. The report consists of a general presentation of KF's activities and KF's annual accounts for 2002.

The report is aimed at groups including elected representatives of the consumer co-operatives, employees of the KF Group and associated companies, as well as suppliers and customers. 8,000 copies have been printed in Swedish and 2,000 copies in English. The report is also available at [www.coop.se](http://www.coop.se)

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The next report will be published in May-June 2004.

KF's 104th Annual General Meeting will be held at Vår Gård, Saltsjöbaden, on 27 May 2003

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## A future-oriented mission

The activities of the Swedish Co-operative Union (KF) during 2002 have to a large extent been dominated by the creation of Coop Norden and the transfer of KF's FMCG-based retail operations to the new Nordic group. A joining of forces in the co-operative retail sector on a Nordic basis is a major event in KF's history, which began more than 100 years ago. Co-operatively owned companies acting across national borders create increased potential to create larger structures, to utilise the benefits of scale and thus counteract the increasingly internationalised competition that is also being seen in the FMCG sector. This also guarantees the creation of value for members.

In Sweden the co-operatives were first to provide joint wholesale trading, self-service in small super-

markets, large central warehouses, and we also led the way in the development of the hypermarket.

In 1992 KF and five consumer co-operatives, with a total of 1.3 million members, formed a fully-integrated retail company. A homogenous company for the retail sector and its supporting elements was at that time a prerequisite for realising a new, flow-oriented way of working within the co-operative retail sector. This was in turn necessary to achieve increased efficiency and greater competitive strength. At the same time, during the 1990s there was a general streamlining of KF's activities, with the sale of industrial units and large parts of the specialist operation. This restored financial independence.

With the formation of Coop Norden in 2002 we are taking the next step in the development of the co-

operative retail sector. The Nordic co-operative movement has excellent conditions for creating greater value for its five million or more members, thanks to the opportunity to benefit from the internationalisation of the retail sector. It was against this background that Coop Norden was established.

### **New demands on KF**

As a result of the formation of Coop Norden, KF has changed from being a very large operating company to being mainly an owner company. During the year there has been a concentration within KF's own business operations on a few core areas: KF Card, KF Real Estate, Kapp-Ahl, KF Media and KF Invest. Most of KF's total assets of around 11 MSEK will then be held by part-owned companies, which is a new situation and involves a shift in focus for KF.

Strategic and financial owner management within the business areas in which KF represents the co-operative's interests is under construction. In the role of owner, KF will enforce the guidelines contained in the Compass policy document as well as issues relating to the development of membership and member benefits. At the same time KF must contribute to business development to guarantee that every unit is competitive and achieving satisfactory returns.

As the largest owner within Coop Norden and with other associated companies and subsidiaries, KF must base its activities on a high equity/assets ratio and low net debt/equity ratio. To be a strong owner, KF must be financially stable and also have good basic profitability.

### **Strong equity/assets ratio and independence of bank financing**

During the year the aim has been to achieve financial stability and improve profitability in KF.

The 2001 accounts saw a large loss, a high net debt/equity ratio and far too little liquidity. The situation was not sustainable in the long term. Especially not in combination with the investments in Coop Norden, Coop Bank and a wide-ranging change in KF to adapt the business and its expertise to its new tasks.

At the same time the starting point was a fundamentally strong balance sheet with a high level of equity and considerable assets.

At the beginning of the year a number of measures were implemented to strengthen liquidity. Not least of all, the co-operatives assumed an ownership responsibility and invested 182 MSEK in debentures to

strengthen the equity in KF. Holdings in the real estate company Atrium, the cosmetics chain Kicks and parts of the holding in Nordica were all sold off. The sale of non-strategic real estate holdings in KF Real Estate also further strengthened liquidity and profits. During the year an increase in deposits in KF Savings Association of around 400 MSEK has provided further significant member financing.

Liquidity at the end of 2002 was therefore very good. The equity/assets ratio improved during the year from 27 to 39 per cent, and the net debt/equity ratio fell from 1.1 to 0.5.

During the year KF has gradually reduced the proportion of bank financing and at present is not borrowing at all from the banking system. KF has a strong financial position, and the situation prevailing once more is that members are largely financing the business. This creates strength and credibility as a co-operative company, and is fully in line with the conditions for the co-operative company form that financing is based on members. It is therefore crucial for KF and other co-operative companies that this form of financing can continue to exist in future.

### **A focus on profitability**

The KF Group's loss has been reduced compared to 2001, but the group still recorded a significant loss for 2002. During the year wide-ranging measures were taken to reverse the trend in financial results, based on the 24-month plan adopted by the Board of Directors in January 2002.

For KappAhl, the international expansion has been stopped, and the focus has then shifted to Sweden, Norway and Finland. With a new management team, KappAhl succeeded in bucking the trend, and financial results continued to improve during the second half of the year.

The financial year for KF Real Estate began with around 50 per cent of the real estate portfolio being transferred to Coop Sverige Fastigheter AB. The value of and return from the remaining real estate portfolio has, however, been increased through continued streamlining and efficiency improvement.

Within KF Media, the Akademibokhandeln bookseller had a very successful year. The publishers generate stable profits, based on breadth and quality. The interactive operation within PanVision is in its formative phase, which is why it recorded a large loss in 2002. This involves the formation of a Nordic company in the field of interactive entertainment. The magazine "Vi" is an esteemed weekly, which has neither a

positive nor a negative effect on profits.

KF Invest's financial result for 2002 was affected adversely by the very weak performance of the share market.

A structural change was implemented effectively in the associated company Coop Elektro, and KF has thus significantly reduced its business risk in the remaining operations.

The associated company Coop Bank was formed in the autumn of 2001. The aim of Coop Bank was to contribute actively towards giving members cheap, basic banking services and doing this in a profitable way. However, the market conditions have changed, resulting in the major banks improving their conditions for most customers, and many new banks have experienced difficulties in getting customers to switch banks. We are currently evaluating with the other owners how to proceed with Coop Bank.

In 2001 major work was undertaken on new services aimed at providing member value. Coop Health is one, which has now been discontinued, and Coop Bank another.

### **Prospects for 2003**

During the first three months of 2003 KF's business has proceeded according to the business plan, and the target of achieving a profit in KF for 2003 should thus be fulfilled. This is true not least of all for the company's own subsidiaries.

### **The requirement for long-term profitability**

The companies and interests that KF has at present are essentially businesses that correspond with members' values and desires. It is, however, a fundamental task for KF to check constantly that we can succeed in the long term to create profitability in the businesses that we run.

In the co-operative movement we do not have the facility to ask members to provide financial contributions to run businesses at a loss, be they media companies, real estate operations, clothing retail or banks. But we must be prepared to invest in business areas of interest to members as long as we are convinced of their long-term profitability.

The first step was taken in 2002 with Coop Nor-

den, and work is now proceeding with integration to create an efficient group to achieve the planned synergy gains and profits. In the short term this work will have a negative impact on profits, but Coop Norden creates the conditions for creating long-term profitability in the FMCG-based retail sector.

For KF the focus is now on working as an owner to contribute towards Coop Norden's development towards profitability, to turn KappAhl's fortunes and to clarify the approach to Coop Bank.

We must also continue to develop KF's strong, successful real estate operation, as well as the media business that KF is also running successfully, and which corresponds with the historical co-operative aims.

### **The fundamental mission**

KF is there for the co-operatives and the members. The investments and other resources that KF uses are based on value for members, and a contribution towards realising the values of the co-operative movement.

In 2002 the co-operatives experienced a net increase in the number of members for the second year in succession of more than 110,000. This is proof that what the member associations, KF and the business operations are offering is attractive to a large number of people.

All future planning must be based on our continuing to listen to and channel members' desires, demands and needs. This might involve everyday problems that we can help resolve in our businesses. But it can also involve a more visionary development of the benefits of being a member.

The comprehensive structural process of change that is now under way in KF will take time. And this does not mean that KF's new role as a union and owner company has been finalised.

With the new commercial conditions in the Nordic region, KF faces a mission that is as topical and future-oriented as ever before in a history dating back more than 100 years. In close, efficient collaboration with the co-operatives to be the joint national force for 65 consumer co-operatives with 2.8 million members.

Börje Fors  
MD and CEO

# The year in brief

## ► The Swedish Co-operative Union's new role

With the formation of Coop Norden, together with Coop NKL and FDB, and the creation of the new Coop Group in 2002, KF's role has changed radically. KF now has three sets of tasks: union-related tasks, ownership tasks and business development tasks.

## ► Coop Norden

Coop Norden was finally founded with the transfer of property in kind from the three part-owners Coop NKL, FDB and KF at the end of June 2002, with retrospective effect from January 1st 2002.

## ► The KF Group's sales

In 2002 the group's total sales were 18,494 MSEK (32,198), a reduction of 43 per cent. This reduction is due to the transfer of the FMCG operation to Coop Norden. Of the group's sales, 11,970 MSEK relates to KF's trade with the members of the member associations, which is managed by KF Card, and 6,524 MSEK relates to sales by KF's subsidiaries.

## ► The KF Group's financial result

KF posted a profit of 90 MSEK after net financial items for wholly-owned companies. The corresponding result for associated companies was a loss of 370 MSEK. The group's overall result after net financial items was -280 MSEK (-662 MSEK).

## ► Stable finances

The net debt/equity ratio fell from 1.1 to 0.5 per cent, and the equity/assets ratio improved from 27 per cent to 39 per cent. The liquidity situation has improved and is extremely good. As of March 2003 KF is not borrowing from the banking system.

## ► Significant increase in membership

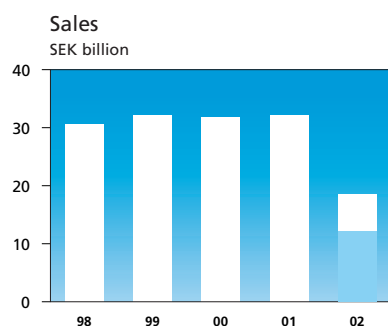
In 2002 the co-operatives succeeded for the second year in succession in recording a net membership increase of more than 110,000.

<b>Five-Year Summary</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>
<b>KF Group</b>					
Sales, excluding VAT, MSEK	18,494	32,198	31,761	32,078	30,562
Result after financial items, MSEK	- 280	-662	402	328	187
Number of sales outlets in Sweden, KF Group	174	661	784	783	733
Average number of employees, KF Group	3,758	17,361	17,988	17,606	18,186
<b>Coop Sverige</b>					
Number of sales outlets in Sweden, Coop Sverige *	416				
Average number of employees, Coop Sverige *	12,322				
* Up to 2001 the business, sales outlets and employees in Coop Sverige, was included in KF Group.					
<b>Co-operative Societies</b>					
Sales, excluding VAT, MSEK	16,233	15,527	14,901	14,439	14,145
Number of sales outlets	520	547	574	575	593
Average number of employees	8,676	8,821	8,998	9,003	9,160
Number of co-operative societies	65	67	75	78	82
<b>Number of members (thousands)</b>	2,791	2,678	2,563	2,489	2,433

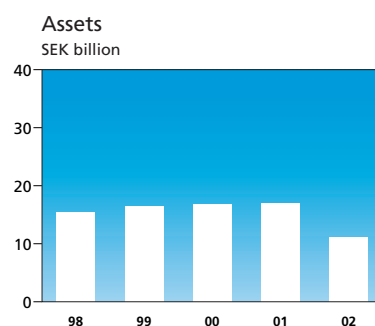


# Key ratios

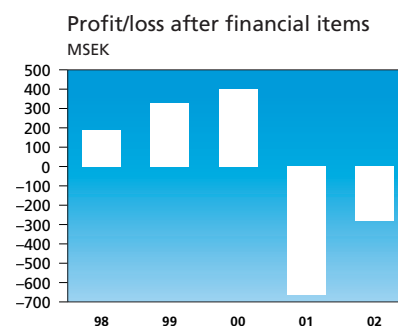
DEFINITIONS OF KEY RATIOS MAY BE FOUND ON PAGE 43.



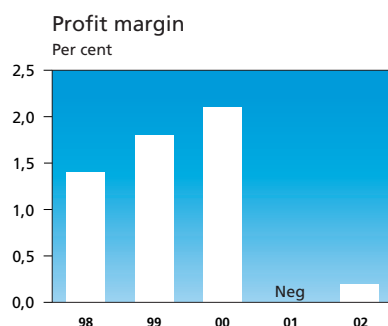
The group's sales fell by 43 per cent as a result of the transfer of the FMCG operation to Coop Norden. The subsidiaries' sales totalled 6,500 MSEK.



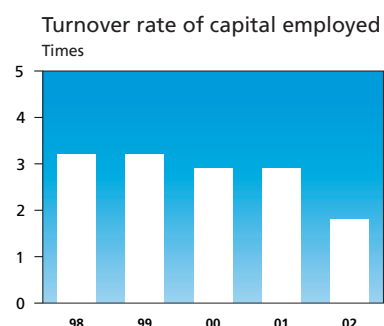
Assets fell by 17,000 MSEK to 11,200 MSEK, due mostly to the Coop Norden transaction.



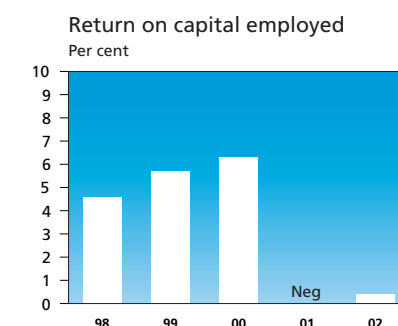
The KF Group's loss was reduced compared to 2001, but the group still posted a loss for 2002 of 280 MSEK.



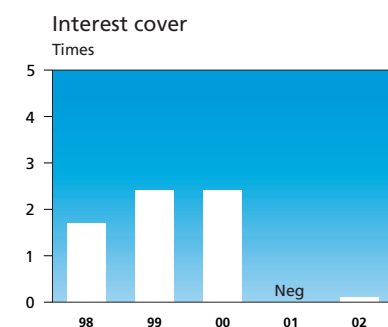
The profit margin improved due to better financial results and an improved financial position.



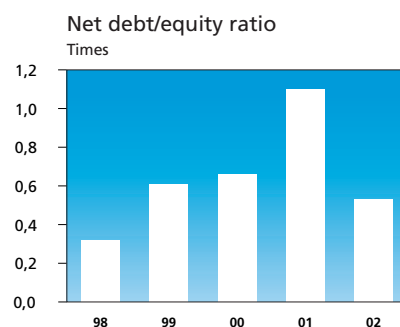
The turnover rate of capital employed was affected by the change in the nature of the group's business, an effect of Coop Norden.



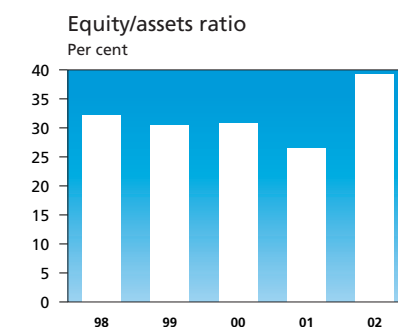
The return on capital employed was affected by the improved profit margin.



The interest cover improved, due to better financial results and a stronger financial position.



The net liability at the beginning of the year was 2,300 MSEK (4,800). The net debt/equity ratio fell from 1.1 to 0.53.



The equity/assets ratio improved significantly from 27 per cent to 39 per cent.





*Left to right: Magnus Håkansson, Ivar Fransson, Börje Fors, Lars Hillbom, Per Agefeldt, Bernt-Olof Gustavsson*

## KF's management group

In September 2002 the central organisation was adapted to KF's new role. The central staffing comprises 20 people in the Economy & Finance, Union Secretariat and Co-operative Matters departments.

KF's management group consists of:

Börje Fors, Managing Director and CEO

Magnus Håkansson, Director of Economy and Finance

Ivar Fransson, Manager of KF Card

Per Agefeldt, Manager of KF Co-operative Matters

Lars Hillbom, Manager of KF Union Secretariat

Bernt-Olof Gustavsson, Managing Director, KF Real Estate

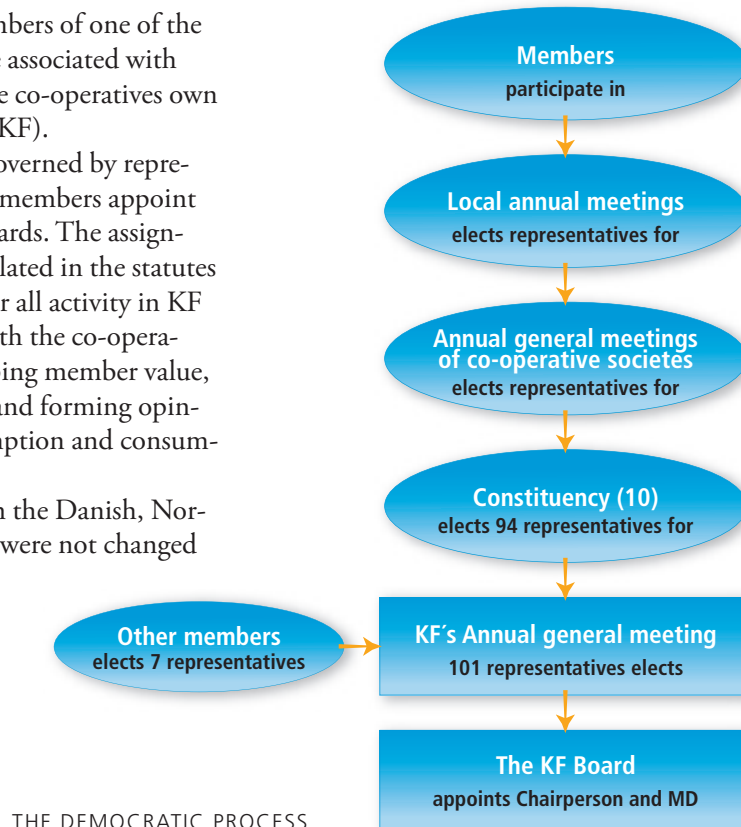
# KF's new role

## The co-operatives and KF

Almost 2.8 million people are members of one of the 65 consumer co-operatives that are associated with KF. Through their membership the co-operatives own the Swedish Co-operative Union (KF).

