

Annual report 2008



The consumer cooperative movement shall create economic benefits, and enable its members through their consumption to contribute towards sustainable development for people and the environment.



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2008

The year in brief

- The most important event over the year was when Coop Sverige, which previously formed part of Coop Norden, returned to KF as a wholly owned subsidiary at the end of 2007. In its first year of business within the KF Group, Coop Sverige reported an operating profit of SEK 153 million (–110), which is its best result in ten years. Excluding non-recurring items, the operating profit amounted to SEK 198 million.
- The KF Group's net sales amounted to SEK 35,817 million (26,208), an increase of 37 per cent, due mainly to the fact that Coop Sverige was integrated into KF and that Daglivs and several other businesses were taken over. The Group's operating businesses are reporting a profit of SEK 755 million (594), adjusted for items affecting comparability. The operating profit for the KF Group overall amounted to SEK 380 million (357). The stagnation on the financial markets have affected profit after financial items, which amounted to SEK 110 million (476).
- The consumer cooperatives' share of the grocery retail market for the biggest players remained unchanged at 21.4 per cent.
- Internet store Mataffären.se was launched in April, and KF acquired three Vi shops over the year. KF took over as owner of environmental technology company Läckeby Water Group (81 per cent) and Löplabbetgruppen (70 per cent).
- A partnership was initiated with Green Cargo concerning collective, cost-effective and environmentally friendly logistics solutions which will considerably reduce the Group's emissions of carbon dioxide from transportation.
- A powerful programme of improvements, involving both investments and reductions in expenses, commenced at Coop Sverige in order to turn profit into long-term profitability. The demand for reduced expenses led to the staff being notified that there would be redundancies equivalent to 1,000 full-time positions.
- The number of members in the consumer societies continued to rise over the year, amounting to more than 3 million. Coop MedMera reward vouchers with a total redemption value of SEK 450 million in discounts were returned to members who had taken part in the Coop MedMera Premium Programme over the year.

Key ratios	2008	2007	2006	2005	2004
KF Group					
Net sales, ex. VAT, SEK billions	35.8	26.2	24.4	25.2	29.0
Balance sheet total, SEK billions	19.3	20.5	14.8	14.1	13.3
Profit after financial items, SEK millions	110	476	701	715	1,084
Number of sales outlets	440	61	58	56	54
Average number of employees	8,996	1,216	1,175	1,271	1,321
Return on capital employed, %	7.7	5.2	7.2	7.3	11.0
Return on equity, %	1.5	5.8	9.4	9.8	18.6
Equity ratio, %	34.3	31.7	42.9	42.3	40.2
Net liabilities, SEK millions*	1,184	11	–146	190	68
Retail societies					
Sales, ex. VAT, SEK billions	16.9	16.2	15.9	15.7	16
Number of sales outlets	413	418	434	444	470
Average number of employees	6,150	6,500	7,200	7,700	8,317
Number of societies, total	48	51	54	58	60
Number of members, thousands	3,130	3,085	3,038	3,000	2,940

* This increase is due mainly to extensive investments over the year in both grocery retail trade and properties.

CEO's statement

There is no doubt that 2008 will be a year that goes down in history. Few people could have predicted the fastest, most widespread decline in the global economy for many decades, which led to large parts of the leading economies tumbling into recession at the end of 2008. However, for the Swedish retail trade the year as a whole was relatively positive, given the circumstances.

Global recession and a new approach

Most analysts have a pessimistic view of financial development in 2009. It is harder now than it has been for a very long time to assess the depth and the scale of the problems in the financial markets and their direct consequences for the real economy.

After twelve years of good development, the trend for the Swedish grocery retail trade will probably turn in 2009, even though the retail trade is less susceptible to the economic cycle than many other industries. Above all, this applies to the sale of food. However, a shift towards what are known as value concepts has already been perceptible. At the same time, the development of environmentally friendly products is positive. High food quality is generally always something which Swedish consumers appreciate, but when times are hard views on the pricing of various concepts are more crucial to households.

Recessions have a tendency to be reinforced still further by psychological effects such as expectations of the economy. Households and companies therefore tend, quite naturally, to be more restrained and maintain a short-term view.

Like all other companies, the KF Group has to adapt to the prevailing circumstances. Although the financial situation within the Group is good, we have to adapt more quickly to the new situation as regards demand if the economic

 KF's integration of Coop Sverige AB as a wholly owned subsidiary has gone very well.

situation worsens significantly in future. All Group companies have decided upon or initiated change programmes of varying sizes. In particular, Coop has an improvements programme that is more extensive than has been the case in many years. The main reason for these measures is not the stagnation in the economy, but the aim of adapting the company's expense levels to the level experienced by the very best of our competitors in the industry. Our aim is also to streamline and develop the management and control of operations.

The KF Group is in a good position to face the future, even though macroeconomic conditions are weaker than they have been in many years. This change of circumstances means it is more impor-

tant than ever now to develop a new approach. Under all circumstances we are prepared to implement extraordinary measures if the global crisis worsens still further over the year.

An eventful 2008

KF's integration of Coop Sverige AB as a wholly owned subsidiary has gone very well. Coop has tangibly improved its operating profit, and the operating profit reported for 2008 is its best in more than a decade. The action programme to improve profitability began over the course of the year with a view to being implemented fully by 2010 at the latest. Work on reducing expenses by at least SEK 1.5 billion while at the same time doubling investments in the shop movement is going according to plan.

Coop Norden is continuing as a pure purchasing company, Coop Trading A/S, at a Nordic level, and in addition it is now a development centre for our own private brands. The Finnish consumer cooperative movement, SOK, became a co-owner over the year. Coop Trading is one of the biggest retail purchasing companies in the Nordic region, and over time this should help to further improve conditions for purchasing and permit faster development of our own private labels.

The KF Group is in a good position to face the future, even though macroeconomic conditions are weaker than they have been in many years.