The co-operatives and KF are governed by representative democracy, in which the members appoint representatives at meetings and boards. The assignment from the members, as formulated in the statutes and Compass, is the watchword for all activity in KF and the co-operatives. Together with the co-operatives, KF is responsible for developing member value, guaranteeing members' influence and forming opinions on matters relating to consumption and consumers.

The democratic organisations in the Danish, Norwegian and Swedish co-operatives were not changed when Coop Norden was formed.



THE DEMOCRATIC PROCESS

## The KF Group

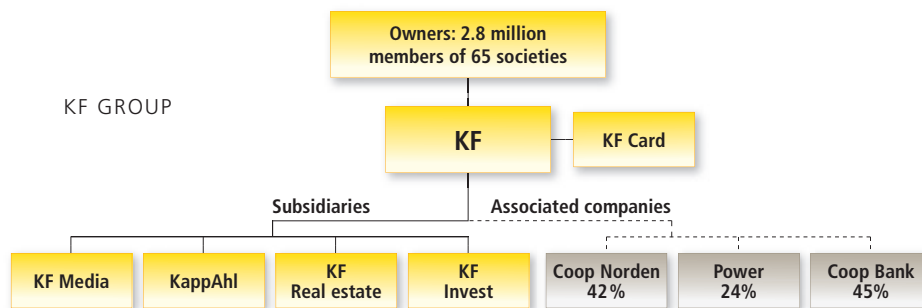
The KF Parent Society is the parent company of the KF Group, which includes KappAhl, KF Media, KF Real Estate, KF Invest, as well as Vår Gård Kursgården conference centre and KF Society Audit. The parent company includes KF Card and KF Savings Association. KF Card is responsible for the Coop MedMera concept.

KF is also part-owner of the associated companies Coop Norden, Power Hemelektronik and Coop Bank.

In 1992 five co-operatives – Stockholm, Svea, Väst, Solidar and Norrort with 1.7 million members – inte-

grated their business activities into KF. KF owns 42 per cent of Coop Norden, which runs FMCG retail operations in these co-operatives' areas through the wholly owned subsidiary Coop Sverige.

60 retail co-operatives with 1.1 million members own and run around 39 per cent of the co-operative retail sector. They consult and have agreements with Coop Sverige on issues of joint interest. KF's wholly owned specialist retail companies KappAhl and Akademibokhandeln, as well as Coop Sverige are responsible for the rest of the co-operative retail trade in Sweden.



## The Coop Group

Coop Norden AB is the parent company in the Coop Group, which as well as the parent company also includes the wholly owned subsidiaries Coop Sverige AB, Coop Danmark A/S and Coop Norge AS. The group is the largest FMCG company in Scandinavia. Coop Norden is owned jointly by consumer co-operatives in Sweden, Norway and Denmark with more than 5 million members. The business started on January 1st 2002. Ownership was passed formally from the part-owners in June 2002.

KF owns 42 per cent of Coop Norden. In Sweden the members have around 1,100 stores that are run by Coop Sverige, the retail associations or KF. Coop also supplies goods to the co-operatives' outlets.

Coop NKL is the national association of 227 Norwegian co-operatives, which have around 920,000 members. Coop NKL owns 20 per cent of Coop Norden. In the Norwegian market the co-operatives run almost 1,400 outlets. Coop Norge owns the chain concept and is responsible for the supply of goods.

In Denmark FDB and the 500 or so Danish co-operatives have a total of 1.5 million members and own

38% of Coop Norden. The Danish members have around 1,100 stores that are run by Coop Danmark or the co-operatives.

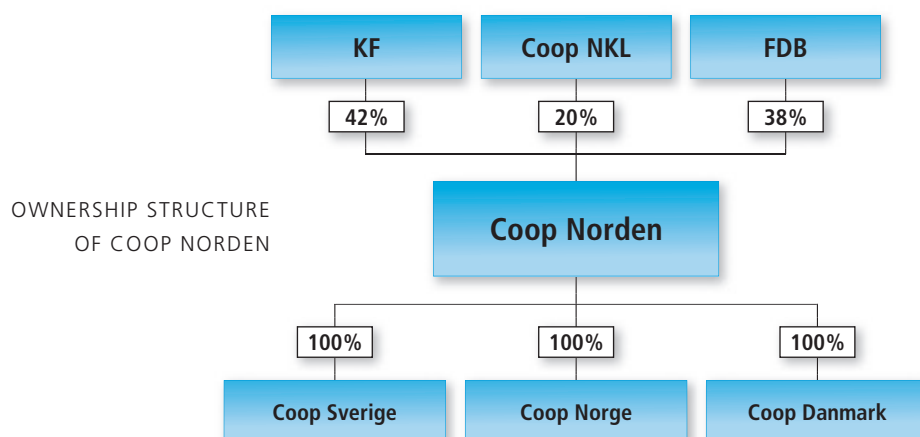
Coop Norden is a limited company, whose AGM involves one representative from each owner: KF, FDB and Coop NKL. These three representatives each represent their own union, with the following breakdown of ownership:

KF 42 per cent, FDB 38 per cent and Coop NKL 20 per cent.

Each country is also entitled to send a maximum of 59 representatives to the advisory Coop Norden meeting. In formal terms they are representatives of each owner representative at the Coop Norden AGM.

The AGM appoints the Board of Directors: 5 members from KF, 4 from FDB, 3 from Coop NKL. There are also employee representatives.

The Boards of Directors of the subsidiaries are appointed by the Board of Directors of Coop Norden. The three owners' unions have the opportunity to propose representatives for the Boards of Directors of the subsidiaries.



## KF's new tasks

The role and mission of the Swedish Co-operative Union have changed significantly several times during KF's history, which dates back over one hundred years.

KF was formed in 1899 with the aim of representing the new co-operative ideals. The new union also aimed to provide information and disseminate knowledge about how co-operative companies should be run to give value to their members.

When the union was formed, discussions were already under way on joint purchases on behalf of member associations. However, KF's first business operation – an agency – did not start until 1904. It was the beginning of a wholesale operation that was to be successful for the co-operative. The union's role was extended from the provision of knowledge to include the provision of goods as well.

### Industries and knowledge development

The success of the wholesale business challenged private businesses, who convinced the margarine cartel to boycott purchases from KF. KF responded by acquiring its own margarine factory, which became the first phase in an industrial strategy. The supply of goods was augmented by in-house production. The battles with monopolies and cartels in the 1920s and 1930s marked the start of a wide-ranging industrial development. As the years passed KF grew to become a multi-faceted industrial conglomerate with both heavy industry and production of consumer goods and food.

KF also assumed the role of consultant for the co-operatives with regard to the development of the retail trade. KF Society Audit became a centre of knowledge for the co-operative retail sector. Through the KFAI architects' office, KF drove the modern, hygienic design of its outlets. The introduction of self-service, Konsum Snabbköp, in the late 1940s created a revolution in the Swedish retail sector. The following decades saw the arrival of department stores, hypermarkets and modern logistics.

The role of knowledge provider was developed in parallel with the commercial business. Training for the retail sector was developed at the Vår Gård conference centre, KF Provkök provided lessons in good housekeeping, and knowledge about food, consumer information, adult education and the shaping of opinions came to the fore. The interplay between a

large company and educational ideals makes KF an important element of the social structure.

### Strategic overhaul

In the late 1980s the industrial and wholesale strategy was overhauled. In an economy without borders, in-house industry is no longer necessary to guarantee access to good products and reasonable prices. The industries were sold off and the co-operatives' retail operations were integrated with KF's wholesale operation. KF changed and became an operational retail company, with an emphasis on the FMCG-based trade. This change paved the way for a new approach, with integrated, national chain operations. Without the organisation's own food industry, a new supply chain strategy could be introduced, in which the choice of supplier was made on the basis of customer preferences and the best possible terms of delivery.

### Internationalisation

In the 1990s competition increased in an increasingly internationalised retail sector, and the Nordic market was put under increasing pressure to change. The co-operative movement in the Nordic region started discussions concerning greater co-operation across national borders. The conclusion was that the conditions were ideal for the co-operative movement to create greater value for its members and customers by making use of the internationalisation of the retail sector. It was against this background that Coop Norden was established.

With the formation of Coop Norden, together with Coop NKL and FDB, and the creation of the new Coop Group in 2002, KF's role has once more changed radically. KF now has three tasks: union-related tasks, ownership tasks and business development tasks.

The co-operative mission still remains the same – to work with the co-operatives to create financial value and other added value for members.

### Union-related tasks

KF is and must remain the joint union of the consumer co-operatives. The historically important role as a union can be given more scope. Our task is to work with the co-operatives to develop the content

of co-operative membership and co-operative enterprise. Our mission is to ensure that the values stated in Compass inform the business. The values have also been adopted by Coop NKL and FDB, to create the Nordic set of values.

The union has the joint responsibility for knowledge development and opinion forming on matters of interest to members, as well as for opinion forming on consumer issues. Together with the co-operatives it must also drive, develop and energise the process of membership democracy.

KF represents the Swedish consumer co-operative movement's joint interests when dealing with various public institutions.

### Ownership tasks

To be a strong owner KF must be profitable and financially stable. Great emphasis is now being placed on an active, competent ownership. Competence is being developed for strategic and financial owner management within the business areas in which KF represents the interests of consumer co-operation. Special emphasis is being put on the ownership of Coop Norden as KF's most wide-ranging and crucial commitment for the future.

In Coop Norden, KF, Coop NKL and FDB have created a co-operative group that is ultimately owned by its members. Guidance is provided through the work of the Board of Directors, which was one of the reasons for the new structure. The new situation also means a change in the ownership role for the co-operatives and their members. Ownership is now only indirect as far as the FMCG-based retail sector is concerned.

Member influence and an active dialogue must also be guaranteed in the new situation and channelled all the way from shop level to acceptance of responsibility and decision-making by the Board of Directors and

at the AGM.

Ownership of the other business operations in the KF Group is being reviewed and tested on an ongoing basis. Through its ownership and operational models, KF must give the companies the opportunity to develop and guarantee satisfactory returns. KF must be a professional, active owner that provides management expertise, financial guidance and financing.

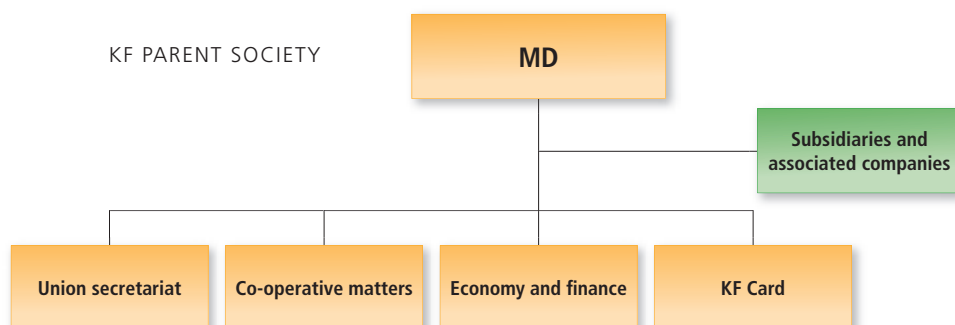
### Development tasks

KF's new tasks include undertaking development work to create added value for members and to improve the attractiveness of membership. All business development undertaken by KF must emanate from the membership base, which belongs uniquely to the co-operatives and KF, and the Coop MedMera membership card, the purpose being to add value to membership beyond the offers available in the FMCG sector's hypermarkets and stores. This can be achieved in collaboration with quality-assured business partners, with products, services and expertise in such fields as health, telecoms, energy, information, culture and entertainment.

Business development must proceed without any significant investments in infrastructure or other significant financial commitments.

### New administrative organisation at KF

The central organisation within the KF Parent Society was changed in September 2002 to correspond to the three sets of tasks in KF's new role. The parent company's central organisation now consists of the functions Union Secretariat, Co-operative Matters, Economy and Finance, as well as KF Card and KF Savings Association. The central administrative functions have at the same time been reduced and rationalised.





## Membership provides a unique position

2002 for KF was characterised by fundamental changes direction. KF has changed to become an owner company, with much less business activity of its own. At the same time a development has been initiated to strengthen KF's role as a union within the Swedish co-operative movement.

The most significant change during the year was the creation of Coop Norden, the biggest FMCG company in the Nordic region, and the transfer of Coop Sverige to this new group. The new joint Nordic company has been created to deal with the trend in the European FMCG market of larger, cross-border players in both the supply chain and the retail trade. By bringing together the FMCG-based trade within Coop NKL, FDB and KF, new conditions are created that, together with the retail associations, can deal with tougher competition in the FMCG sector. With the Coop Group we can make use of the benefits of scale and all of the knowledge that exists within the Nordic co-operative movement. The new group is based on an offensive, long-term strategy in which collaboration at a Nordic level increases the opportunities to create value for members in each country.

The merger to create Coop Norden involves three co-operative parties. A totally new structure for owner control has been drawn up, on a commercial foundation appropriate to the special nature of the co-operative movement. Owner control will also channel member influence so that, in combination with employees' views and an active dialogue with the world around us, it can have a bearing on the way the commercial business is structured.

KF must be a strong, competent owner of Coop Norden. Ultimately the company is owned by its members, and from an owner's perspective this places demands on KF's financial strength. During the year a review has started of KF's other activities, with the aim of securing KF's long-term financial strength. This review has so far resulted in a reduced net debt/equity ratio and a significantly improved equity/assets ratio for KF. Liquidity has been guaranteed. The three wholly owned companies KappAhl, KF Media and KF Real Estate have performed positively. However, the group's profit figure is still unsatisfactory.

In addition to its owner and commercial tasks, KF must work with consumer associations to develop a



strong, future-oriented society. For this reason KF has implemented a discussion aimed at shaping KF's future role and guaranteeing a continued co-operative direction for the business as a whole.

More than five million members in Denmark, Norway and Sweden are joint owners of co-operatives, unions and businesses. In Sweden the co-operatives were able for the second year in succession to post a net membership increase of more than 110,000, and the total number of members is almost 2.8 million. This shows clearly that membership is attractive to many people. Membership with financial benefits and other added value, and with opportunities for participation and influence, gives the co-operative movement a unique position in the market. It also provides a basis for committed elected representatives. With a value-adding interplay between members, almost 20,000 elected representatives in the three countries, and the commercial businesses, the conditions are in place for a successful consumer co-operative.

Nina Jarlbäck  
Chairperson of the Board of the Swedish Co-operative Union

## Member organisations

Almost 2.8 million people are members of one of the 65 consumer co-operatives that are associated with KF. Through their membership the co-operatives own the Swedish Co-operative Union (KF). For the second year in succession the co-operatives were able to record an increase in membership (net) of more than 100,000. More than 150,000 people applied for membership, and after departures the net increase was 112,481. Membership strength now stands at 2,790,790.