Lars Idermark
President & CEO

The company acquired some more Vi shops over the year, which are working according to the business model to combine the resources and benefits of scale of the Group with entrepreneurship. Buying food online via Mataffären.se has exceeded our expectations and is growing rapidly. Coop Sverige's supermarket segment has had one of its better years in a very long time, with very good profitability, and it has even taken market shares. Coop Forum has also implemented a radical change and taken on measures to counter remaining sources of loss. All hypermarkets will be modernised by the end of the first six months of 2009. Radical changes are taking place at Coop Bygg and a new strategy is being implemented. Major improve-

ments have been achieved in purchasing and logistics as well, and this is particularly important in the grocery retail sector.

In terms of sales and profits, the media companies have not developed entirely in line with expectations. This is due mainly to major necessary changes internally and considerably worse sales development than in previous years. Moreover, the entire industry has been hit by a downturn. Only online book sales have continued to demonstrate good growth. The media companies now are permeated by a radical new approach, with greater coordination between Group companies. KF is the biggest bookseller in Sweden, and obvious synergies within the Group will be realised gradually.


KF Fastigheter has had one of its best results in a number of years, with successful sales. The rate of investment in new shopping centres remains high.

Several other Group companies, such as Läckby Water Group, Vår Gård Saltsjöbaden, Tidningen Vi, MedMera Bank et al. have been able to demonstrate very good development in terms of profits and business as a whole. Over the year, KF acquired 70 per cent of Löplabbgruppen, which is also developing well.

The Group's asset management has had a taste of the very adverse development of the financial market. Despite the fact that the Swedish stock exchange has fallen by more than 40 per cent, assets management has not fallen by more than 4.9 per cent, due to a cautious

investment philosophy which has been effective in the prevailing market situation.

The operating profit for the KF Group for 2008 is entirely acceptable, given that business has been affected by both the reduction in demand and the fall in



The future is something we can create together with good staff, clear managers, in-depth customer relations and long-term owners.

the stock exchange. In addition, profit is affected by what are known as structural expenses for implementation of planned changes which aim to bring about good profitability and growth in a few years' time. One strength is that cooperation within the overall consumer cooperative movement has been deepened over the year. This tangibly increases our strength on the market in future. The number of members continued to increase over the year and now amounts to more than 3 million, which gives us vital power in our work on developing our special features as a corporate group owned by its members. With Coop MedMera reward vouchers, SEK 450 million was returned to members in redeemed value.

Strategy for adding value

In 2008, the Board of Directors has decided on a new Group strategy for adding value with three cornerstones:

benefits for business, benefits for members, and benefits for society. New financial targets have also been set for the Group. The objective is to achieve a 14 per cent return on equity over an economic cycle and satisfactory equity/assets ratio. The Group currently has a good financial position. With the new Group strategy and clear financial objectives, our course is set clearly for the coming years.

New forms of control and monitoring for the Group's sustainability work have also been introduced over the year. Our aim is to maintain a high level of responsibility within all our operations; financially, environmentally and socially. At the same time, the Group must be a leader in the field of sustainable development in the grocery retail trade. Our overall sustainability strategy is focusing on initiatives for reducing environmental impact, further developing our profile with regard to organic products and reinforcing our partnerships with Kooperation Utan Gränser and Vi-skogen.

Continued renewal and a fast pace in 2009

The KF Group is undergoing extensive changes. Some measures are so radically different compared to before that both managers and staff alike are facing major challenges when it comes to taking on board these necessary changes. While the Group is cutting back on expenses, the business model for several Group subsidiaries is being altered. Coop Sverige is undergoing the biggest transfor-

mation. The decision to embark upon a more in-depth partnership with Green Cargo in respect of rail transport and logistics will be followed by a number of similar initiatives in the future. The corporate culture will also undergo change. Straightness, clarity, professionalism, sound business practice and a well defined culture of consistency will all set the tone. To this will be added the values which constitute the basis for the operations of the consumer cooperative movement.

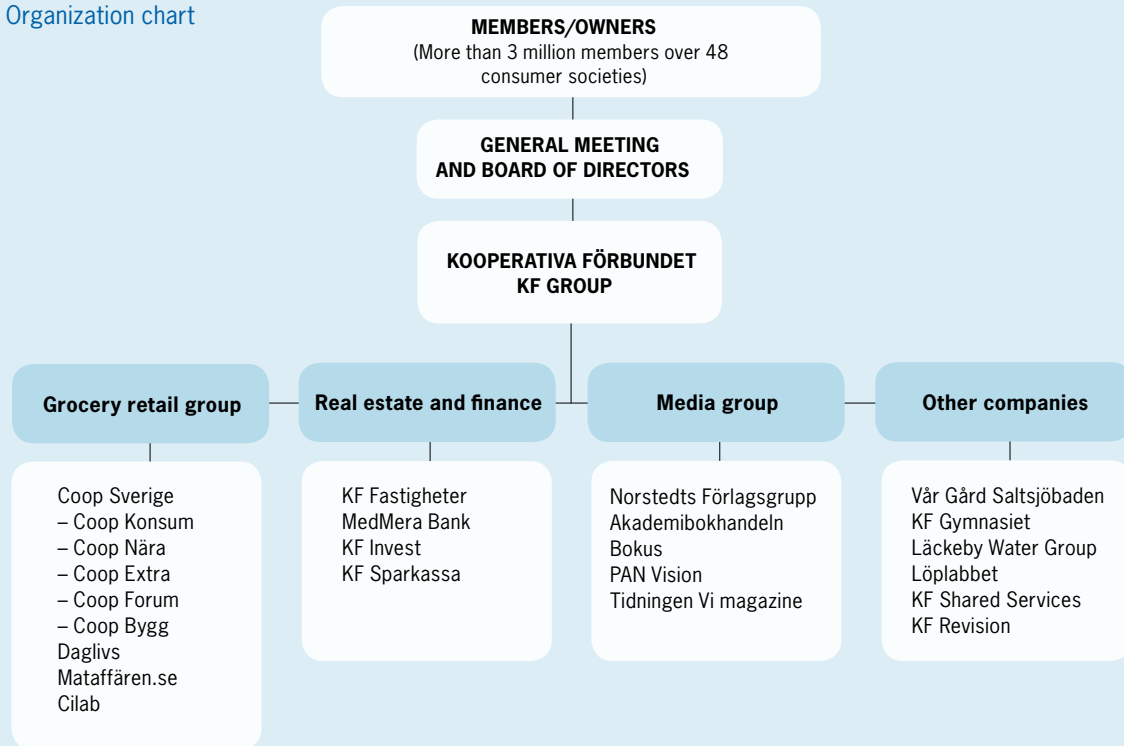
Our rate of investment will remain high. Acquisitions, partnerships and divestment of operations will provide the means for reinforcement of the long-term targets of the Group.