CO-OPERATIVES	PLACE	NUMBER OF MEMBERS 31/12 2002
Stockholm, Ktf	Stockholm	543,880
Svea, Ktf	Uppsala	526,105
Solidar, Ktf	Malmö	288,527
Väst, Ktf	Göteborg	276,348
Nord, Konsum	Umeå	179,245
Göta, Ktf	Växjö	174,035
Kristianstad-Blekinge, Ktf	Kristianstad	114,443
Värmland, Konsum	Karlstad	105,277
Gävleborg, Konsum	Gävle	92,200
Norrbottn, Konsum	Luleå	86,044
Bohuslän-Älvsborg, Ktf	Uddevalla	72,619
Norrort, Ktf	Upplands Väsby	54,015
Jämtland, Konsum	Östersund	40,692
Oskarshamn, Ktf	Oskarshamn	28,065
Gotland, Ktf	Visby	27,337
Malmöfälten, Konsum	Gällivare	26,496
Örnsköldsvik, Konsum	Örnsköldsvik	25,967
Norra Östergötland, Ktf	Finspång	24,091
Karlskoga, Ktf	Karlskoga	16,677
Karlshamns ktf	Karlshamn	10,948
Timrå ktf	Timrå	8,424
Varbergs ktf	Varberg	7,586
Svedala, Ktf	Svedala	6,875
Tabergsdalen, Konsum	Norrahammar	4,947
Mellersta Nissadalens ktf	Hyltebruk	4,556
Norra Dalarna ktf	Älvdalen	3,806
Färingsö, Ktf	Stenhamra	3,147
Veberöds kf	Veberöd	2,920
Mörum, Ktf	Mörum	2,733
Mellersta Dals kf	Mellerud	2,461
Oskarström, Konsum	Oskarström	2,413
Dalsjöfors ktf	Dalsjöfors	2,140
Bjursås, Ktf	Bjursås	1,731

Långsele ktf	Långsele	1,692
Billesholm, Ktf	Billesholm	1,658
Forsbacka, Kf	Forsbacka	1,496
Lönsboda kp hf	Lönsboda	1,376
Skärplinge, Konsum	Skärplinge	1,310
Orrefors, Kf	Orrefors	1,194
Lenhovda kf	Lenhovda	1,161
Svängsta ktf	Svängsta	1,112
Frillesås, Ktf	Frillesås	1,079
Vislanda kp hf	Vislanda	992
Tåsjö kf	Hoting	938
Getinge kp hf	Getinge	879
Knäred, kf	Knäred	847
Framåt, Hf	Tvååker	820
Sollerö ktf	Sollerö	793
Kågeröds hf	Kågeröd	712
Möja, Kf	Möja	681
Morups handelsförening	Glommen	651
Öckerö kf	Öckerö	596
Fågelmara ktf	Fågelmara	479
Hajoms kp hf	Hajom	423
Styrsö kf	Styrsö	389
Åmotsbruk, Konsum	Åmotsbruk	345
Framåt, KpF	Broakulla	299
Svensby kp hf	Svensbyn	298
Glava, ktf	Glava	293
Klippan, Kp hf	Bohus-Malmön	285
Mattmars kf	Mattmar	278
Garda-Lau, hf	Ljugarn	200
Sörsjön, Konsum	Älvdalen	200
Resö kp hf	Tanumshede	180
Centrum, Hf	Källö-Knippla	166
Östbjörka ktf	Rättvik	113
Axmarby hf	Axmar	105

### TOTAL MEMBERSHIP

**2,790,790**

As from 2003, Konsum Örnsköldsvik and Timrå co-operatives merged with Konsum Nord. The number of co-operatives is now 65. Besides these 65 co-operatives, KF has the following members:

OK associations

Folksam Liv

Folksam Sak

Fonus



# The Board of Directors

## *Chairperson of the Board*



*Nina Jarlbäck*



*Jan Andersson*



*Catharina Andersson*



*Hans Eklund*



*Caterina Franceschi*



*Lena Ingren*



*Curt Johansson*



*Hans-Erik Johansson*



*Göran Lindblå*



*Mats Lundquist*



*Leif Olsson*



*Börje Fors*

## *MD and CEO*

## Members elected by the Congress

### PERMANENT

**Nina Jarlbäck, Husby Rekarne**  
Chairperson of the Board  
Chairperson of Svea Co-operative

### DEPUTY

**Britt Marinder, Ludvika**  
Board member of Svea Co-operative

### PERMANENT

**Jan Andersson, Umeå**  
Deputy Chairperson of the Board  
Chairperson of Konsum Nord

### DEPUTY

**Bo Sundin, Sandviken**  
Chairperson of Gävleborg Co-operative

### PERMANENT

**Catharina Andersson, Kungsängen**  
Chairperson of Norrort Co-operative

### DEPUTY

**Sune Dahlqvist, Åkersberga**  
Board member of Stockholm Co-operative

### PERMANENT

**Hans Eklund, Uppsala**  
Board member of Svea Co-operative

### DEPUTY

**Doris Gustafsson, Ronneby**  
Board member of Kristianstad-Blekinge

### PERMANENT

**Caterina Franceschi, Göteborg**  
Board member of Väst Co-operative

### DEPUTY

**Ulf Clark, Göteborg**  
Board member of Väst Co-operative

### PERMANENT

**Lena Ingren, Tullinge**  
Chairperson of the Board, Stockholm Co-operative

### DEPUTY

**Carin Jämtin, Farsta**  
Board member of Stockholm Co-operative

### PERMANENT

**Curt Johansson, Luleå**  
Chairperson of the Board, Norrbotten Co-operative

### DEPUTY

**Kent-Åke Ohlsson, Vänersborg**  
MD of Göta Co-operative

### PERMANENT

**Hans-Erik Johansson, Växjö**  
Vd i Ktf Göta

### DEPUTY

**Jarl Karlsson, Habo**  
Chairperson of Göta Co-operative

### PERMANENT

**Göran Lindblå, Stockholm**  
MD of OK Co-operative Association

### DEPUTY

**Hans Ferner, Karlstad**  
MD of OK Värmland

### PERMANENT

**Mats Lundquist, Stockholm**  
Board member of Stockholm Co-operative

### DEPUTY

**Marianne Svensson, Malmö**  
Board member of Solidar Co-operative

### PERMANENT

**Leif Olsson, Hammarö**  
MD of K Värmland

### DEPUTY

**Jan Bohlin, Hagfors**  
Board member of K Värmland

### PERMANENT

**Börje Fors, Stockholm**  
MD and CEO, KF

## Employee representatives from Handels

**Bodil Nilsson, permanent**  
**TorBjörn Jonsson, permanent**  
**Melinda Hedström, deputy**

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## Auditors

### PERMANENT

**Bertil Hammarstedt, Umeå**  
**Carina Röjdner, Haninge**

### DEPUTY

**Georg Axelsson, Borgvik**  
**Göran Dahlstrand, Stockholm**

### KPMG

**Per Bergman, Authorised Public Accountant**  
**Bernhard Öhrn, Authorised Public Accountant**



*Bodil Nilsson*



*TorBjörn Jonsson*



*Melinda Hedström*

# Coop MedMera

## An attractive membership card

The Coop MedMera membership card is the biggest and most widely used membership card in Sweden. It is basically a membership card in a consumer association, but from a member perspective it brings together the various elements of the consumer co-operative. It serves as the members' key to the reward system as well as other services and special membership offers based on the activities of the co-operatives, KF and Coop Sverige. The Coop MedMera concept, which is run and developed by KF Card, is shared across the Swedish co-operative movement, and acts as a connecting brand.

In 2001 the co-operatives experienced the biggest net increase in the number of members in the movement's history – 115,381. In 2002 they could report a net increase in membership of more than 110,000 for the second year in succession. More than 153,000 people applied for membership, and after the departure of about 40,000, the net increase was 112,481 members in 2002. This meant that the co-operatives had 2,790,790 members as of 31 December 2002.

Several cards within the same household can be linked to one membership, which is why the number of cards is around 3.5 million.



## Using Coop MedMera as a method of payment

Almost 450,000 members used the Coop MedMera card as a method of payment in 2002. The card can be used at more than 1,100 sales locations and about 1,000 OKQ8 petrol stations.

More than 21 million purchases were made on account during the year. The card's account function offers 3.15 per cent interest on deposits up to SEK 15,000 (1 April 2003). Around 200,000 members also have a credit function in their membership card. Since October 2002 the Coop MedMera card has

been administered by Coop Bank. Every month the member receives a statement, which helps provide an overview of the household economy. As well as managing payments via Coop MedMera, KF Card is responsible for all card payments in the consumer co-operative. This involves running and developing safe, cost-efficient systems for managing cards, payments and clearing. Safe, convenient payment in the shop, which makes things easier and more convenient for both customers and staff.



## National reward scheme

When members shop in co-operative outlets they can earn points on their purchases, by the simple system of one krona providing one point. The points turn into reward vouchers. 7,500 points are enough for a voucher worth 50 kronor, or a 5 or 10 per cent discount, depending on the retail chain, when making a purchase. Points accumulated during the year generate extra vouchers. Double points are also offered for purchases during regular campaigns.

Every second that the stores and hypermarkets are open, an average of 12 members use their Coop MedMera card. In 2002 this resulted in 155 million purchases for which points were

registered, from sales of around 36 billion kronor. The average purchase during 2002 rose by 5 per cent compared to 2001.

Points are also issued for purchases of items such as electricity and telephony, in a partnership with Vattenfall.

In total 6.7 million reward vouchers were issued, resulting in about 420 MSEK of discounts to members.

As well as the reward vouchers, members enjoy other benefits and special offers in connection with Coop MedMera. There are special offers from the co-operatives, KF and Coop Sverige as well as business partners, for items such as hotel bookings, travel, museums, etc.



## Member relations and communication

Coop MedMera provides unique opportunities for systematic communication with members, and the conditions for building up relationships between the business and the members. In 2002 KF Card issued 5.2 million account statements and 5.5 million point statements with reward vouchers. This creates regular contact between Coop MedMera and members.

During the year more than 1.5 million

members phoned direct to Coop MedMera Customer Service or to the automated response service.

The magazine "Mersmak" is sent to members who use the Coop MedMera Account, together with their account statements. Other members can pick up the magazine free of charge in stores and hypermarkets. During 2002 Mersmak had more than 700,000 readers per issue.





## Bistånd På Köpet

In October 2001 we launched the “Bistånd På Köpet” [Shopping Aid] scheme, which gives members with a Coop MedMera Account the opportunity to automatically round up their payments to the next whole krona, and thus contribute to co-operative aid. The money is shared between the aid organisations Vi Agroforestry and Co-operation Without Borders. 120,000 members have signed up to Bistånd På Köpet since its launch in October 2001, and more than 3.1 MSEK in aid has been generated.

## KF Savings Association

Since 1908 KF Savings Association has been offering members of the co-operatives long-term saving with favourable interest rates. The Capital Account offers 3.70 per cent, and KF's 5-year loan 4.15 per cent (1 April 2003). At the beginning of the year KF Savings Association had deposits of around 3,000 MSEK.

## Developing member benefits

KF's new missions include undertaking development work to create added value for members and to improve the attractiveness of membership. The Coop MedMera membership card and the membership base belong uniquely to the co-operatives and KF. It will form the basis of every business development within KF, and development work is linked to KF Card. The Coop MedMera membership card is a platform that provides unique conditions for member communication and co-ordinated marketing for the whole co-operative movement.

In 2003 one area of priority will be a development of the reward scheme with new partners. The scheme will also be developed to create the opportunity for other kinds of member benefits.

Another development area in 2003 is the magazine “Mersmak”. This will gain national coverage in 2003. It will provide member value in the form of a good reading experience and useful information. The magazine will also be an important, strong, channel for co-ordinated, effective marketing and member contact.



*The magazine Mersmak is being relaunched, and in 2003 it will be made available to all members throughout the co-operative movement. This will make it one of Sweden's five biggest magazines, with around 1,200,000 readers per issue.*

KappAhl's business concept is "Value-for-money fashion for the many".

In 2002 the KappAhl Group had outlets in Sweden, Norway, Finland, Poland, the Czech Republic and Denmark (MacCoy). The guidelines for the product range, retail concept and marketing are developed centrally and apply jointly to all markets.

Total retail sales were 3,869 MSEK excluding VAT, representing an increase of 5 per cent for comparable units on 2001. After a poor start to the year, the trend shifted during the second half and sales then continued to increase. This shift in the trend has been achieved mainly through wide-ranging work on the product range and brand and communication platforms. A broad campaign based in the Coop MedMera card in Sweden and Coop in Norway also contributed towards the increased sales. Almost 40 per cent of sales, around 1,500 MSEK, was via Coop MedMera. The KappAhl Group's share of KF's total sales was 59 per cent.

**KappAhl shall be the leading fashion chain in the Nordic region for the customer group aged 30–50**

## Concentration on the home market

During the second quarter of the year Christian W Jansson took up his position as new MD of the group, and a new management team was then put together. The focus shifted from international expansion to the three main markets in Sweden, Norway and Finland. The Czech business started to be sold off during the autumn, and was finally closed down on 1 March 2003. KappAhl's Danish subsidiary MacCoy was sold in December.

KappAhl's retail operations have been brought together in a new organisation in order to better utilise the joint expertise. The service office and organisation in Sweden have been brought together in a head office in Mölndal, near Gothenburg. Rationalisation and cost-cutting measures have brought about a reduction in staff by forty or so people, mainly managerial and administrative staff at the head office in Sweden and the office in Norway.

Maintenance of the outlets had been neglected, and renovation work started in the autumn. Investments including acquisitions amount to a total of around 141 MSEK.

## Environmental adaptation continues

The number of health-labelled and eco-labelled clothes (Öko-tex) more than doubled, and now accounts for around 8 per cent of the total number of items of clothing supplied, corresponding to almost 3 million garments. KappAhl's specification of requirements for clothes and accessories has been extended to include requirements for fur and leather.

KappAhl was awarded environmental certification for the first time in 1999, since when SP, the Swedish National Testing and Research Institute, has performed environmental audits twice a year. During the year management, the supply chain organisation, administration, distribution and retail operations in Sweden and Finland have been re-certified in accordance with ISO 14001.

KappAhl has developed a new, interactive training programme in environmental knowledge. This will be used above all to introduce new employees to environmental work.

## Ethical trade

KappAhl has adopted a code of conduct that must be followed by all suppliers to prevent exploitation and to guarantee that specified requirements and conditions for the use of labour are observed. KappAhl's own inspectors conduct regular inspections and follow-up on action plans at factories from which KappAhl buys its products. In 2002 KappAhl reinforced these activities by also engaging external audit companies for these inspections.

KappAhl continued to support UNICEF's activities with Brac schools in Bangladesh and UNICEF's water projects. In 2002 KappAhl became a member of the Amnesty Business Group and IEH, the Initiative for Ethical Trade in Norway.

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**MD:** Christian W Jansson as from 24 April 2002

**Total number of outlets:** 239. 124 in Sweden, 74 in Norway, 30 in Finland, 10 in Poland

**Sales:** 3,869 MSEK (3,683 MSEK)

**Average number of employees:** 2,590; 2,265 women 325 men

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# KF Media

KF Media's business concept is to create a modern book and media group through development and acquisition in strategic areas, with the business being integrated and synergy benefits utilised, while at the same time the individual companies' own strength and several years' goodwill must be retained and further developed.

KF Media includes booksellers, book publishers, interactive media and magazines. The bookselling business includes Akademibokhandelsgruppen AB, with 49 shops in Sweden. The book-publishing business is run within P.A. Norstedt & Söner AB, which also has interests in several book clubs. The company includes the publishers Norstedts förlag, Rabén & Sjögren, Prisma and Norstedts Ordbok. The magazine business consists of the magazine "Vi". Interactive media are represented by PAN Vision.

During the year the group's sales increased by 28 per cent on 2001 to 1,935 MSEK. This increase is due above all to tremendous successes for Akademibokhandeln.

KF Media accounts for around 30 per cent of the KF Group's sales.

2002 was a very successful year for more or less the whole book industry. The positive trend already prevailing was further reinforced by a reduction in VAT from 25 per cent to 6 per cent on 1 January. The reduction in VAT was effectively passed on to the consumer in full. Prices fell by around 15 per cent, and volumes increased by more or less the same amount in many sales channels. The overall sales increase was sustained throughout the year.

## Record year for Akademibokhandeln

For Akademibokhandeln it was a record-breaking year, and the increase was distributed evenly across the chain. There were good results in course book sales and general book sales, as well as paper and office sales. The positive effect came somewhat later for the book clubs, taking effect only during the second half of the year. The market for interactive entertainment also developed positively during the year.

Akademibokhandeln opened two totally new shops, and a large number were renovated. The two new shops were in Luleå, which Akademibokhandeln took over from Konsum Norrbotten, and a totally new shop in Lund, in the out-of-town Nova shopping centre. Major renovations were also completed at Fältöversten in Stockholm, Kista near Stockholm, Mobilia in Malmö, Gleerups in Lund and Södertörn University College, and there has been a move to Södertull in Malmö, where Akademibokhandeln has created a large shop in an old cinema.

## The expansion continues

Investments in KF Media during 2002 totalled 54 MSEK. Much of this was spent on the renovation and development of Akademibokhandeln's outlets. Akademibokhandeln will continue with its retail expansion and shop conversions during 2003.

## Profit throughout the publishing business

The performance of the publishers as a whole was very good, and for the first time since the formation of the new company P.A. Norstedt & Söner all parts of the publisher generated a profit.

P.A. Norstedt & Söner reported continued positive results, despite the fact that the comparative figures from 2001 included the exceptional success of Harry Potter (parts 3 and 4) and Lord of the Rings.

Norstedts Förlag had an extraordinarily good year. Turnover increased from 127 MSEK to 140 MSEK, and a profit was generated. The successful year was rounded off by the Norstedts author Imre Kertész receiving the Nobel Prize. Kertész is a very highly-rated Nobel Prize winner, and sales of his books are estimated to be higher than those of any previous Nobel Prize winner.