Important steps have been taken towards changing and renewing operations over the last few years, and further measures will be implemented in 2009. Therefore, we have every reason to maintain a positive attitude towards the consumer cooperative movement's future opportunities as an interesting alternative to other business models.

The future is something we can create together with good staff, clear managers, in-depth customer relations and long-term owners. Development is not defined by fate; it is decided mainly by our own abilities, will and ambition. We believe in the strategies we have selected, and so we feel a sense of optimism.

Lars Idermark
President & CEO

Organization chart



1
“The consumer cooperative movement shall create economic benefits, and enable its members through their consumption to contribute towards sustainable development for people and the environment.”

2 Value base

- Confidence in our distinctive nature as a company owned by its members
- Influence
- Member ownership
- Concern for people and the environment
- Honesty
- Innovative thinking

3
Benefits for business, benefits for members, and benefits for society form the basis for KF's strategic work.

Benefits for business Profitable, value-profiled grocery retail trade.

Benefits for members Inexpensive, sustainable goods/services and a clean conscience.

Benefits for society Contributing towards sustainable development for people and the environment.

KF Fastigheter building sustainable shopping centres

KF Fastigheter's biggest project to date got off the ground in 2008 with the conversion of Hangar 3 at the Bromma Center trading area which took place in June.

The Bromma area is planned for completion by 2012 and will have grown by then to around 100,000 sq m. This project is permeated by sustainability and environmental awareness. KF Fastigheter is working to develop, plan and produce buildings for the food sector which have extremely low warmup costs.

A heat pump which will use the excess heat from Coop is being installed at the Bromma Center. There will also be a manned goods delivery area at the Bromma Center in 2010. This will allow vehicles to unload more quickly, result in fewer queues and hence lower carbon dioxide emissions. In addition, staffing the facility from the early morning onwards will allow goods to be unloaded before the shops open, which will allow goods to be transported when there is less traffic.

Bromma Center växer – Hangar 3 öppnar 2010

- Shopping i 3 plan
- 25 000 m²
- 80 butiker i spännande mix
- Delikatesshall, restauranger & caféer
- Garageplatser under mark

KF Fastigheter >



KF's strategic approach

KF is a federation of consumer cooperatives and a retail group, with groceries as its core business. Members and customers must be able to buy value-for-money goods of the required quality all over Sweden. This requires consumer cooperative retail to be competitive and profitable. Everything we do has to stem from the cooperative value base, which is founded on the concept of economic benefit and sustainable development. The basis for creation of profitable, value-profiled grocery retail trade has been reinforced significantly on account of the fact that Coop Sverige has been consolidated in KF since the end of 2007 and is run as a wholly owned subsidiary.

Group strategy for enhanced value growth

- All our business areas must achieve profitability on a par with the market.
Acquisitions and partnerships may enhance our opportunities to create greater efficiency, growth and profitability. Our core business must be given priority, and other business must be regularly tested and evaluated in respect of financial returns and risk profile.
- Focus on core business – grocery retail trade
Investments in our core business, Coop Sverige, will be given priority over the next few years. The operations of the consumer cooperative movement must meet the needs of our members/owners in their everyday consumption.
- New business opportunities are being created in which benefits for business, benefits for members and benefits for society can interact.
The cooperative form of company, where the owners are members are customers, must be developed and modernised. The special nature of the cooperative movement must be emphasised by means of improved offers for customers and members, which in turn will lead to increased profitability for the entire organisation.
- Increased cost-effectiveness through constant efforts to improve
The Coop Sverige improvement programme is being implemented in order to achieve efficiency and cost levels which can match up to those enjoyed by the best of our competitors. Similar measures are also being implemented for other operations, with the media companies being given high priority.
- Leading player in the field of sustainable development – green growth
Our environmental strategy will be integrated in our business model, and the consumer cooperative movement will retain and develop its leading position in the field of sustainable development on commercial grounds.
- Developing and making the most of staff skills
Enhanced management and greater professional expertise are key to our initiative for development for managers and staff. Maintaining an ongoing overview of management and control will create a coordinated, efficient group.
- Values and profiles clarified to reinforce Group brands
The Coop brand is a “master brand” which must represent successful, profitable, innovative and well profiled retail operations. Efficient, reliable communication will be an important instrument for building a new corporate culture.
- At the forefront of new approaches
KF and the consumer cooperative movement have a tradition of leading the way when it comes to new approaches and innovation. We will now take back this leading position.
- Communication and influence
The consumer cooperative movement will use active communication and new forms of influence to develop and modify itself as a member-owned company. Its unique form of ownership will be utilised as a competitive advantage.
- Greater cooperation with the rest of the consumer cooperative movement
Improvement work at Coop Sverige is having positive effects on the consumer cooperative movement as a whole. Further synergistic opportunities can be exploited in order to achieve greater efficiency and good profitability for the entire consumer cooperative movement.

Group overview

KF is a retail group, and the grocery retail trade forms its core business. The property and finance companies are also active in the grocery retail trade, but they also operate on other markets. The media group includes a range of companies with their own strong brands. The Group is also home to a number of companies with different business approaches, as well as companies offering internal services.

Grocery retail group

Operations



Coop Sverige works with the grocery retail trade and – together with the retail societies – is responsible for 21.4 per cent of the Swedish grocery retail market for the six biggest players. Cilab (Coop Inköp och Logistik AB) is responsible for purchasing for Coop Sverige and the retail societies. International purchasing takes place via Coop Trading and Intercoop.



Daglivs is situated in Kungsholmen, Stockholm and is one of the biggest, most successful food stores in Sweden. Almost 13,000 customers visit the store every day.



Mataffären.se is a retail store which uses the Internet as its sales outlet and offers a complete range of groceries for delivery in the Stockholm area.

Key ratios

Net sales SEK 31,004 millions

Average number of employees 7,318

Find out more on p. 14

SEK 478 millions

109

p. 20

SEK 27 millions

26

p. 21

Real estate and finance



Operations

MedMera Bank manages the Coop MedMera Premium Programme and publishes and handles the cooperative movement's 3.5 or so million Coop MedMera cards.

KF Fastigheter >

KF Fastigheter manages a real estate portfolio in excess of SEK 6 billion and works with development and renewal of store networks, mainly for Coop Sverige and the retail societies.

KF Invest

KF Invest is the Group's financial function, and manages KF's financial assets as well as dealing with the financial exposures to which the Group is subject on account of its operations.

KF Sparkassa

KF Sparkassa offers members of the consumer cooperatives savings services at competitive interest rates. Around 90,000 members have accounts with Sparkassan.

Key ratios

Net sales SEK 305 millions

Average number of employees 53

Find out more on p. 22

SEK 560 millions

93

p. 24






8

p. 26





Deposits SEK 3.8 billion

p. 26

Media group

 <p>Akademibokhandelsgruppen has 61 stores all over Sweden and is responsible for more than 40 per cent of the book trading market and almost 15 per cent of the total book market in Sweden.</p>	 <p>Bokus sells books and other media online. It sells a wide range of books, covering some 3.5 million titles published in countries such as Sweden, the UK, the USA and Germany.</p>	 <p>Norstedts Förlagsgrupp publishes some 500 new titles each year: fiction, non-fiction, books for children and young people, dictionaries, audiobooks and games. This business is collected together under the publishing houses Norstedts and Rabén och Sjögren.</p>	 <p>PAN Vision Group is one of the leading Nordic distributors in digital home entertainment and has three main markets; computer games, films and peripherals for computer games and computers.</p>	 <p>Tidningen Vi is a magazine about society and culture which is published twelve times a year. The company also publishes Vi Läser magazine, which specialises in books and reading.</p>
SEK 1,513 millions	Part of Akademi-	SEK 500 millions	SEK 1,406 millions	SEK 25 millions
573	bokhandelsgruppen	174	214	13
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Other companies

 <p>Läckeby Water Group (81%) is a civil engineering company which works with water and effluent treatment, as well as the production of biogas from organic waste. The company also supplies purification products, services and operating services.</p>	 <p>Löplabbet (70%) is Scandinavia's leading chain for running shoes and running accessories, with 13 stores of its own, three franchise stores and an online store.</p>	 <p>Vår Gård Saltsjöbaden is a conference facility which acts as a meeting place for companies, authorities and organisations. This facility is unique thanks to its attractive location and art collection.</p>	 <p>KF Gymnasiet offers a broad economic education with emphasis on trading, finance and management and close links between theory and practice.</p>	<p>KF Revision</p> <p>KF Revision works mainly with internal audits within the entire KF Group.</p>	<p>KF Shared Services</p> <p>KF Shared Services is an internal service and skills company which provides IT, HR and finance services as well as internal services to KF and KF's subsidiaries.</p>
SEK 537 millions	SEK 12 m (from 2008-10-27)	SEK 54 million	SEK 18 millions		
177	62	37	20	6	76
p. 34	p. 34	p. 35	p. 35		

Grocery retail sector

The Swedish grocery retail market has undergone some major changes over the past few years. More and more sales are taking place in hypermarkets and discount stores. Their share of grocery retail sales has increased from around 10 per cent in 1990 to more than 25 per cent in 2008. A number of new international hard discount players have entered the market in the 2000s. Their market share is increasing, but it is still only a few per cent of the total market. The smaller, traditional convenience stores are still responsible for almost half of all sales, and their decline has slowed over the past few years.

► The transformation of the grocery retail market has meant that the number of shops has fallen by 40 per cent over the last 15 years, while at the same time the average shop area has increased by 150 per cent and the average net sales per shop have more than doubled.

New outlets have come into being over the past few years, such as online stores and subscriptions to goods, but this development is still in its infancy. Ongoing industry slippage between restaurants and grocery retail sales means that more and more ready meals are being sold in convenience stores, while at the same time eating out and fast food are increasing, at the expense of cooking at home.

Size and growth


As welfare has increased in Sweden, less and less household money is being spent on basic needs such as accommodation and food. Of total private consumption, groceries for around 17 per cent. The amount spent on food is one of the elements which, in percentage terms, has grown the least over the last decade. Stable price development of food, often below the general rate of inflation, has contributed to this. At the end of 2007 and throughout 2008, however, the price of food rose again. The Swedish retail market demonstrated continuing growth in 2008 and increased by 3.3 per

cent at current prices to SEK 587 billion in total. If we take into account price changes and calendar effects, development remains at 1.3 per cent. Development in the grocery retail trade was strongest, which was up 5.7 per cent at current prices, while trading in consumer durables rose by just 1.5 per cent. In 2008, price increases among suppliers resulted in an increase in turnover in the grocery retail trade, but with limited volume growth.

The economic downturn and credit crunch that affected the world – and Sweden as well – in the latter half of 2008 hit sales of consumer durables hard, but they had less of an effect on groceries. However, price tends to take on increasing importance in an economic downturn, even for groceries.