Norstedts Förlag had an extraordinarily good year. Turnover increased from 127 MSEK to 140 MSEK, and a profit was generated. The successful year was rounded off by the Norstedts author Imre Kertész receiving the Nobel Prize. Kertész is a very highly-rated Nobel Prize winner, and sales of his books are estimated to be higher than those of any previous Nobel Prize winner.

Rabén & Sjögren also enjoyed a successful year. Both turnover and profits exceeded expectations, despite the fact turnover fell from 173 MSEK to 128 MSEK (Harry Potter 2001).

The number of new titles and launches of new

**KF Media shall develop to become a leading Swedish multimedia group based on books**



children's authors has increased in recent years, in line with the strategic approach. Both profits and margins are performing strongly.

Prisma, which had previously had poor results, picked up again. Turnover increased from 104 MSEK to 117 MSEK. Thanks to improved margins and good cost control, the operating profit improved significantly.

Norstedts Ordbok also improved its profits, despite winding-up costs for reference books of around 1 MSEK. Work is continuing to further improve Norstedts Ordbok's results.

Associated companies performed very well on the whole, with all showing a profit.

## Business development

The Home & Garden book club, which was launched in March 2001, continued to grow and passed the membership figure of 10,000. The club posted an operating loss, but has made a positive contribution to P.A. Norstedt's total results through the publishing profits generated by sales through the club.

The talking book market made a breakthrough in 2002, and Pan Hörböcker achieved a strong position. Publication has been limited to the CD format, and this has given Pan Hörböcker an edge on competitors in a market otherwise dominated by the cassette format. Pan's sales totalled around 10 MSEK.

Pan's sales of older titles in small print runs, produced via print-on-demand, have continued to perform well.

PAN Vision has undergone a year of strong consolidation. The number of employees was reduced significantly, and now totals around one hundred. Despite all the work involved in the process of change,

PAN Vision has successfully maintained the strength of its sales and marketing organisation. Turnover in 2002 totalled 416 MSEK. 2003 has started well for PAN Vision, with the signing of partnership agreements with TV4 and the world's second largest games company, Activision.

The Film business area has developed according to plan, despite major changes in suppliers.

## Magazine business streamlined

In 2002 the magazine business was streamlined, and now only comprises the magazine "Vi". KF Tidningsförlag was wound up by selling the publishing authorisation for Butikssäljaren to the Mentor Group, and this then became part of the magazine Fri Köpenskap. The company magazine Coop Eko was transferred to Coop Sverige. The weak advertising market affected the magazine Vi, which changed its advertising agency in 2002.

## Internet bookseller Bokus becomes a wholly owned subsidiary

KF has acquired the remaining 50 per cent of the shares in Bokus AB, which thus became a fully owned subsidiary. The Internet bookseller Bokus became a fifth business area in KF Media as from 2003. Bokus is the leading Swedish Internet bookseller, and has its head office in Malmö.

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**MD and CEO:** Börje Fors

**Number of outlets within Akademibokhandeln:** 49 (48)

**KF Media sales:** 1,935 MSEK (1,515 MSEK)

**Average number of employees:** 902; 576 women and 326 men

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**PAN VISION**

**P.A. Norstedt & Söner AB**

# KF Real Estate

KF Real Estate's business concept is to work with customers to create, run, improve and develop attractive, profitable workplaces with a focus on the co-operative retail sector.

Business activities in KF Real Estate are concentrated on two areas – the business's own real estate portfolio and real estate-related services to companies within the co-operative movement. The service operation includes portfolio management, development, construction project management and administration. KF Real Estate's own real estate portfolio consists of 80 properties with a market value of around 3,600 MSEK and a lettable area of 600,000 square metres.

Revenues totalled 556 MSEK, representing a reduction of 55 per cent compared to 2001, due to the creation of Coop Norden.

## Higher yield and increased values

The financial year started with around 50 per cent of the real estate portfolio being transferred to Coop Sverige Fastigheter AB as part of the transaction that saw the formation of Coop Norden. The aim in general has been to increase the value and the yield of the remaining real estate portfolio. KF Real Estate is running a number of development projects, and during the year has invested around 600 MSEK in renovations, extensions and acquisitions. Sales are another element of the task of increasing the yield.

During the year holdings including the following have been sold: the Holmen business centre in Falun, land in Bro, land in Bäckebol and the shares in Marieberg Centre and Valbo Shopping Centre.

Work has started on developing a competitive service operation. This has formed the basis of various real estate-related services, which comprise the core of a total contractor agreement with Coop Sverige.

## Active administration, development and restructuring

In the next three years there are good prospects of continuing improvement in financial results through realisation of the real estate portfolio's development potential. This includes the continued development of marketplaces such as Bäckebol, Tuna Park and Bromma City, combined with active administration and restructuring of the portfolio.

In 2003 KF Real Estate will be launching and marketing its service operation to the co-operative market, primarily targeting consumer co-operatives.

## Environmental policy for efficient energy use

Ongoing environmental policy activity is characterised by continued concentration on improved energy efficiency, in areas such as heat recycling and waste management. In conjunction with new investments or the replacement of old, energy-intensive plants, a transition is being made to more environment-friendly kinds of energy such as district heating. In the context of waste management, efforts have focused mainly on helping tenants in managed plants to implement statutory waste pre-separation.

Environmental work during the year has also been characterised by preparation for ISO 14001 certification. The development of an environmental management system has continued, and company management has adopted an environmental policy for the business. The year's activities also included staff training and internal environmental audits.

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**MD:** Bernt-Olof Gustavsson

**Income:** 556 MSEK (1,227 MSEK)

**Average number of employees:** 100; 37 women and 63 men

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**KF Real Estate shall become a leading real estate company for the retail sector, offering a unique combination of development-oriented services**

## KF Invest

KF Invest's job is to manage parts of KF's liquidity. The company's fund management consists partly of the management of shares – primarily publicly quoted shares – and partly of investments in venture capital companies. At the beginning of 2002 KF owned publicly quoted shares with a market value of 488 MSEK. Most of these (around 60 per cent) were sold off in March. At the end of 2002 the market value of the share portfolio was 123 MSEK.

KF Invest is also part owner of the venture capital

funds IDI (10 per cent), Litorina Kapital (22 per cent) and Baltic Rim Fund (16 per cent). KF Invest is also responsible for managing the parent company's holding in Nordico Equity I (12 per cent) and II (12 per cent). At the end of 2002 the book value of the venture capital holding was 144 MSEK (EVCA). The company also has a minor holding of non-quoted shares.

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**MD:** Magnus Håkansson

**Capital managed:** 267 MSEK

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## Vår Gård Kursgården AB

Vår Gård's business concept is to provide attractive conference and meeting solutions for companies, authorities and organisations. Vår Gård must also be the natural meeting place for all companies within the co-operative movement. Vår Gård must also be an inspiring meeting place for large and small groups with high demands in terms of service and quality. The cornerstones of the concept are a high level of service, first-class catering, an attractive, functional environment and conference activities with an emphasis on art, culture and gastronomy.

Since 1993 Vår Gård has been purely a conference facility, catering mainly for external guests. A deliberate focus on gastronomy and its own art collection has given Vår Gård a high profile in the conference sector.

Despite a general downturn in the conference sector, demand for Vår Gård's services remained good, and bookings were reasonably high during the year. Sales totalled 37 MSEK (36 MSEK).

### Increased focus on staff training and service

First-hand experience is crucial to guest satisfaction, and guests' perception of the quality of Vår Gård's products and services hinges on staff performance.

High priority is therefore given to the ongoing development of our service concept and several service training courses were conducted during the year.

The focus on customer care and sales has intensified during the year, and this will continue during 2003.

The conference milieu is another vital determinant of guest satisfaction, and to further strengthen Vår Gård's position

several of the conference rooms were renovated during the year. Conference room renovation investments totalled around 5 MSEK.

### Active environmental work

Vår Gård has an active environmental policy and has environmental certification from the industry organisation Svenska Kursgårdar.

As part of our environmental management, Vår Gård's restaurant has been KRAV-certified and offers KRAV-certified meals. The daily breakfast buffet is KRAV-certified, and most of the products served are Fair Trade products.

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**MD:** Monica Rasmusen

**Income:** 37 MSEK (36 MSEK)

**Average number of employees:** 41; 32 women and 9 men

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## KF Society Audit

KF Society Audit shall help to ensure that the consumer co-operatives' business is conducted safely and efficiently.

Its task is to check, in accordance with accepted auditing practice, the consumer co-operatives' annual accounts and bookkeeping, as well as the Board of Directors' and the MD's administration.

The purpose of the audit is to produce an auditors' report in respect of the consumer co-operative's annual accounts and a set of consolidated accounts, as well as the Board of Directors' and the MD's administration. The task also includes checking, in accordance with the relevant consumer co-operative's statutes, the co-operative's management and informing the co-operative's management body of the audit's observations with regard to the state of the co-operative, and ensuring that a delegation of work is set up internally between the auditors and with the control bodies that the co-operative has set up.

Checking of the consumer co-operative's manage-

ment takes as its starting point analyses of the company and the retail trade's economic information. Audit work also takes into account consumer co-operative values.

Information from the consumer co-operatives' financial reporting is obtained, compiled and presented to KF's Board of Directors twice a year.

The occurrence of significant product flows and cashflows with attractive products and cash within the co-operative movement means that there is an increased need for KF Society Audit's contribution to the safety and efficiency of the consumer co-operatives.

The formation of Coop Norden has meant that the function as supplier of audits of KF and its subsidiaries has ceased. The number of employees has been reduced during the year to adapt to the future workload.

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**Manager:** Erik Ambrén

**Operating income:** 5 MSEK (7 MSEK)

**Average number of employees:** 7; 1 woman and 6 men

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## Retail associations

The retail associations' activities have performed well during 2002. Total sales (excluding VAT) exceeded 16,000 MSEK, representing an increase in sales of more than 700 MSEK. Volume growth totalled 1.5 per cent, or 3.1 per cent excluding the Gustavsberg co-operative, which merged during 2001. It is above all the co-operatives' hypermarkets and supermarkets

that have formed the basis of this excellent growth, although the smaller outlets have also increased their sales volumes.

At present there are 60 active retail associations in Sweden, with a total of 1.1 million members, representing around 40 per cent of total membership strength.

## Market shares

The co-operative movement's total share of the FMCG market in Sweden remained unchanged at 18.4 per cent compared to 2001. The co-operatives' share increased a little during the year, while Coop Sverige experienced a slight reduction. During the year the FMCG market increased in volume by 1.7 per cent.

The co-operative movement's share of the special products market fell by 0.6 per cent to 8.1 per cent. This includes special sales in Coop Sverige, retail associations and KF's specialist companies. During the year the special products market increased in volume by 6 per cent.

# Rapid transformation of the Nordic FMCG market

In the last ten years a period of weak or average market growth combined with tougher competition has placed the Nordic FMCG sector under increasingly strong pressure to change. The major players have responded with mergers, aim at achieving economies of scale and streamlining operations. Efforts at present are focused on involvement in a structural change on an international basis, either through partnerships or mergers. The Nordic consumer co-operatives excellently placed for creating greater value for their members and customers by making use of this internationalisation. Coop Norden was established with this background in mind.

## Coop Norden

Since 1 January 2002 there has been a new player in the Nordic FMCG market. The Coop Group brings together Scandinavia's co-operative forces in a range of FMCGs aimed at both members and other customers. The basic task is to provide products and services based on members' requirements and preferences, but the new organisation is also better placed to deal with tougher competition and create long-term profitability.



Coop is based on co-operative values and principles. Its activities must create not only economic benefits but also social and environmental added value. The aim is to realise the benefits of the merger through more than twenty integration projects. These must accrue to the Coop Group's owners and members, and at the same time improve the competitive edge.

With more than 2,000 outlets and around 28,000 employees in Denmark, Norway and Sweden, the Coop Group is one of the leading players in the FMCG sector.

Customers visit Coop in the various countries' stores and chains. The group operates a total of 14 different

retail concepts. Sales to consumers in the retail segment total 63,707 MSEK including VAT. The group's total sales excluding VAT are 81,195 MSEK.

The Coop Group's operational business is run through the three subsidiaries in Denmark, Norway and Sweden. Market expertise and proximity to members and customers are prerequisites for success. The Nordic integration process enters its second phase in 2003, at an increased tempo.

## Coop Norden – the first year

Coop Norden has been run as a homogenous group since 1 January 2002. It was formally established on 20 June, with retrospective effect from 1 January. In June the owners contributed most of their operations in the three countries plus capital in exchange for shares in the ownership of Coop Norden.

Coop Norden's first financial year produced clear operating successes for Coop Sverige, Coop Danmark and Coop Norge. At the same time the costs of converting OBS! Danmark into Kvickly xtra and structural costs in connection with the formation of the group have had a negative effect on profits.

Operating income totalled 83,922 MSEK in 2002. In 2001, before the business was integrated into Coop Norden, comparable proforma turnover was 80,391 MSEK, corresponding to a sales increase of 4.4 per cent.

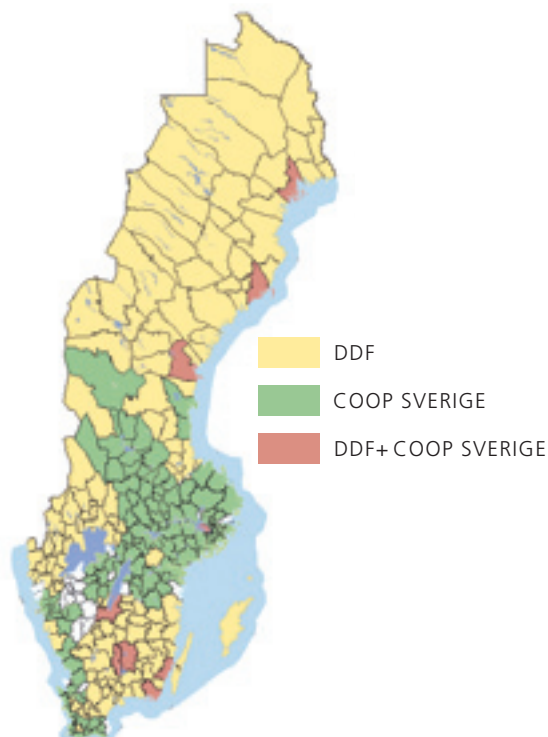
The group's total operating profit was 109 MSEK. The net operating profit, i.e. the profit excluding major one-off costs and the transition to consolidated accounting principles, was 615 MSEK (pro forma figure for the previous year 341 MSEK). One-off costs during the year involved the conversion of OBS! Danmark and structural costs relating to the creation of the group, as well as extra provisions for pensions in Coop Sverige. There was a loss after tax of 205 MSEK.

# The Coop Group in Sweden

The Coop Group's wholly owned subsidiary in Sweden runs the two retail chains and Coop Forum, Sweden's biggest hypermarket chain with 43 outlets, and Coop Konsum, Sweden's biggest integrated FMCG chain with 373 outlets.



Coop Sverige has operations in 124 municipalities. The retail associations have operations in 136 municipalities. In 6 municipalities there are both Coop Sverige and retail associations, and in 22 municipalities there are no co-operative FMCG outlets.



Sales in Coop Sverige increased in 2002 by 3.9 per cent to 27,315 MSEK. Coop Forum's sales in particular have shown a positive trend.

The net operating profit improved by around 178 MSEK to 270 MSEK.

The own brands enjoyed excellent sales growth, especially the Signum range, which increased by 22 per cent.

Sales of organic food increased particularly in Coop Forum, with an increase of 30 per cent.

## Coop Forum

Coop Forum is aimed at customers on their main shopping trip who want a simple, rational way of doing their everyday shopping in one place. Coop Forum offers customers everything under one roof, with the broadest combination of FMCGs, special products and DIY & Garden in the market, all at low prices. The customer with the highest priority is the member. Significant economic benefits must make the member notice that it is profitable to shop at Coop Forum.

Coop Forum aims to be a parent's best friend, partly through targeted special offers, play areas for children in the hypermarket and through its "Prickard" children's club.



There used to be four hypermarkets owned by co-operatives – B&W, Coop Forum, Robin Hood and OBS!. These concepts have now been unified under the Coop Forum concept. In conjunction with the re-profiling process, most stores were renovated or modified, and the product range was strengthened. The last hypermarkets will be ready in 2003, but even now we can see the benefits of bringing all the resources and expertise into one retail concept and one organisation. The Coop Forum hypermarket concept has grown rapidly since its launch in the second half of 2001. Sales in 2002 grew by 5 per cent to 11,700 MSEK.

All of Coop Forum's 43 hypermarkets have satisfied the Swedish Society for Nature Conservation's criteria for Good Environmental Choice. Work on achieving eco-labelling for the whole chain has been under



way for more than two years. Coop Forum now meets not only the 76 obligatory criteria, but also a large number of optional ones. Coop Forum's hypermarkets now observe a total of 116 commitments. These include everything from eco-labelled electricity and pre-separation of waste to a range of KRAV-labelled foods. All restaurants and hypermarkets were also KRAV-certified in 2002.

1998 saw the launch of a new system based on the idea of making it easier, smoother and more convenient for members to shop. The tool is a hand-held scanner, which members operate themselves to read the products as they put them in bags in the shopping trolley. The purchases are registered, and once approved the total is charged directly to the member's card. The concept is now a part of Coop Forum's strategy for the future, and has been a great success. At present more than 100,000 members are registered as Shop Express customers.

## Coop Konsum

Coop Konsum is Sweden's biggest integrated FMCG chain. Coop Konsum's 373 outlets offer customers ex-



cellent road access and centrally located, near-to-home stores where they can shop quickly, easily, well and healthily. The stores are divided into the retail profiles Coop Konsum and Coop Extra. Coop Konsum's most important target group is people in the

lower middle-age bracket with modern values. The Coop Extra profile is part of the Coop Konsum concept, and aims to provide pleasures of the table, food expertise and bulk shopping at outstandingly good prices.

Coop Konsum's sales have performed very well in the newly-introduced, bigger Konsum outlets under the Coop Extra name and in outlets run by Konsum entrepreneurs. Total sales in Coop Konsum increased by 2 per cent to 11,200 MSEK



Coop Konsum's sales of organic food increased by 27 per cent in 2001 and by 22 per cent in 2002. The increase has been steady for the last 15 years, and really took off in 2001, when Coop Konsum sold 29,000 tonnes of organic food, 80 per cent of which comprised fresh products, and continued in 2002. This meant, for example, that all the customers shopping organic milk helped to bring down the use of pesticides by 4,100 kg and the use of artificial fertiliser by something like 300,000 kg.

Coop Konsum was awarded the Swedish Publishers' Association's "Paperback Friend of the Year 2002" prize for its decision to include paperbacks in the stock range of Coop Konsum's outlets. The reward for the company's efforts was not just a prize, but also commercial success. In one-and-a-half years Coop Konsum has managed to become one of the biggest sellers of paperbacks in Sweden. Sales increased by around 20 per cent in 2002.



# Directors' Report

The Board of Directors and the Managing Director hereby submit the following annual report on the activities of the Swedish Co-operative Union (KF).

## The Swedish Co-operative Union's new tasks

During the 1990s the KF Group changed from a conglomerate to a retail company. Most of the specialist trade operations were sold off during the 1990s, having previously been acquired and developed during the 1980s. In 2002 KF's FMCG-based retail business was transferred to the newly established Coop Norden, of which KF owns 42 per cent. This has meant a radical change in KF's role. KF has three tasks: union-related tasks, ownership tasks and business development tasks.

KF is and must remain the joint union of the consumer co-operatives, with the task of working with the co-operatives to develop co-operative membership.

To be a strong owner KF must be profitable and financially stable. Competence is being developed for strategic and financial owner management within the business areas in which KF represents the co-operative movement's interests.

All business development undertaken by KF starts with the membership base, which belongs uniquely to the co-operatives and KF, and the Coop MedMera membership card. The purpose is to add value to membership beyond what is available in the FMCG sector's hypermarkets and stores.

## The group's sales and financial results

In 2002 the group's total sales were 18,494 MSEK (32,198 MSEK), a reduction of 43 per cent. This reduction is due to the transfer of the FMCG business to Coop Norden and the fact that previous years' sales are thus no longer consolidated within KF. Of the group's sales, 11,970 MSEK relates to KF's trade with the members of the member associations, which is managed by KF Card, and 6,524 MSEK relates to sales by KF's subsidiaries. KappAhl accounts for 59 per cent of the subsidiaries' sales, and had a sales increase for comparable units of 5 per cent. KF Media accounts for 30 per cent, and this group had the biggest sales increase during the year of 28 per cent.

The group's result after financial items was -280 MSEK (-662 MSEK). The group's financial results have been adversely affected by problems with the results in the operating businesses KappAhl, Coop Elektro, Coop Norden and Coop Bank, as well as by the poor performance of the stock market.

In spite of this, the net debt/equity ratio fell from 1.1 to 0.5, and the equity/assets ratio improved from 27 per cent to 39 per cent. The liquidity situation improved during the year and is now very healthy. At present KF has no borrowing from the banking system.

## KF Parent Society

The central organisation within the KF Parent Society has changed and been rationalised to correspond to the three sets of tasks in KF's new role. The parent company's central organisation now consists of the functions Union Secretariat, Co-operative Matters, Economy and Finance, as well as KF Card and KF Savings Association. The central administrative functions have been reduced. Coop Health has been wound up, with parts being transferred to Coop Sverige.

## KF Savings Association

KF Savings Association manages deposits from members at competitive interest rates in capital accounts and 5-year loans. Total deposits increased, and at the end of the year totalled 3,049 MSEK (2,679 MSEK).

## KF Card

KF Card is responsible for the Coop MedMera concept, involving the membership card that is common to all co-operatives. The card, which has a payment and credit function, can be used in Coop Sverige's and the retail associations' stores and hypermarkets, as well as in KF's specialist outlets, and it also acts as a unifying brand. Members are also offered purchases, services and member benefits from partners such as OKQ8, Vattenfall and others. The co-operatives also offer local benefits with Coop MedMera.

During the year 155 million purchases were made for which points were registered, representing total sales of

more than 36 billion. The average purchase increased by 5 per cent. Bonus vouchers were issued representing total discounts equivalent to around 420 MSEK.

Approx. 120,000 members have signed up to Bistånd På Köpet since its launch in October 2001, and more than 3.1 MSEK in aid has been generated to Co-operation Without Borders and the Vi Agroforestry Foundation.

## **KF Media**

KF Media, which is a major book company, will broaden its scope within the media field, concentrating primarily on Sweden and in the second instance on the Nordic region. During the year the business involved booksellers, book publishers, interactive media and magazines. As from February 2003 the business will be extended, through the acquisition of Bokus AB to include a fifth business area, namely on-line bookselling.

The book selling business through the Akademi-bokhandeln Group had a successful year, with a significant increase in sales and an improved profit. The book-publishing business, run within P.A. Norstedt & Söner AB, recorded good, steady sales and profitability. The business in the interactive field run by PAN Vision AB has undergone an extensive process of change with significant restructuring costs, which has affected the financial result. KF Tidningsförlag was wound up during the year, and the magazine business now consists entirely of the magazine "Vi". The KF Media Group posted an operating profit of 39 MSEK (see definition on page 42).

## **KappAhl**

The extensive work, started in late 2001, to redress the negative performance of KappAhl has continued. A new MD was appointed during the second quarter, and a new management group was then put together. The international expansion process has been terminated, and operations have now been concentrated on Sweden, Norway and Finland. The winding up of the Czech business started during the autumn, and KappAhl's Danish subsidiary MacCoy was sold off at the end of the year. A new retail organisation has been introduced, aimed at more efficient pooling of our expertise in the fields of shop management and sales. A new distribution centre became operational during the spring.

KappAhl has successfully inflected the downward trend, with improved performance during the second

half of the year. The Ladies category performed well during the year, and there was also growth in the Children's category. There was an operating loss of 78 MSEK.

## **KF Real Estate**

KF Real Estate shall work with its customers to create, run, improve and develop attractive, profitable workplaces with a focus on the co-operative retail sector. The company has two business areas, its own real estate portfolio and a service business that offers real estate-related services to companies in the co-operative movement. The company's own real estate portfolio consists of 80 properties with a market value of 3.6 billion kronor. The business's operating profit for 2002 was 126 MSEK. The direct yield was 5.8 per cent and the total yield exceeded 10 per cent (see definition on page 43). The streamlining of the real estate portfolio means that KF Real Estate is well placed to continue to report stable profitability with improved direct yield and total yield.

## **KF Invest**

KF Invest consists of two businesses, one of which manages quoted shares, while the other invests in venture capital companies and unquoted shares. During the year shares worth 369 MSEK were sold, 350 MSEK at the beginning of the year. At the end of the year the remaining shares had a market value of 123 MSEK (488 MSEK). KF Invest's investments in venture capital companies and unquoted shares, including IDI, Litorina kapital and Baltic Rim Fund, have a book value of 126 MSEK (188 MSEK).

## **Vår Gård Kursgården AB**

Vår Gård offers attractive conference and meeting facilities for companies, authorities and organisations, and is the natural meeting place for all companies in the co-operative movement. Despite a general downturn in the conference sector, demand for Vår Gård's services remained good, and bookings were satisfactory during the year. Vår Gård reported an operating profit of 0.4 MSEK.

## **KF Society Audit**

KF Society Audit's task is to check the consumer co-operatives' annual accounts and bookkeeping, as well as the Board of Directors' and the MD's administration, in accordance with accepted auditing practice.

This task also includes checking the co-operatives' management and informing the co-operative's management body of any observations resulting from the audit.

During the year the workforce was reduced by one-third, or three people, as it adapted to the future workload. Due to this restructuring process, KF Society Audit posted an operating loss for the year of 3.6 MSEK.

### Coop Norden

Coop Norden was finally founded with the transfer of property in kind from the three part-owners Coop NKL, FDB and KF at the end of June 2002, with retrospective effect from January 1st 2002. The first step towards the creation of a Nordic FMCG group has thus been completed. During the first year synergies were achieved through joint purchasing. The foundations have also been laid for work on co-ordinating the businesses in Denmark, Norway and Sweden to create an efficient group that will achieve the synergies planned and the financial targets defined.

Coop Norden's first financial year was characterised by acceptable financial results from retail operations. However, three factors had an extremely negative impact on results: the cost of converting OBS! Danmark into Kvickly Xtra, structural costs relating to the creation of the group, and pension costs in Coop Sverige relating to the poor performance of the stock market. Coop Norden posted an operating profit of 109 MSEK, and a loss after taxes of 205 MSEK.

### Coop Bank

Coop Bank was formed in the autumn of 2001 by KF (45 per cent), Skandia Liv (35 per cent) and Telia AB (20 per cent). Coop Bank aims to offer everyday financial services on competitive terms in a simple, attractive bank for a large number of people. It is based on the co-operative retail system. Coop Bank received its charter from the Financial Supervisory Authority in May 2002, and has been operating on a pilot basis since October 2002. During the course of this project the major banks have raised their deposit rates, and many of the new banks have encountered greater difficulties than expected in encouraging people to change bank. The project has also taken longer and cost much more than planned. All of this means that

the project will require considerably more capital if it is to succeed. These changes in the market conditions are being assessed by the part-owners.

### Coop Elektro

During the first year Coop Elektro experienced major problems in its financial results, and the business has undergone a structural change. The Norwegian stores were sold off and the business in Finland was wound up. During the early part of 2003 the wholesale business was sold to Coop Norden. Since the beginning of 2003 the Swedish stores have been a part of a new joint venture, Power Hemelektronik AB, owned by Expert ASA (49 per cent), Coop NKL (27 per cent) and KF (24 per cent). KF has thus reduced its exposure and commercial risk in this business, which, with its new ownership structure, is expected to achieve much better results in 2003.

### Other businesses

During the year the cosmetic chain Kicks, the holding in the real estate company Atrium and the holding in Inserator AB were all sold off. KF has also transferred three quarters of its commitment in Nordico Invest Fund I and Fund II. At the beginning of 2003 KF acquired the remaining 50 per cent of the shares in Bokus AB. Bokus was then incorporated into KF Media.

### Proposed disposition of unrestricted reserves

Unrestricted equity in the group at the year-end was 775 MSEK. According to the parent association's balance sheet, the following is at the disposal of the association's AGM:

Retained earnings	1,370,529,132.07
Profit/loss for the year	- 996,650,781.50
	<hr/> 373,878,350.57

The Board of Directors and Managing Director propose that these funds be distributed as follows:

To reserves	-
Interest on capital invested	78,234,351.70
Interest on debenture investments	73 713,649.84
Carried forward	221,930,349.03
	<hr/> 373,878,350.57

## The KF Group's Profit & Loss Account

MSEK	Note	2002	2001
Sales	1	18,494	32,198
Cost of goods sold	2	– 15,515	– 23,463
<b>GROSS PROFIT/LOSS</b>		<b>2,979</b>	<b>8,735</b>
Cost of sales	2	– 2,702	– 8,888
Administrative expenses	2	– 656	– 950
Other operating income		714	915
Other operating expenses	2	– 182	– 143
Participation in associated companies' profit/loss	3	23	– 55
Participation in joint ventures' profit/loss	4	– 297	– 48
<b>OPERATING PROFIT/LOSS</b>	2, 5, 26, 27	<b>– 121</b>	<b>– 434</b>
Financial income and expenses	6, 7	– 159	– 228
<b>PROFIT/LOSS AFTER FINANCIAL ITEMS</b>	10	<b>– 280</b>	<b>– 662</b>
Tax	9	– 1	58
<b>NET PROFIT/LOSS FOR THE YEAR</b>		<b>– 281</b>	<b>– 604</b>

## The KF Group's Balance Sheet

MSEK	Note	31-12-2002	31-12-2001
<b>ASSETS</b>			
<b>FIXED ASSETS</b>			
Intangible fixed assets	II	545	660
Tangible fixed assets	I2	3,278	7,715
Financial fixed assets	I3, 28		
Interest-bearing		872	185
Non interest-bearing		2,152	1,446
		3,024	1,631
Total fixed assets		<b>6,847</b>	<b>10,006</b>
<b>CURRENT ASSETS</b>			
Stock	I4	906	3,220
Current receivables	I5, I6		
Interest-bearing		1,174	518
Non interest-bearing		1,585	1,767
		2,759	2,285
Short-term investments		163	545
Cash and bank balance		488	950
Total current assets		<b>4,316</b>	<b>7,000</b>
<b>TOTAL ASSETS</b>		<b>11,163</b>	<b>17,006</b>

## The KF Group's Balance Sheet

MSEK	Note	31-12-2002	31-12-2001
<b>EQUITY, PROVISIONS AND LIABILITIES</b>			
<b>EQUITY</b>	17		
Restricted equity			
Capital invested		1,565	1,514
Restricted reserves		2,021	1,816
		<u>3,586</u>	<u>3,330</u>
Unrestricted equity			
Unrestricted reserves		1,056	1,670
Profit/loss for the year		-281	-604
		<u>775</u>	<u>1,066</u>
Total equity		<b>4,361</b>	<b>4,396</b>
<b>DEBENTURE LOAN</b>	19	<b>0</b>	100
<b>GUARANTEE CAPITAL</b>	20	<b>20</b>	20
<b>PROVISIONS</b>	21		
Interest-bearing		57	55
Non interest-bearing		61	160
		<u>118</u>	<u>215</u>
<b>LONG-TERM LIABILITIES</b>			
Interest-bearing	22, 23	3,099	2,960
Non interest-bearing		0	32
		<u>3,099</u>	<u>2,992</u>
<b>SHORT-TERM LIABILITIES</b>	22, 24		
Interest-bearing		1,851	3,876
Non interest-bearing		1,714	5,407
		<u>3,565</u>	<u>9,283</u>
<b>TOTAL EQUITY, PROVISIONS AND LIABILITIES</b>		<b>11,163</b>	<b>17,006</b>
Assets pledged	22	530	1,040
Contingent liabilities	25	108	266

## The KF Group's Cashflow Statement

MSEK	2002	2001
Operating income	19,208	33,113
Operating expenses	– 19,055	– 33,811
Change in provision for structural measures	0	367
Participation in associated companies' profit/loss	23	– 55
Participation in joint ventures' profit/loss	– 297	– 48
Reversal of depreciation	345	810
<b>OPERATING PROFIT/LOSS EXCL. DEPRECIATION</b>	<b>224</b>	<b>376</b>
Change in working capital		
Stock	2,314	– 113
Accounts receivable	290	– 128
Other non interest-bearing current assets	– 108	70
Accounts payable	– 1,963	272
Other non interest-bearing short-term liabilities	– 1,730	117
Non interest-bearing provisions and long-term liabilities	– 131	– 432
Total change in working capital	– 1,328	– 214
<b>OPERATIONAL CASHFLOW BEFORE INVESTMENTS</b>	<b>– 1,104</b>	<b>162</b>
Net investments in fixed assets		
Intangible fixed assets	– 30	– 303
Buildings and land	2,362	– 257
Other tangible fixed assets	1 875	– 1,050
Non interest-bearing financial fixed assets	– 560	252
Net investments	3,647	– 1,358
<b>OPERATIONAL CASHFLOW</b>	<b>2,543</b>	<b>– 1,196</b>
Net financial items	– 159	– 228
Tax	– 1	58
<b>FINANCIAL CASHFLOW</b>	<b>– 160</b>	<b>– 170</b>
<b>TOTAL CASHFLOW</b>	<b>2,383</b>	<b>– 1,366</b>
Change in external financing		
Interest-bearing current assets	188	361
Interest-bearing financial fixed assets	– 687	216
Short-term interest-bearing liabilities	– 2,025	828
Long-term interest-bearing liabilities and provisions	141	44
<b>NET EXTERNAL FINANCING</b>	<b>– 2,383</b>	<b>1,449</b>
Change in debenture loan	– 100	–
Other changes in equity	100	– 83
<b>TOTAL OTHER FINANCING</b>	<b>0</b>	<b>– 83</b>
<b>TOTAL FINANCING</b>	<b>– 2,383</b>	<b>1,366</b>