Weak forecast for 2009

In its economic forecast in December 2008, Handelsns utredningsinstitut – HUI – made a massive reduction in its earlier forecast for the retail trade in 2009. According to HUI, sales in the retail trade in volume terms are expected to remain unchanged compared with 2008. However, at current prices an increase in sales of 0.5 per cent is expected due to price increases. HUI is anticipating slightly higher growth for the retail trade in 2010.



Environmentally products produced fairly

According to a survey of Swedish consumers, Coop Änglamark is perceived as the most environmentally friendly brand.

Änglamark is Coop's own range of goods which are organic, Fairtrade, environmentally friendly and suitable for people who suffer from allergies. The purpose of Änglamark is to promote sustainable consumption in which the health, environment and ethical perspectives of individuals are central cornerstones. This range includes organic products which are cultivated without chemical pesticides or artificial fertilisers, and meat and dairy products from animals who have spent time outdoors and been allowed to eat organic feed in a non-stressful environment.

Goods also have to be manufactured under fair conditions, which means – for example – that people working in Third World plantations should not have to be exposed to pesticides that are banned in Sweden. Änglamark currently carries a range of some 200 products.

The weakest development is anticipated for branches in the consumer durables trade, while the grocery retail trade is expected to undergo weak but stable development over the coming two years.

Market players

During the economic prosperity of 2006–2007, the smaller convenience stores underwent positive development after having previously been condemned by analysts. As a consequence of the economic downturn, however, price has taken on greater importance, and so discount store chains and hypermarkets are developing more strongly than other store types. Changes are also taking place on the local markets. The cooperation movement is traditionally strong in Northern Sweden, while companies such as Bergendahls, Netto and Lidl are strong in the southern parts of the country, as is Axfood in West and East Götaland.

Now companies are moving, which means that chains are focusing on geographical areas where they previously held weak positions. The rate of establishment has been high in the grocery retail trade throughout the 2000s, with around 60–70 new stores each year.

Fifty or so new stores were established in 2008, Netto and Coop being responsible for most of them.

Market position of the consumer cooperative movement

Competition was still intensive in the grocery retail trade, and the market share for the consumer cooperative movement among the biggest players remained unchanged at 21.4 per cent. The KF grocery retail group represents around 55 per cent of the turnover for the consumer cooperative movement's retail trade. The retail societies represent 45 per cent.

Coop's market share has been falling for a long time now. Within the KF grocery retail group, therefore, extensive work has been done on renewal and efficiency over the last couple of years in order to increase profitability and market shares for the cooperation. Work continued in 2008 and involved – among other things – emphasis on increased sales and cost reductions. Strategic investments are also still continuing in the form of new establishments and by repairing and modernising existing stores. Over the year, Coop has implemented major investments in new

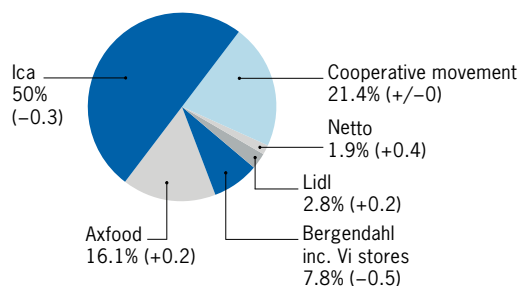
and upgraded stores, equivalent to around SEK 835 million.

Trends

Four long-term trends are often cited both in Sweden and internationally as regards the grocery retail trade; convenience, health, indulgence and responsible/sustainable development. The convenience trend often focuses on saving time such as by means of fast food, ready meals and shopping online. The health trend has resulted in – among other things – increased sales of whole-grain products and fruit and vegetables, while at the same time light products have seen an enormous decline due to changes in dietary advice. The fact that food and drink have taken on an enhanced status as a means of indulgence can be seen in the increase in sales of various kinds of premium products, such as luxury chocolate, exclusive olive oils and hand-made ice cream. The trend towards sustainable development appears to involve customers' increased interest in climate smart food and the strong development of Fairtrade products, for example.

The ongoing economic downturn is highly likely to weaken or modify these trends, at least temporarily. The credit crunch is benefitting stores and products that are perceived as offering value for money, such as discount stores and private labels. At the same time, there are a number of analysts who reckon that these general trends are so strong that it is more a matter of adapting business to meet these trends in a way which people perceive to offer value for money. One interpretation is that demand can be said to be more and more hourglass shaped, with emphasis on both premium products and discount products. The mid-price segment, then, is the one that will see the most reduction.

Convenience goods trade, the six leading players 2008/(2007)



Source: Fri Köpenskap and KF

International outlook

The grocery retailing trade still differs widely between the Western world and developing countries. At the same time, the grocery retail trade is becoming ever more worldwide, with a limited number of international groups ever increasing in size. The 15 biggest grocery retail players are responsible for more than 30 per cent of total turnover in the industry. With benefits of scale, not least as regards purchasing, the international players often have cost benefits compared with smaller local shops or chains. The consumer cooperative grocery retail trade traditionally holds a strong position in the Nordic countries, and development has been positive in other parts of Western Europe as well over the past few years.

► Four major corporate groups dominate the international grocery retail market. American company Wal-Mart is the biggest company in the world and holds a dominant position in the USA with a turnover of USD 375 billion, of which 24 per cent takes place in 13 countries outside the USA. French company Carrefour is established in 30 countries and has a turnover of USD 113 billion, of which 54 per cent takes place outside France. British company Tesco has a turnover of USD 95 billion, of which 27 per cent takes place in 13 countries outside its own domestic market, and the German Metro group has a turnover of USD 87 billion, 60 per cent of which is outside Germany (figures for 2007).

Dutch company Royal Ahold, which is a co-owner of Ica, is the eighth biggest grocery retail group worldwide. The big players have opted mainly to expand into the growing markets in Asia and Eastern Europe over the past few years.