## Profit and Loss Account: KF Parent Society

MSEK	Note	2002	2001
Sales	1	12,020	159
Cost of goods sold	2	– 11,994	– 40
<b>GROSS PROFIT/LOSS</b>		<b>26</b>	<b>119</b>
Cost of sales	2	– 320	0
Administrative expenses	2	– 176	– 492
Other operating income		377	131
Other operating expenses	2	– 120	– 470
<b>OPERATING PROFIT/LOSS</b>	26, 27	<b>– 213</b>	<b>– 712</b>
Financial income and expenses	6, 7	– 929	– 135
<b>PROFIT/LOSS AFTER FINANCIAL ITEMS</b>		<b>– 1,142</b>	<b>– 847</b>
Year-end allocations	18	1	95
Tax	9	144	148
<b>NET PROFIT/LOSS FOR THE YEAR</b>		<b>– 997</b>	<b>– 604</b>

## Balance Sheet: KF Parent Society

MSEK	Note	31-12-2002	31-12-2001
<b>ASSETS</b>			
<b>FIXED ASSETS</b>			
Intangible fixed assets	II	2	1
Tangible fixed assets	I2	294	210
Financial fixed assets	I3, 28		
Interest-bearing		746	176
Non interest-bearing		4,763	4,791
		5,509	4,967
Total fixed assets		<b>5,805</b>	<b>5,178</b>
<b>CURRENT ASSETS</b>			
Stock	I4	5	5
Current receivables	I5		
Interest-bearing		4,047	7,508
Non interest-bearing		395	373
		4,442	7,881
Short-term investments		40	56
Cash and bank balance		384	352
Total current assets		<b>4,871</b>	<b>8,294</b>
<b>TOTAL ASSETS</b>		<b>10,676</b>	<b>13,472</b>

## Balance Sheet: KF Parent Society

MSEK	Note	31-12-2002	31-12-2001
<b>EQUITY, PROVISIONS AND LIABILITIES</b>			
<b>EQUITY</b>	8, 17		
Restricted equity			
Capital invested		1,565	1,514
Debenture investments		1,145	963
Statutory reserve		747	747
		<u>3,457</u>	<u>3,224</u>
Unrestricted equity			
Retained earnings		1,370	1,756
Profit/loss for the year		- 997	- 604
		<u>373</u>	<u>1,152</u>
Total equity		<b>3,830</b>	<b>4,376</b>
<b>UNTAXED RESERVES</b>	18	<b>10</b>	11
<b>DEBENTURE LOAN</b>	19	<b>0</b>	100
<b>GUARANTEE CAPITAL</b>	20	<b>20</b>	20
<b>PROVISIONS, NON INTEREST-BEARING</b>	21	<b>22</b>	22
<b>LONG-TERM INTEREST-BEARING LIABILITIES</b>	22, 23	<b>3,099</b>	2,679
<b>SHORT-TERM LIABILITIES</b>	22, 24		
Interest-bearing		3,328	5,825
Non interest-bearing		367	439
		<u>3,695</u>	<u>6,264</u>
<b>TOTAL EQUITY, PROVISIONS AND LIABILITIES</b>		<b>10,676</b>	<b>13,472</b>
Assets pledged	22	274	794
Contingent liabilities	25	287	306

## Cashflow Statement: KF Parent Society

MSEK	2002	2001
Operating income	12,397	290
Operating expenses	– 12,609	– 1,002
Operating profit/loss incl. depreciation	– 212	– 712
Reversal of depreciation	10	29
<b>OPERATING PROFIT/LOSS EXCL. DEPRECIATION</b>	<b>– 202</b>	<b>– 683</b>
Change in working capital		
Stock	0	– 5
Accounts receivable	– 3	– 11
Other non interest-bearing current assets	– 19	– 199
Accounts payable	– 48	77
Other non interest-bearing short-term liabilities	– 24	55
Non interest-bearing provisions and long-term liabilities	– 100	– 277
Total change in working capital	– 194	– 360
<b>OPERATIONAL CASHFLOW BEFORE INVESTMENTS</b>	<b>– 396</b>	<b>– 1,043</b>
Net investments in fixed assets		
Intangible fixed assets	– 1	– 1
Buildings and land	– 42	750
Other tangible fixed assets	– 53	70
Non interest-bearing financial fixed assets	28	– 667
Net investments	– 68	152
<b>OPERATIONAL CASHFLOW</b>	<b>– 464</b>	<b>– 891</b>
Net financial items	– 929	– 135
Tax	144	148
<b>FINANCIAL CASHFLOW</b>	<b>– 785</b>	<b>13</b>
<b>TOTAL CASHFLOW</b>	<b>– 1,249</b>	<b>– 878</b>
Change in external financing		
Interest-bearing current assets	3,445	– 1,936
Interest-bearing financial fixed assets	– 570	165
Short-term interest-bearing liabilities	– 2,497	2,195
Long-term interest-bearing liabilities and provisions	420	171
<b>NET EXTERNAL FINANCING</b>	<b>798</b>	<b>595</b>
Group contribution	369	379
Other changes in equity	82	– 96
<b>TOTAL OTHER FINANCING</b>	<b>451</b>	<b>283</b>
<b>TOTAL FINANCING</b>	<b>1,249</b>	<b>878</b>

# Comments on the accounts and notes

## Changes to the group structure during 2002

- KF Parent Society has transferred the shares in Coop Sverige AB and in the associated company OBS! Danmark A/S to Coop Norden AB, as payment in kind. Together with a cash contribution, KF Parent Society thus has an ownership share in Coop Norden AB of 42%.
- KF Parent Society has transferred the shares in KF Kosmetikkedjan AB to Åhléns AB. This was preceded by KappAhl AB transferring the shares to KF Parent Society.
- KF Parent Society has transferred the shares in the associated company Inserator AB to CIA Holding AB.
- KF Parent Society has transferred future investment commitments, profits and cost liabilities in Nordico Invest Fond I KB and in Nordico Invest Fond II KB to the Sixth AP Fund.
- KF Parent Society has transferred approx. 50% of the shares in the associated company Atrium Fastigheter AB to the Stockholm Co-operative Society, The Consumer Co-operative Pension Fund and The Consumer Co-operative Pension Foundation. The remaining shares were redeemed by Atrium Fastigheter AB in the form of a redemption procedure aimed directly at KF.

## Accounting principles

KF complies with the Annual Accounts Act and the recommendations and statements of the Swedish Financial Accounting Standards Council, except recommendation no. 7 of the Swedish Financial Accounting Standards Council on the reporting of cashflows, because KF now wishes to track the change in external net financing rather than the change in liquid funds.

As from 1 January 2002 the following recommendations of the Swedish Financial Accounting Standards Council have been applied: RR 1:00 *Consolidated accounts*, RR 15 *Intangible assets*, RR 16 *Provisions, contingent liabilities and assets*, RR 17 *Depreciation*, RR 19 *Businesses that are being wound up*, RR 21 *Wage costs* and RR 23 *Information about associated companies*. The introduction of these recommendations has not given cause to convert the profit and loss account and the balance sheet for the comparative year.

### *Consolidated accounts*

The Group's year-end accounts include the parent company and all subsidiaries in which more than 50 per cent of the voting rights are held or where a deciding influence is held in some other way. All companies in which the voting rights amount to between 20 and 50 per cent, with the exception of the holdings in Coop Norden AB and Coop Bank AB, are classified as associated companies. The holdings in Coop Norden AB and Coop Bank AB are classified as joint ventures.

The consolidated accounts are produced according to the acquisition method, meaning that the equity – including the calculated proportion of equity in untaxed reserves – that was in the subsidiary on the acquisition date is eliminated in full. Only the profit generated after the acquisition date is included in the Group's equity.

The consolidated profit and loss account includes companies acquired during the year at values relating to the time after the acquisition. The results of companies sold off during the year are included for the time during which they were owned.

### *Associated companies and joint ventures*

Associated companies and joint ventures are included in the consolidated accounts according to the equity method, except where the effect on the consolidated profit and loss account and the consolidated balance sheet is insignificant. In the consolidated profit and loss account the participation of profits in associated companies and joint ventures constitute a proportion of the profit/loss before tax adjusted for minority interest, if necessary reduced by any depreciation of surplus value. Shares of the companies' tax are posted under the Group's tax cost.

### *Conversion of foreign subsidiaries and associated companies*

The profit and loss accounts and balance sheets of foreign subsidiaries and associated companies are converted using the current method. According to this method, all items in the balance sheet must be converted at the closing rate, while all items in the profit and loss account must be converted using the average exchange rate for the period. Any differences arising are not reported via the profit and loss account, but have a direct effect on the Group's restricted or unrestricted reserves respectively.

## Comments on the accounts and notes

### *Structural costs and items distorting comparison*

In recent years the KF Group, as part of the ongoing changes within the Group, has undertaken a number of structural measures.

- Reductions in the number of employees in existing businesses.
- The release of premises in connection with the restructuring process.
- Value regulation of assets, often in connection with closures.

As the KF Group has a wide-ranging business in which various forms of restructuring are continuously under way in one form or another, income and expenses for this kind of activity are not posted as items distorting comparison for the KF Group.

### *Valuation of receivables and liabilities in foreign currency*

In the year-end accounts, receivables and liabilities in foreign currency are valued using the closing rate or the rate used for hedging. Unrealised profits and losses on the business's receivables and liabilities are posted net and added to the operating profit/loss. The corresponding net figure for financial receivables and liabilities is posted under other financial items.

### *Valuation of stock and accounts receivable*

Stock is valued at the lower of the purchase value and the actual value according to the "FIFO" method (first in, first out). Risks of obsolete stock have been taken into account. Uncertain accounts receivable are entered at the amounts expected to be paid after careful consideration.

### *Valuation of short-term investments*

Quoted shares are valued collectively using the so-called portfolio method, at the lower of the purchase value and the stock market value at the year-end for the total holding of quoted shares. Short-term, interest-bearing investments are valued at the lower of the purchase value and the value that they are expected to generate.

### *Valuation of tangible and intangible fixed assets*

Tangible and intangible fixed assets are valued at the purchase price minus depreciation according to plan and any write-downs. Value adjustments according to plan are based on the assets' acquisition values and their estimated economic service life. If there are any indications of a loss of value, an assessment is made of the recovery value. If the recovery value is less than the book value, the item is written down to this amount.

The following depreciation rates are applied for tangible and intangible fixed assets:

Buildings and land	1–5 %
Property equipment, fixture and fittings	10 %
Machinery and equipment	10–33 %
Patents and other intellectual rights	5–33 %
Goodwill	10–20 %

The difference between planned and book depreciation is posted under year-end allocations. Cumulative depreciation in excess of plan is posted in the balance sheet as untaxed reserves.

In the event that the positive effect of goodwill is expected to last for a period of more than five years, goodwill is depreciated during that period.

### *Valuation of financial fixed assets*

Shares and interests that are fixed assets are valued individually. If there are any indications of a loss of value, an assessment is made of the recovery value. If the recovery value is less than the book value, the item is written down to this amount. Shareholders' contributions made to cover losses are always written down.

### *Interest-bearing and non interest-bearing*

Assets and liabilities are divided into those that are interest-bearing and non interest-bearing. Interest is not equivalent to a dividend, and for this reason unquoted shares are posted as being non interest-bearing. Quoted shares are posted as interest-bearing, as the intention of the shareholding is short term, and the investment is made to generate a return that can be compared to interest. Receivables and liabilities in respect of group contributions and dividends are posted as interest-bearing.

### *Receivables and liabilities in respect of statements of account*

The KF Group and the co-operatives have a joint settlement system – the statement of account system. This system is used for settlement of goods deliveries and other invoicing.

### *Operating profit*

Operating profit is defined as the legal operating profit/loss adjusted to take into account items distorting comparison such as capital gains and write-downs.

### *Comparability with the previous year*

In order to maintain comparability between the years, certain reallocations have been made of amounts relating to 2001.



## Comments on the accounts and notes

### Key ratios

*The following key ratios are calculated for the Group:*

- ☐ EQUITY/ASSETS RATIO
- ☐ NET DEBT/EQUITY RATIO
- ☐ PROFIT MARGIN
- ☐ TURNOVER RATE OF CAPITAL EMPLOYED
- ☐ RETURN ON CAPITAL EMPLOYED
- ☐ INTEREST COVER
- ☐ RETURN ON EQUITY AFTER TAX

#### Definitions:

- the EQUITY/ASSETS RATIO is calculated as the sum of equity, guarantee capital, debenture loans and minority capital as a percentage of the balance sheet total.
- the NET DEBT/EQUITY RATIO is calculated as the net liability divided by equity. The net liability is calculated as the sum of interest-bearing liabilities including guarantee capital and debenture loans, minus the sum of interest-bearing assets.
- the PROFIT MARGIN is calculated as the profit before interest costs and exchange rate differences of financial loans as a percentage of sales.

• CAPITAL EMPLOYED is calculated as the sum of assets minus non interest-bearing liabilities, including deferred tax liability.

• the TURNOVER RATE OF CAPITAL EMPLOYED consists of sales divided by average capital employed. The average is calculated on the values as of 1 January and 31 December.

• RETURN ON CAPITAL EMPLOYED is calculated as the profit before interest costs and exchange rate differences on financial liabilities as a percentage of average capital employed.

$$\text{Return on capital employed} = \text{Profit margin} \times \text{Turnover rate on capital employed}$$

☐ INTEREST COVER is defined as the profit before interest costs and exchange rate differences on financial loans divided by the sum of interest costs and exchange rate differences on financial loans.

☐ RETURN ON EQUITY is calculated as the profit after tax as a percentage of average reported equity.

		2002	2001	2000	1999	1998
Equity/assets ratio	%	39.2	26.5	30.8	30.4	32.2
Net debt/equity ratio	times	0.53	1.10	0.66	0.61	0.32
Profit margin	%	0.2	Neg	2.1	1.8	1.4
Turnover rate of capital employed	times	1.8	2.9	2.9	3.2	3.2
Return on capital employed	%	0.4	Neg	6.3	5.7	4.6
Interest cover	times	0.1	Neg	2.4	2.4	1.7
Return on equity after ta	%	Neg	Neg	6.6	6.1	1.7

#### Definitions of other key ratios that are calculated for KF Real Estate:

- ☐ DIRECT YIELD is defined as net operating profit in relation to market value at the start of the year. Net operating profit is calculated as rental income minus costs of operation and maintenance.
- ☐ TOTAL YIELD is defined as the sum of the net operating profit and changes in market value minus investments divided by market value.

## Comments on the accounts and notes

### Note 1 Sales

MSEK	Group	
	2002	2001
KF Parent Society <sup>1)</sup>	11,970	–
Coop Sverige Group <sup>2)</sup>	–	26,284
KF Real Estate Group <sup>3)</sup>	556	1,227
KappAhl Group	3,869	3,683
Media Group	1,935	1,515
Other subsidiaries	201	547
Eliminations	– 37	– 1,058
Total sales, KF Group	18,494	32,198

<sup>1)</sup> As from June 2002 the activities within KF Parent Society were extended to include sales to members and retail associations.

<sup>2)</sup> As of 1 January 2002 the shareholding in Coop Sverige AB was transferred to Coop Norden AB.

<sup>3)</sup> Relates mainly to rent. The total includes 50 MSEK (159) that is posted as sales in KF Parent Society's profit and loss account, and relates to rent from the so-called Agreement Properties within KF Parent Society.

Sales to foreign buyers account for 1,231 MSEK (1,757). By tradition the term »sales« in retail excludes VAT, while the term »turn-over« includes VAT, which is why this item is not named in accordance with the legal terminology.

### Sales to associated companies and joint ventures

MSEK	Group	
	2002	2001
Associated companies	9	–
Joint ventures	247	–
Total sales to associated companies and joint ventures	256	0

### Note 2 Depreciation and write-downs

Depreciation and write-downs of tangible and intangible fixed assets are included at the following values:

MSEK	Group		Parent company	
	2002	2001	2002	2001
Cost of goods sold	125	119	6	28
Cost of sales	176	571	3	0
Administrative expenses	44	80	1	1
Other operating expenses	–	40	0	–
Total	345	810	10	29

### Leasing

The rental costs of assets financed through leasing for 2002 and the following four years amount to:

MSEK	2002	2003	2004	2005	2006
KF Group	8	8	7	6	6

Most of the rental contracts in retail are turnover-related, of varying duration and notice periods. As rents for premises are thus impossible to forecast with sufficient accuracy, these are not included in leasing costs.