Consumer cooperative movement internationally

The consumer cooperative movement is strong mainly in Western Europe, although it is significantly large in certain other countries as well, such as Japan and Canada. After a stagnant development in many countries in the 1990s and early 2000s, the consumer cooperative grocery retail trade has developed positively over the past few years. In the Nordic region, the consumer cooperatives have traditionally held a strong position. Its develop-

ment has been particularly strong in Finland, where market shares in the grocery retail trade have grown enormously and now amount to more than 41 per cent. In Denmark and Norway too, the consumer cooperatives have undergone growth, with market shares of 37 and 24 per cent respectively.

In Switzerland, two competing cooperative grocery retail players – Migros and Coop Schweiz – dominate, and together they cover almost half of the total grocery retail market. On the Italian market, Coop Italia is one of the few major players, with a market share of 17 per cent. In the United Kingdom and Spain, the cooperation holds a relatively small part of the market, but development is strong. Acquisitions and positive sales development in both countries have led to considerably increased market shares, 8 and 12 per cent respectively.

There have been certain established partnerships in respect of cross-border purchasing for a fairly long time now. Intercoop, which is owned by six national consumer cooperative movements and works with the purchasing of non-food goods in Asia, is one example of an international purchasing partnership. Coop Trading, where the Nordic countries work in partnership for certain international purchases and the development of private label products, is another. In some of the former Eastern Bloc states, the consumer cooperative movement according to the Nordic model has started a collective purchasing company so as to be able to reduce its purchasing costs.

Cooperation progressing in the UK

After many years of stagnation, the consumer cooperative movement in the UK appears to be making progress. With a proud history as the homeland of cooperation and its strongest foothold, the lack of collaboration and renewal in the 1960s and 1970s caused a gradually declining trend. In early 2000, an external commission was tasked with suggesting measures for modernising cooperation. A number of topics raised in this proposal were better internal cooperation, clearer systems for control and monitoring, a uniform brand and commercialising the special nature of cooperation. At the same time, the two biggest societies were merged to form the Co-operative Group, which became the dominant society. This was the start of a strong conversion of the cooperation, which is now starting to bear fruit.

In 2007 United Co-operatives, the biggest remaining society, was merged with the group; and the Co-operative Group became the biggest consumer society in the world. In 2008, the group bought out one of its competitors – Somerfield – and their market share increased from 5 to 8 per cent at a stroke.

The grocery retail trade within the Co-operative Group has now seen positive sales growth for 12 quarters in a row, and despite the lack of discount stores and hypermarkets in the economic downturn, sales are now increasing by more than for the market overall.

Grocery retail group

As of the end of 2007, the national grocery retail trade that had been part of Coop Norden returned to KF in Sweden. This means that Coop is now a wholly owned subsidiary of KF and forms the core of the Group's grocery retail group. Other companies are the Daglivs store and the Internet-based Mataffären.se, both with the Stockholm region as their market. Cilab is responsible for purchasing and logistics, and Coop Trading is responsible for international procurement and own-brand development. Intercoop Ltd is a buying office of non-food items in Asiatic countries. This company is co-owned with the Spanish and Italian cooperative movements via Coop Trading.

Coop Sverige

► Coop Sverige runs grocery retail trade in chains such as Coop Konsum, Coop Extra, Coop Nära, Coop Forum and Coop Bygg. Coop must use its motivated, committed staff to offer members and customers a broad range of products so that efficiency, price, quality, service and consideration make the company's ranges competitive.

Together with the retail consumer societies, Coop accounts for 21.4 per cent of the grocery retail market for the biggest players in Sweden. Coop Sverige

used to be part of Coop Norden, but since the end of 2007 it has been integrated in the KF Group as a wholly owned subsidiary.

Positive development

Over the past few years, Coop Sverige has achieved enormous performance development and is showing a positive result for 2008; a figure which is also the company's best in ten years. Compared with 2007, operating profit is up SEK 263 million and amounted to SEK 153 million. Excluding non-recurring items, the operating profit amounted to SEK 198 million. This improvement was mainly due to a reduction in personnel and purchasing expenses. Sales rose from SEK 29,322 million (pro forma) to SEK 31,004 million.

Emphasis on streamlining

After a fairly long period of weak economic development, with falling sales and negative operating results, an extensive improvements programme was introduced in the latter half of 2008. This programme includes all parts of the organisation and involves both financial cutbacks and aggressive strategies. Expenses are to be reduced by SEK 1,500 million by 2010. Among other things, we will be reducing the number of staff we employ, and over the year

staff were notified that there would be redundancies equivalent to 1,000 full-time positions. SEK 500 million will be saved by means of cutbacks and a more efficient organisation.

Profitability is to be increased over the next two years, mainly by continuing to adapt expenses to the same levels as those implemented by our biggest competitors.

Store development

While savings and streamlining are being implemented, Coop Sverige is looking at the same time to the future through extensive investments in new stores, as well as renovating and converting existing units. Four new Coop Forum stores, six Coop Extra, one Coop Nära and seven Coop Bygg stores were opened in 2008.

Investments in the alteration and renewal of stores amounted to around SEK 835 million over the year.

The conversion to more attractive, more rational stores and hypermarkets are also reinforcing opportunities for greater profitability and competitiveness. Great emphasis is also placed on continuing to develop established store concepts. Stores must be modern and attractive, and have an ecological profile. A number of stores underwent redesign over the year, including Coop Avenyn in

Coop Sverige

Board of Directors: Chairman
Lars Idermark, Håkan Ahlqvist,
Eivor Andersson, Johnny Capor,
Knut Faremo, Mats Lundquist,
Jan Sundling, Elisabeth Andersson
(trade union representative),
Frank Hjort (trade union representative),
Rose-Marie Borgström (trade
union representative), Lennart Wallkulle
(trade union representative)
CEO: Karl Wistrand
Sales ex. VAT: SEK 31 billion
Operating profit: SEK 153 million
Average number of employees: 7,318





Coop must be the obvious choice for environmentally aware customers who care about how goods and services are produced, and for customers who strive to maintain healthy habits.