### Note 3 Participation in associated companies' profit/loss

MSEK	Participation	Profit/loss before tax	
		2002	2001
Atrium Fastigheter AB <sup>1)</sup>	20%	22	61
Bibliotekstjänst AB	25%	4	1
Fastighets AB Marieberg Centrum <sup>1)</sup>	50%	44	1
Inserator AB <sup>1)</sup>	40%	7	3
Karlshamns AB (publ.) <sup>2)</sup>	22%	13	123
Månadens Bok HB	30%	6	5
Nordico Invest I och II <sup>4)</sup>	49%	– 24	– 24
Fastighets AB TEDOVAL <sup>1)</sup>	50%	77	0
OBS! Danmark A/S <sup>3)</sup>	33%	–	– 63
Skeidar Möbler & Interiör AB <sup>2)</sup>	33%	– 2	– 30
Coop Elektro AB	47%	– 100	– 68
Bokus AB	50%	– 16	– 44
Barnens Bokklubb AB	50%	4	5
Kastanjeblomma AB	38%	0	– 3
Other associated companies		– 12	– 22
Total participation in associated companies' profit/loss		23	– 55

<sup>1)</sup> Sold off during 2002. Of this profit, 120 MSEK relates to a capital gain.

<sup>2)</sup> Sold off during 2001. The profit relates to additional purchase price received and costs of sale.

<sup>3)</sup> As of 1 January 2002 the shareholding in OBS! Danmark A/S was transferred to Coop Norden AB.

<sup>4)</sup> Of future investment commitments, profits and cost liabilities, 75% have been transferred to the Sixth AP Fund. Of the loss, 21 MSEK relates to a capital loss. At the end of the year KF's ownership share was 12%.

### Note 4 Participation in joint ventures' profit/loss

MSEK	Participation	Profit/loss before tax	
		2002	2001
Coop Norden AB	42%	– 148	– 5
Coop Bank AB	45%	– 149	– 43
Total participation in joint ventures' profit/loss		– 297	– 48

### Note 5 Operating profit/loss

The profit/loss figures for the group are as follows:

MSEK	2002	2001
Coop Sverige <sup>1)</sup>		– 90
KF Real Estate incl. »agreement properties«	417	253
KappAhl	70	– 206
KF Media	9	79
KF Invest	– 13	– 15
Others including eliminations	– 330	– 352
Profit/loss from associated companies	23	– 55
Profit/loss from joint ventures	– 297	– 48
Total	– 121	– 434

## Comments on the accounts and notes

<sup>1)</sup> As of 1 January 2002 the shareholding in Coop Sverige AB was transferred to Coop Norden AB.

The group's operating loss includes a capital gain of 100 MSEK from the sale of the shares in KF Kosmetikkedjan AB.

### Note 6 Financial income and expenses

MSEK	Group		Parent company	
	2002	2001	2002	2001
<b>Profit/loss from participation in group companies</b>				
Dividends			–	–
Capital gains			33	– 20
Write-downs			– 625	– 120
Total			– 592	– 140
<b>Profit/loss from participation in associated companies</b>				
Dividends			21	70
Capital gains			10	232
Write-downs			– 126	– 200
Total			– 95	102
<b>Profit/loss from participation in joint ventures</b>				
Dividends			–	–
Capital gains			0	0
Write-downs			– 273	–
Total			– 273	0
<b>Profit/loss from other financial fixed assets</b>				
Dividends	34	1	34	0
Interest	62	17	62	17
Write-downs	– 43	– 57	– 25	0
Reversal of write-downs re. financial fixed assets	20	21	20	8
Total	73	– 18	91	25
<b>Other interest income and similar profit/loss items</b>				
Dividends	2	18	–	–
Interest	152	78	291	191
Capital gain from sale of financial current assets	– 14	125	–	–
Write-down of financial current assets	– 68	– 69	0	– 43
Reversal of write-downs re. financial current assets	16	–	16	0
Total	88	152	307	148
<b>Interest expenses and similar profit/loss items</b>				
Group companies			– 98	– 45
Other companies	– 320	– 362	– 269	– 225
Total	– 320	– 362	– 367	– 270
<b>Financial income and expenses</b>	– 159	– 228	– 929	– 135
of which profit/loss from group companies included in the item:				
Other interest income and similar profit items			161	153
Total			161	153

### Note 7 Total depreciation of financial fixed assets and short-term investments

MSEK	Group		Parent company	
	2002	2001	2002	2001
Heading:				
Profit/loss from financial fixed assets	– 43	– 57	– 1,049	– 320
Other interest income and similar profit/loss items	– 68	– 69	0	– 43
Total	– 111	– 126	– 1,049	– 363

### Note 8 Group contributions

Group contributions received by KF Parent Society amount to 517 MSEK (528) and group contributions made amount to 4 MSEK (1). Group contributions are posted directly to equity together with the associated tax effect.

## Comments on the accounts and notes

### Note 9 Tax

MSEK	Group		Parent company	
	2002	2001	2002	2001
Tax relating to items posted directly to equity	–	4	144	148
Relation between tax for the period and reported profit/loss before tax				
MSEK	Group		Parent company	
	2002	2001	2002	2001
Report profit/loss before tax	– 280	– 662	– 1,142	– 847
Tax at Swedish rate of 28%	– 78	– 185	– 320	– 237
<b>Tax effect of non-deductible expenses</b>				
Depreciation/write-down of group goodwill	12	11		
Write-down of shares	15	13	294	92
Allocation/reservation, non-deductible	2	6	–	5
Other non-taxable income	8	45	2	17
<b>Tax effect of non-taxable income</b>				
Utilisation of allocation/reserve, non-deductible	– 1	– 77	–	– 13
Dividend from shares and participations	– 10	–	– 15	– 6
Other non-taxable income	– 38	– 59	– 47	– 50
<b>Sales of shares, property and co-operative accommodation</b>				
Tax effect of sale of shares	– 4	– 89	5	– 120
Tax affect of sale of property and co-operative accommodation	6	14	0	87
<b>Tax loss carryforwards used</b>				
Use of previously activated tax loss carryforwards	2	–	–	–
Use of previously non-activated tax loss carryforwards	– 82	– 25	– 63	–
Losses for which tax loss carryforwards have not been reported	103	186	–	77
Adjustment of current tax for previous periods	1	2	–	–
Adjustment for tax rate in foreign subsidiaries	– 1	–		
Adjustment for tax in associated companies and joint ventures	65	85		
Others, net	1	15	–	–
<b>Total tax reported</b>	<b>1</b>	<b>– 58</b>	<b>– 144</b>	<b>– 148</b>

Deductible temporary differences/tax loss carryforwards that have not caused a reporting of a deferred tax liability

MSEK	Group		Parent company	
	2002	2001	2002	2001
Tax loss carryforwards	1,483	1,828	1,105	1,433
<b>Total</b>	<b>1,483</b>	<b>1,828</b>	<b>1,105</b>	<b>1,433</b>

Temporary difference relating to investments in subsidiaries, associated companies and joint ventures that have not caused a reporting of a deferred tax liability

MSEK	Group		Parent company	
	2002	2001	2002	2001
Reported value	3,394	4,579	4,742	4,596
Tax value	8,628	7,173	8,628	7,173
<b>Total</b>	<b>5,234</b>	<b>2,594</b>	<b>3,886</b>	<b>2,577</b>

Deferred tax liabilities and deferred tax assets classified per balance sheet category

MSEK	Group		Parent company	
	2002	2001	2002	2001
<b>Deferred tax liability</b>				
Other fixed assets (incl. any untaxed reserves)	–	26	–	–
<b>Total</b>	<b>0</b>	<b>26</b>	<b>0</b>	<b>0</b>
<b>Deferred tax assets</b>				
Allocations and long-term liabilities	–	3	–	–
Current assets and short-term liabilities	–	66	–	–
Tax loss carryforwards	17	63	–	–
<b>Total</b>	<b>17</b>	<b>132</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>17</b>	<b>106</b>	<b>0</b>	<b>0</b>

## Comments on the accounts and notes

### Note 10 Transactions with associates

As of June 2002 activities in KF Parent Society have been extended to include sales to members arranged via stores within Coop Sverige AB, as well as sales to consumer co-operatives. Associated goods purchased from Coop Sverige AB during 2002 amount to 11,969 MSEK.

The KF Group provides services in the field of real estate management for joint ventures and associated companies. These services include accounting, technical and financial management, office services, heating agreements, tenant representation and support in setting up. There are also services relating to major build-

ing projects. In 2002 the provision of such services totalled 54 MSEK to joint ventures. Rent invoiced to joint ventures and associated companies totalled 152 MSEK and 9 MSEK respectively.

In 2002 KF Media sold books and games to joint ventures to a value of 34 MSEK, as well as providing printing services to joint ventures to a value of 5 MSEK.

KF Card, a part of KF Parent Society, provides services consisting of the administration and marketing of the MedMera card (bonus points) as well as transactions relating to bank cards, debit cards and credit cards. In 2002 these services provided to joint ventures and associated companies amounted to 126 MSEK and 2 MSEK respectively.

### Note 11 Intangible fixed assets

GROUP MSEK	Capitalised development- expenditure	Patents, licenses, concessions trademarks, etc.	Leasehold rights, etc.	Goodwill	Advance intangible fixed assets	Total intangible fixed assets
<b>Cumulative purchase values</b>						
Opening historical value	108	67	23	1,146	11	1,355
New purchases	38	14	–	5	–	57
Divestments, retirements, closures	– 14	– 5	–	– 66	–	– 85
Reclassification/companies acquired	– 8	– 8	– 3	– 190	– 11	– 220
Conversion differences	–	0	–	30	–	30
Total purchase value	124	68	20	925	0	1,137
<b>Cumulative planned depreciation</b>						
Opening historical value	– 19	– 26	– 19	– 413	0	– 477
Divestments, retirements, closures	11	2	–	37	–	50
Reclassification/companies acquired	– 3	5	1	150	–	153
Planned depreciation for the year	– 32	– 20	– 1	– 64	–	– 117
Conversion differences	–	0	–	– 5	–	– 5
Total planned depreciation	– 43	– 39	– 19	– 295	0	– 396
<b>Cumulative write-downs</b>						
Opening historical value	0	0	0	– 218	0	– 218
Divestments, retirements, closures	–	–	–	28	–	28
Reclassification/companies acquired	–	–	–	25	–	25
Write-downs for the year <sup>1)</sup>	– 28	–	–	–	–	– 28
Conversion differences	–	–	–	– 3	–	– 3
Total write-downs	– 28	0	0	– 168	0	– 196
Reported value at year-end	53	29	1	462	0	545
Reported value at beginning of year	89	41	4	515	11	660

<sup>1)</sup> Write-downs for the year are reported under Cost of goods sold in the profit and loss account.

PARENT COMPANY MSEK	Patents, licenses, concessions trademarks, etc.	Total intangible fixed assets
<b>Cumulative purchase values</b>		
Opening historical value	1	1
New purchases	2	2
Divestments, retirements, closures	– 1	– 1
Total purchase value	2	2
Reported value at year-end	2	2
Reported value at beginning of year	1	1

## Comments on the accounts and notes

### Note 12 Tangible fixed assets

GROUP MSEK	Buildings	Land	Equipment tools, fixtures and fittings	New construction in progress	Total tangible fixed assets
<b>Cumulative purchase values</b>					
Opening historical value	5,002	798	4,646	412	10,858
New purchases, activated expenses <sup>1)</sup>	281	96	205	349	931
Divestments, retirements	– 642	– 115	– 83	–	– 840
Reclassification/companies acquired	– 1,939	– 299	– 3,478	– 685	– 6,401
Total purchase value	0	–	14	–	14
Summa anskaffningsvärde	2,702	480	1,304	76	4,562
<b>Cumulative planned depreciation</b>					
Opening historical value	– 546	– 25	– 2,490	0	– 3,061
Divestments and retirements <sup>1)</sup>	72	– 1	63	–	134
Reclassification/companies acquired	161	9	1,753	–	1,923
Planned depreciation for the year	– 35	– 1	– 141	–	– 177
Conversion differences	0	–	– 13	–	– 13
Total planned depreciation	– 348	– 18	– 828	0	– 1,194
<b>Cumulative write-downs</b>					
Opening historical value	– 82	0	0	0	– 82
Divestments, retirements, closures	3	–	–	–	3
Reclassification/companies acquired	15	– 3	0	–	12
Write-downs for the year	– 23	–	–	–	– 23
Total write-downs	– 87	– 3	0	0	– 90
Reported value at year-end	2,267	459	476	76	3,278
Reported value at beginning of year	4,374	773	2,156	412	7,715
<b>PARENT COMPANY MSEK</b>					
<b>Cumulative purchase values</b>					
Opening historical value	240	59	57	0	356
New purchases, activated expenses <sup>1)</sup>	73	8	59	5	145
Divestments, retirements	– 10	– 8	– 11	–	– 29
Reclassification/companies acquired	0	0	11	– 4	7
Total purchase value	303	59	116	1	479
<b>Cumulative planned depreciation</b>					
Opening historical value	– 84	– 5	– 45	0	– 134
Divestments and retirements <sup>1)</sup>	– 19	– 3	0	–	– 22
Reclassification/companies acquired	–	–	– 7	–	– 7
Planned depreciation for the year	– 3	0	– 7	–	– 10
Total planned depreciation	– 106	– 8	– 59	0	– 173
<b>Cumulative write-downs</b>					
Opening historical value	– 12	0	0	0	– 12
Total write-downs	– 12	0	0	0	– 12
Reported value at year-end	185	51	57	1	294
Reported value at beginning of year	144	54	12	0	210

<sup>1)</sup> This amount includes a reversal of a property transfer to KF Stormarknader AB that had taken place in 2001

Ratable values for property in Sweden MSEK	Group		Parent company	
	2002	2001	2002	2001
Buildings	1,646	2,805	167	122
Land	464	642	69	61
Total	2,110	3,447	236	182



## Comments on the accounts and notes

### Note 13 Financial fixed assets

GROUP MSEK	Participation in associated companies	Participation in joint ventures 1)	Receivables from joint ventures 2)	Other long-term securities	Other long-term receivables	Total financial fixed assets
<b>Cumulative purchase values</b>						
Opening historical value	950	0	0	450	326	1,726
Incoming assets/liabilities	153	1,010	684	18	12	1,877
Outgoing assets/regulated liabilities	– 913	– 481	–	– 24	– 57	– 1,475
Reclassifications/companies acquired	– 93	1,021	–	8	– 75	861
Exchange rate/conversion differences for the year	–	146	–	–	3	149
Total purchase value	97	1,696	684	452	209	3,138
<b>Cumulative write-ups</b>						
Opening historical value	9	0	0	0	0	9
Reclassification/companies acquired	– 9	–	–	–	–	– 9
Total write-ups	0	0	0	0	0	0
<b>Cumulative write-downs</b>						
Opening historical value	– 27	0	0	– 54	– 23	– 104
Outgoing assets/regulated liabilities	9	–	–	– 14	–	– 5
Reclassifications/companies acquired	18	–	–	–	–	18
Write-downs reversed during the year	–	–	–	–	20	20
Write-downs for the year	0	–	–	– 43	– 1	– 44
Total write-downs	0	0	0	– 111	– 4	– 115
Reported value at year-end	97	1,696	684	341	205	3,023
Reported value at beginning of year	932	0	0	396	303	1,631

<sup>1)</sup> For the holding in the joint venture Coop Norden AB during the period the proportion of equity exceeds KF's group value for the capital share. The difference is 77 MSEK.

PARENT COMPANY MSEK	Participation in group companies	Participation in associated companies	Participation in joint ventures	Receivables from joint ventures 2)	Other long-term securities	Other long-term receivables	Total financial fixed assets
<b>Cumulative purchase values</b>							
Opening historical value	3,781	1,422	0	0	194	197	5,594
Incoming assets/liabilities	642	132	1,010	684	8	9	2,485
Outgoing assets/regulated liabilities	– 16	– 906	0	0	0	– 144	– 1,066
Reclassifications/companies acquired	– 1,114	– 293	1,321	–	86	–	0
Total purchase value	3,293	355	2,331	684	288	62	7,013
<b>Cumulative write-downs</b>							
Opening historical value	– 149	– 458	0	0	0	– 20	– 627
Outgoing assets/regulated liabilities	–	152	–	–	–	–	152
Reclassifications/companies acquired	114	192	– 256	0	– 50	–	0
Write-downs reversed during the year	0	0	–	–	0	20	20
Write-downs for the year	– 626	– 126	– 272	–	– 25	–	– 1,049
Total write-downs	– 661	– 240	– 528	0	– 75	0	– 1,504
Reported value at year-end	2,632	115	1,803	684	213	62	5,509
Reported value at beginning of year	3,632	964	0	0	194	177	4,967

<sup>2)</sup> Includes 600 MSEK in convertible subordinated debentures in Coop Norden AB.