Stores and hypermarkets

Coop Konsum

Value-for-money goods, top quality fresh goods and also Sweden's broadest range of organic options are all part of what makes Coop Konsum a healthy business. These stores also offer inspiration for food and recipes which bear the Keyhole label and lists of nutrients. 169 stores.



Coop Extra

Coop Extra aims to be the best food store in each location. Customers must find it easy and straightforward to shop here, with great ranges of products at great prices. 36 stores.



Coop Nära

Coop Nära is all about speed, convenience and simplicity. These are local stores, with generous opening hours and good ranges of products. 98 stores.



Coop Forum

Customers should be able to find everything under one roof at Coop Forum. The hypermarkets that offer a broad range of goods, with emphasis on foods, can often be found next to major commercial centres. 42 hypermarkets.



Coop Bygg

Coop Bygg offers a broad range of do-it-yourself and gardening goods. The stores are well stocked and offer low prices. 32 units.



Daglivs

Stockholm store Daglivs is one of the biggest, most successful food stores in Sweden. This store has a range guarantee, which means that customers can order and buy more or less anything they like.



Mataffären.se

Mataffären.se is an online store which offers a complete range of everyday commodities for home delivery in the Stockholm region.



In addition, there are 413 stores and hypermarkets within the retail societies.

Gothenburg, which won the “Store of the Year” award as part of the Stora Dagligvarupriset (Major Convenience Goods Prize), established by Fri Köpen-skap and Movement.

Environmentally friendly logistics solutions

The improvement work will also include a review of purchasing and logistics functions. These have undergone constant improvement over the past few years, and delivery reliability to stores has increased.

KF and Coop have signed the trade and industry call for reduced carbon dioxide emissions, which involves promising to reduce emissions by 30 per cent by 2020. A major step was taken towards the target in December 2008, when a

partnership was entered into with Green Cargo, which will relate initially to rail transport. This will involve a reduction in Coop’s impact on our climate by around 10 per cent and remove 120 trucks from the roads between Helsingborg and Umeå every working day.

Efficient purchasing

The entire consumer cooperative movement works together via the collective purchasing company Cilab, Coop Inköp och Logistik, which is responsible for national purchasing for Coop Sverige and the retail societies.

Coop Norden was phased out at the end of 2007. To make the most of the benefits of collective Nordic purchasing, the procurement company Coop Trading was launched by the owners of the former Coop Norden – KF, FDB in Denmark and Coop NKL in Norway. The Finnish cooperative movement SOK also came on board last year. Coop Trading are also co-owners – together with the cooperative movements in Spain and Italy – of Intercoop Ltd, which deals with purchasing non-food goods in Asia.

Technology to simplify everyday life

Technical development is continuing, and Coop Sverige is constantly working to develop new products and services to enhance the ranges on offer to customers. The cooperative movement was the first company to introduce self-scanning checkouts for customers buying a lot of goods. Similar solutions have also been launched over the year for customers in

city stores. A self-scanning concept has been developed by means of fast self-service checkouts, mainly in the hearts of major cities, where customers often buy only a few items at a time and are in a hurry.

The Coop MedMera card and the customer database are important tools for enhancing our offers to members, and these will be developed further. Customers who are members of the consumer cooperative movement are offered a range of benefits and discounts thanks to their membership.

Market communication

Coop Sverige communicates actively with its customers and members by means of campaigns and recurring activities. Market communication will allow Coop to reinforce and clarify its profile as a modern, attractive grocery retailer with a range of products and services which meet customers’ needs and wishes and are at the cutting edge of developments as regards organic and environmentally friendly goods. Coop also states its commitment on issues relating to consumption and sustainable development.

Besides traditional channels such as newspapers and TV, Coop is also using the Internet to communicate with its members and customers. The number of activities on the website and visitors to the site has increased over the year. The service for searching Coop’s own recipes is very popular. Recipes can also be found in folders and brochures set out in the stores. Mersmak magazine is published eleven times a year and is highly

New stores in 2008:

Coop Forum

Häggvik, Sollentuna
Kungsbacka
Stora Bernstorp, Malmö
Västberga, Stockholm

Coop Bygg

Enköping
Eskilstuna
Katrineholm
Kungsbacka
Ludvika
Mariestad
Ulricehamn

Coop Extra

Bulltofta
Falköping
Katrineholm
Ludvika
Mariestad
Nyköping

Coop Nära

Örebro

appreciated by its readers. This magazine has a broad circulation and around a million copies of each edition are published. In 2008, a cooperation took place with Barnens Egen Matskola, where some 4 000 pupils from grade 5 were able to learn how to cook healthy, nutritious food.

Coop Membership Panel

The Coop web-based Membership Panel provides the company with a new, effective way to communicate with its members. Coop has carried out a number of surveys over the year in which members have been asked to provide their views on various issues. The results from the Membership Panels are collated in the Coop report, which is presented at the annual Coop day to which journalists and other formers of public opinion are invited. The Stora Änglamarkspriset award is also presented on Coop day. This award was established in 2002 in order to encourage and emphasise good environmental and ecological initiatives. The award for this year focuses on food and climate.

Coop's initiatives concerning direct communication with customers will be developed in future, the Coop MedMera member card being an important instrument for this. Custom offers are becoming a more and more important element of our efforts to meet the requirements and wishes of our customers. Coop is adapting its market communication in accordance with this.

Sustainability in stores

Sustainable enterprise is an important part of the Coop Sverige business concept. The consumer cooperative movement was the first organisation in the industry to develop products and services for sustainable consumption. Coop has offered a large number of organic products in its stores for many years now. In addition, all its stores received KRAV accreditation in 2008, which requires a large range of KRAV-labelled (Swedish certification scheme for organic products) products, among other things.

Broad range of products

Coop aims to appeal to a broad group of customers with all kinds of different requirements and varying financial means. Our aim is to be able to meet the wishes and needs of all customer groups. Our stores offer a broad range of goods in all categories, from cut-price to premium.