## Comments on the accounts and notes

### Note 14 Stock

MSEK	Group		Parent company	
	2002	2001	2002	2001
Raw materials and supplies	5	4	5	3
Work in progress	14	28	–	–
Finished goods and items traded	887	3,188	0	2
Total stock, etc.	906	3,220	5	5

### Note 16 Receivables/liabilities re. MedMera card holders

MedMera card holders are able to deposit money into their account. Card holders can also be granted credit, subject to a credit check. As from 1 October 2002 all active MedMera accounts were transferred to Coop Bank.

### Note 15 Current receivables

MSEK	Group		Parent company	
	2002	2001	2002	2001
Customer receivables	287	577	18	15
Receivables from MedMera card holders	–	129	–	–
Other receivables	1,022	856	358	585
Prepayments and accrued income	191	427	7	17
External receivables from statements of account	21	29	21	29
Receivables from associated companies	139	267	105	238
Receivables from joint ventures	1,099	–	1,057	
Receivables from group companies			381	738
Receivables from statements of acct., group companies			2,495	6,259
Total current receivables	2,759	2,285	4,442	7,881
<b>Prepayments and accrued income comprises:</b>				
Prepaid rents	72	216	–	–
Accrued interest	0	10	0	10
Bonus from suppliers	0	55		
Other	119	146	7	7
Total	191	427	7	17

### Note 17 Equity

GROUP MSEK	Capital invested	Restricted reserves	Unrestricted reserves	Profit/loss for the year	Total
According to balance sheet 31-12-2001	1,514	1,816	1,670	– 604	4,396
Allocation of previous year's profit/loss	51		– 755	604	– 100
Increase in debenture investments		182			182
Transfer between unrestricted and restricted capital		22	– 22		0
Conversion difference		1	163		164
Profit/loss for the year				– 281	– 281
According to balance sheet 31-12-2002	1,565	2,021	1,056	– 281	4,361

PARENT COMPANY MSEK	Capital invested	Debenture investments	Reserve fund	Profits carried forward	Profit/loss for the year	Total
According to balance sheet 31-12-2001	1,514	963	747	1,756	– 604	4,376
Consolidation of capital invested	51			– 51		0
Dividends				– 100		– 100
Other allocation of previous year's profit/loss				– 604	604	0
Group contribution				513		513
Tax on group contribution				– 144		– 144
Increase in debenture investments		182				182
Profit/loss for the year					– 997	– 997
According to balance sheet 31-12-2002	1,565	1,145	747	1,370	– 997	3,830

## Comments on the accounts and notes

### Note 18 Untaxed reserves

PARENT COMPANY MSEK	Value cf. bal. sheet 31-12-2001	Year-end- allocations	Value cf. bal. sheet 31-12-2002
Cumulative depreciation in excess of plan for real estate	11	- 1	10

### Note 19 Debenture loan

The conditional debenture loan of 100 MSEK was repaid in January 2002.

### Note 20 Guarantee capital

In connection with KF's take-over on 1 February 1987 of most of the OK associations' and other parties' investments in the OK union, an agreement was reached that the released funds would be transferred to KF Parent Society as guarantee capital. The loan of 20 MSEK is restricted until 01-01-2013, and is issued without any security.

### Note 21 Provisions

GROUP MSEK	FPG/PRI pensions 1)	Guarantee commitments 2)	MedMera bonus 3)	Other provisions	Total provisions
Opening historical value	20	5	93	97	215
Provisions for the year	1	-	1	17	19
Provisions utilised	-	-	-	- 5	- 5
Divestments/reclassifications	-	-	- 86	- 12	- 98
Reversed provisions	-	-	-	- 16	- 16
Conversion differences	-	-	-	3	3
At the year-end	21	5	8	84	118

PARENT COMPANY MSEK	Guarantee commitments 2)	Other provisions	Total provisions
Opening historical value	5	17	22
At the year-end	5	17	22

<sup>1)</sup> Within KappAhl 21 MSEK of the pension commitments are posted as liabilities via account provisions. These are secured by an insurance policy with FPG. Otherwise KF secures its pension commitments through the KP Pension & Försäkring foundation.

<sup>2)</sup> Relates to outstanding guarantees in connection with the divestment of businesses (applies until January 2004).

<sup>3)</sup> Purchases via the Coop MedMera membership card generate points for its holders. The provision has been made based on points generated but not yet redeemed at the year-end, with reference to the frequency of redemption and period of validity.

### Note 22 Assets pledged for debts

MSEK	Group		Parent company	
	2002	2001	2002	2001
For own benefit:				
<b>Debts to credit institutes</b>				
Property mortgages	474	976	251	771
<b>Assets pledged for purposes other than debts</b>				
Corporate mortgages	33	33		
Property mortgage	0	8		
Other assets pledged	23	23	23	23
	56	64	23	23
Total assets pledged	530	1,040	274	794

## Comments on the accounts and notes

### Note 23 Long-term liabilities

MSEK	Group		Parent company	
	2002	2001	2002	2001
<b>Medlemsinlåning<sup>1)</sup></b>				
Savings Association	2,580	2,189	2,580	2,189
5-year loan	469	490	469	490
Total loans to members	3,049	2,679	3,049	2,679
<b>Övriga långfristiga skulder<sup>2)</sup></b>				
Current account credit	–	125	–	–
Debts to credit institutes	50	156	50	0
Other liabilities	–	32	–	–
Total long-term liabilities	3,099	2,992	3,099	2,679

<sup>1)</sup> Loans to members consist mainly of savings from members in the consumer co-operatives, and also of investments from certain affiliated member organisations. Savings in KF's Savings Association are distributed across a number of different accounts. According to KF's 5-year loan, the lender may allow the funds to remain after the end of the first 5-year period at a somewhat reduced interest rate, with a one-year period of notice. The lender may also choose to leave the funds in place for a new five-year period on the same terms. The Savings Association's deposits and a small proportion of the 5-year loans are formally short-term loans, but as the total level of deposits is stable over time, this item is posted as a long-term liability.

<sup>2)</sup> All long-term liabilities fall due between 1 and 5 years from the year-end.

### Note 24 Short-term liabilities

MSEK	Group		Parent company	
	2002	2001	2002	2001
Liabilities to MedMera card holders	–	1,180		1,180
Debts to credit institutes	540	2,015	274	1,985
Accounts payable	599	2,562	56	104
Debts to group companies			1,130	1,696
Debts to associated companies	58	53	54	21
Debts to joint ventures	629	–	624	
External liabilities re. statements of account	705	681	705	681
Tax liabilities	5	–	–	–
Other liabilities	321	831	105	115
Accruals and prepaid income	708	1,961	104	89
Liabilities re. statements of account, group companies			643	393
Total short-term liabilities	3,565	9,283	3,695	6,264
<b>Accruals and prepaid income consist of:</b>				
Staff-related costs	252	1,013	11	16
Premium reserve in insurance business	118	117		
Goods supplied and not yet invoiced	8	23		
Other	330	808	93	73
Total	708	1,961	104	89

### Note 25 Contingent liabilities

MSEK	Group		Parent company	
	2002	2001	2002	2001
<b>For own benefit</b>				
Personal guarantees	36	161	2	3
Other	69	105	69	105
<b>For the benefit of subsidiaries</b>				
Borgensförbindelser	–	–	216	193
Other				
<b>For the benefit of associated companies</b>				
Personal guarantees	–		0	5
Other				
<b>For the benefit of joint ventures</b>				
Personal guarantees	3		0	0
Total	108	266	287	306

KF has issued a profit guarantee for the whole of 2002 in respect of businesses transferred to Coop Norden AB. In order to guarantee this commitment a guarantee loan of 84 MSEK has been issued. An arbitration procedure has been initiated at the Stockholm Chamber of Commerce for the purpose of obtaining an independent interpretation of the transfer agreement's provision on the profit guarantee.

To guarantee a small number of pension commitments, capital insurance policies have been taken out and mortgaged to the benefit of pension holders.

### Note 26 Fees and remuneration to auditors

MSEK	Group		Parent company	
	2002	2001	2002	2001
Audit assignments, KPMG	6	9	1	1
Other assignments, KPMG	7	8	4	6
Total	13	17	5	7

## Comments on the accounts and notes

### Note 27 Employees and salaries

Average number of employees	Group		Parent company	
	2002	2001	2002	2001
Female	2,981	11,294	69	49
Male	777	6,067	36	57
Total	3,758	17,361	105	106

Of which active abroad

#### Europe

Female	945	1,192
Male	106	168
Total Europe	1,051	1,360

#### Asia

Female	47	23
Male	49	26
Total Asia	96	49

#### Abroad in total

Female	992	1,215
Male	155	194
Total abroad	1,147	1,409

KF secures its pension commitments through the KP Pension & Försäkring foundation. The group's credit in the foundation on 31/12/2002 corresponds to the pension liability.

In accordance with the Annual Meeting's resolution, the total fee paid to the board was 1,213 KSEK, of which the Chairperson received 320 KSEK as agreed by the board. In addition to the fee, compensation is paid for loss of earnings.

The company paid the managing director a salary of 3.678 KSEK. The retirement age is 62. The company makes annual pension provisions at 35% of salary and other benefits. In addition, there is a pension commitment of 36 months salary.

The company has a six month period of notice and pension fees will be paid in full. In addition, the Managing Director is entitled to 30 months severance pay, net of the above mentioned pension commitment.

Salaries and other remuneration MSEK	Group		Parent company	
	2002	2001	2002	2001
Group board and MD	36	59	9	22
Others	905	3,754	39	31
Total	941	3,813	48	53

Of which active abroad

#### Europe

Group board and MD	8	10
Others	236	280
Total Europe	244	290

#### Asia

Group board and MD	1	1
Others	10	10
Total Asia	11	11

#### Abroad in total

Group board and MD	9	11
Others	246	290
Total abroad	255	301

Social costs MSEK	Group		Parent company	
	2002	2001	2002	2001
Social costs	425	1,496	76	31
Of which pension costs for:				
Group board and MD	20	12	7	5
Others	119	213	30	8

## Comments on the accounts and notes

### Note 28 Shares and participation

Company KSEK	Corporate registration number	Registered office	Ownership share, %	Number of shares/ participation	Book value	
Shares and participation in subsidiaries/ subsidiaries of subsidiaries						
KF Parent Society						
KF Fastigheter AB	556033-2446	Stockholm	100	10,000	1,112,219	
Stockholms Dykeri AB	556001-9092	Stockholm	100			
KF Supermarktfastigheter AB	556090-0366	Uppsala	100			
Bopec Progress AB	556189-4592	Stockholm	100			
Fastighets AB Kvarnholmen	556001-2477	Stockholm	100			
Fastighets AB Partille	556518-4354	Stockholm	100			
KF Centrumfastigheter AB	556405-6405	Stockholm	100			
KF Stormarknadsfastigheter AB	556409-2533	Stockholm	100			
Kvarn AB Juvel	556024-4815	Gothenburg	100			
KF Invest AB	556027-5488	Stockholm	100	800,000	1,194,372	
Superco Förvaltnings AB	556174-7717	Stockholm	100			
KF Media AB	556398-2387	Stockholm	100	25,000	46,909	
Akademibokhandelsgruppen AB	556046-8448	Stockholm	100			
Levande böcker i Norden AB	556481-4274	Stockholm	100			
PAN Vision AB	556592-2480	Stockholm	100			
P.A. Norstedt&Söner AB	556045-7748	Stockholm	100			
Tidningen Vi AB	556041-3790	Stockholm	100			
Vision Park Entertainment AB	556541-1179	Stockholm	97			
KappAhl AB	556060-4158	Gothenburg	100	60,000	201,735	
KF Föreningsrevision AB	556198-2330	Stockholm	100	1,000	100	
KF Försäkrings AB	516401-8417	Stockholm	100	10,000	20,000	
Vår Gård Kursgården AB	556035-2592	Saltsjöbaden	100	35,000	4,200	
Other companies/dormant companies					52,746	
Total subsidiaries, KF Parent Society					2,632,281	
Company KSEK	Corporate registration number	Registered office	Ownership share, %	Number of shares/ participation	Book value Parent company	Capital share in group
Associated companies						
KF Parent Society						
DIRECT OWNERSHIP						
Bokus AB	556538-6389	Lund	50	353,500	27,890	21,505
Bibliotekstjänst AB	556075-1447	Lund	25	400,001	81,600	46,259
Coop Elektro AB	556589-3731	UpplVäsby	47	475,536	0	1,402
Kooperativa Institutet, Ek förening	716421-4186	Stockholm	49	21	450	450
Nord Coop Invest Ltd		Slovakien	50		108	108
Strykjärnet i Norrköping, HB	916694-5544	Norrköping	25	5	5,000	5,000
Total associated companies, KF Parent Society					115,048	74,724
INDIRECT OWNERSHIP						
Barnens Bokklubb AB	556103-0445	Stockholm	50	1,525		7,197
Böckernas klubb med journalen AB	556317-0629	Stockholm	43	7,658		6,726
HB Månadens bok	900203-8106	Stockholm	30			6,801
Other associated companies						2,014
Total indirect ownership						22,738
Total associated companies, KF Group						97,462



## Comments on the accounts and notes

### Note 28 Shares and participation, continued

Company KSEK	Corporate registration number	Registered office	Ownership share, %	Number of shares/ participation	Book value Parent company	Capital share in group
<b>Joint ventures</b>						
DIRECT OWNERSHIP						
Coop Norden AB	556585-8585	Gothenburg	42	210,000	1,738,512	1,641,908
Coop Bank	516406-0005	Stockholm	45	450,000	64,875	64,875
Total joint ventures, KF Parent Society					1,803,387	1,706,783
INDIRECT OWNERSHIP						
Kilen Syd AB	556621-6361	Strängnäs	50	1,000		– 11,581
Other joint ventures						1,001
Total indirect ownership						– 10 580
Total joint ventures KF Group						1,696,203

Company KSEK	Corporate registration number	Registered office	Ownership share, %	Number of shares/ participation	Book value
<b>Other companies</b>					
HOLDING IN KF PARENT SOCIETY:					
Riksbyggen Svenska, för. UPA	702001-7781	Stockholm	10	15,000	7,500
Nordico Invest I KB	969660-1518	Stockholm	12		15,476
Nordico Invest II KB	969660-1500	Stockholm	12		3,305
Saba Trading AB	556008-7891	Stockholm	15	265,327	183,925
Bilda Förlag Ek. för.	702000-2601	Stockholm	11	5,250	1,028
Other holding					1,265
Total other companies in KF Parent Society					212,499
SUBSIDIARIES' HOLDING:					
Baltic Rim Fund, Jersey					36,977
IDI KB	969640-9631	Stockholm	10		44,103
Litorina kapital KB	969653-7555	Stockholm	22		45,129
Other holding					1,956
Subsidiaries' holding					128,165
Total other companies in the KF Group					340,664

Stockholm, 3 April 2003

Nina Jarlbäck  
*Chairperson of the Board*

Jan Andersson

Catharina Andersson

Hans Eklund

Caterina Franceschi

Lena Ingren

Curt Johansson

Hans-Erik Johansson

Göran Lindblå

Mats Lundquist

Leif Olsson

Bodil Nilsson

TorBjörn Jonsson

Börje Fors  
*Managing director*

# Auditors' Report

To the Annual Meeting of the Swedish Co-operative Union (KF)  
Corp. reg. no. 702001-1693

We have checked the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the Managing Director of the Swedish Co-operative Union (KF) for the year 2002. The Board of Directors and the Managing Director are responsible for the accounting documents and administration. It is our responsibility to comment on the annual accounts, the consolidated accounts and the administration on the basis of our audit.

The audit was conducted in accordance with accepted auditing practice in Sweden. This means that we planned and conducted the audit with the aim of assuring ourselves to a reasonable degree that the annual accounts and the consolidated accounts do not contain any significant errors. An audit involves inspecting a selection of sources of base information relating to amounts and other information in the accounting documents. An audit also involves checking the accounting principles used and their application by the Board of Directors and the Managing Direc-

tor, as well as assessing all of the information in the annual accounts and the consolidated accounts. As a basis for our statement on discharge from liability, we have reviewed significant decisions, measures and relationships in the company so that we could determine whether any member of the board or any of the Managing Directors is liable for compensation to the society. We have also checked whether any member of the board or the Managing Director has in any other way acted in breach of the Associations Act, the Annual Accounts Act or the society's statutes. We believe that our audit has given reasonable cause to make our statements as expressed below.

The annual accounts and the consolidated accounts have been produced pursuant to Annual Accounts Act, and thus provide a fair picture of the society's and the group's financial results and status in accordance with accepted accounting principles in Sweden.

We recommend that the Annual Meeting adopt the profit and loss account and the balance sheet for the society and for the group, deal with the profit as proposed in the directors' report, and approve the Board of Directors' and the Managing Director's discharge from liability for the financial year.

Stockholm, 3 April 2003

Bertil Hammarstedt

Carina Röjdner

KPMG

Per Bergman  
*Authorised Public Accountant*

Bernhard Öhrn  
*Authorised Public Accountant*

This auditors' report relates to the annual accounts as shown on pages 30–55.

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