Coop provides products under a range of different brands, including its three biggest own brands Coop Änglamark, Coop and X-tra. Coop Änglamark offers a broad range of goods which are organic, Fairtrade, environmentally friendly or suitable for people who suffer from allergies. The Coop brand represents top quality products at a good price. X-tra is Coop's own cut-price brand, which allows customers the opportunity to buy good products at really low prices.

The Differ branding agency has carried out a survey among Swedish consumers regarding how environmentally friendly brands on the Swedish market are considered to be. Spontaneously, the majority of people who took part in the survey thought that Coop Änglamark was the most environmentally friendly brand, and in 2008 Coop was named the most environmentally friendly chain in the industry.

Successful platform

Coop Sverige has stores in good retail locations. Improvements made to the operation of stores and hypermarkets, as well as sharpened offers and prices through the Coop MedMera reward scheme, are enhancing competitiveness. Coop Sverige represents ecology and the environment, which must permeate everything it does. Work is ongoing now to further improve customer relations in order to ensure that customers receive the service they demand, that they can find the things they are looking for in Coop stores, and that they view Coop Sverige as a reliable supplier of everyday commodities.

New working methods

New working methods and reorganisations have taken place over the year in connection with the integration of Coop into KF as a wholly owned subsidiary.

As of 1 January 2009, service company KF Shared Services will be dealing with finance, IT, HR and personnel issues for the entire group. The general HR function operates collectively, and communication issues will be dealt with by the Group's operations working in close cooperation.



Buying food online

Mataffären.se is the answer to members' requests for them to be able to buy good products quickly and conveniently.

Mataffären.se
coop

Mataffären.se is a grocery retail store which uses the Internet as its sales outlet. Customers are offered a complete range of everyday commodities for delivery in the Stockholm region. This operation is run from a new picking store south of Stockholm, and deliveries take place between 10:00 and 22:00 on weekdays. Customers can pay online, receive an invoice or make a payment via a card terminal at the time of delivery. By using their Coop MedMera cards, customers can also donate money to Kooperation Utan Gränser. Mataffären.se offers a broad range of organic and Fairtrade products, and all goods are delivered using biogas vehicles. This organisation holds KRAV accreditation.

Benefits of scale and opportunities for cooperation are available in a number of areas within the KF Group. For instance, Coop Sverige is working together with KF Fastigheter on setting up new stores and exploiting new locations. The marketing functions at Coop Sverige and MedMera Bank collaborate. This will bond membership issues more closely with business operations and the stores.

Employees

An extensive management review for charting the need for training and further development of managers has been implemented throughout the entire Group over the year. 600 people from Coop Sverige took part. This programme is an important part of the change and improvement work ongoing throughout the entire Group.

All employees have been invited over the year to information meetings relating to the improvement programme. A project entitled "Jättelyftet" (The Massive Lift) was implemented at various locations all over Sweden in the autumn. The management at KF and Coop took part in a total of four meetings and provided information for some 8 000 staff concerning the situation and future prospects for the Group.

The measures implemented will continue to take effect over years to come. The emphasis in future will be on working to an even greater extent on how we deal with customers. Coop has also worked in partnership with the consumer societies to introduce an in-store quality review system in order to guarantee the standard of ranges and services.

Efficient purchasing

Cilab (Coop Inköp och Logistik AB) is responsible for purchasing for Coop Sverige and the retail consumer societies. In 1008, Cilab also took over deliveries to OKQ8 within the Motorist and Non-food segments. The company continued to develop in 2008 by means of – among other things – enhanced business control and reporting. Service levels have also improved significantly over the year thanks to improved goods control procedures together with other logistics measures.

Over the year, Cilab initiated a major initiative, "Mat från Regionen" (Food from the Region), in cooperation with players such as LRF (The Federation of Swedish Farmers) in order to meet members' requirements to be able to buy more locally produced goods in stores and hypermarkets.

As far as logistics are concerned, the company is working to reduce transportation and warehousing costs. A large number of projects have been implemented in this field over the year, and work on specialisation, prioritisation and resource assurance is constantly ongoing for the implementation of new projects.

The partnership with Green Cargo regarding transportation of goods by rail provides both financial and environmental benefits. Environmental initiatives have been implemented in other areas as well. Coop's truck drivers are receiving training on how to drive frugally, which is resulting in lower fuel consumption and reductions in carbon dioxide emissions. All vehicles have also been fitted with trip computers which record data such as fuel consumption and idling.

The past year also saw enhancement of the quality of purchasing operations. Cilab entered into a new contract with Everfresh concerning deliveries of fruit and vegetables for all of Coop Sverige and the retail societies. Collective purchasing allows better purchasing terms and quality to be attained.

Cilab will be responsible for and execute all frozen goods logistics in southern Sweden from the start of 2009. The new setup will reduce costs thanks to lower picking costs, less tied-up capital and purchasing benefits compared with the present solution. Reliable delivery to the stores is also expected to increase as all goods will be collected together in a single warehouse.

Daglivs

► Daglivs is situated in Kungsholmen, Stockholm and is one of the biggest, most successful grocery retail stores in Sweden. Daglivs has been part of the KF Group since late 2007. Daglivs was opened in 1982 and currently has 4,200 sq m of floor space over two floors.

Daglivs provides more than 30,000 items, which gives it the biggest range of all grocery retail stores in supermarket format in Sweden. This store has a “range guarantee”, which means that customers can submit their requirements and get more or less any goods they like from the range. These goods are delivered to the store as long as they are available, but if they are not the customer receives 2,000 points on their Coop MedMera account instead. Daglivs also has the most customers of any store in Sweden. Almost 13,000 customers visit the store every day.

2008 was a very good year in terms of profit and turnover, given the new competitive situation on a local level and

non-recurring expenses in connection with the change of ownership.

Sales for 2008 amounted to a total of SEK 478 million, excluding VAT, which represents an increase of 1.2 per cent on 2007.

Extensive work has taken place over the year in order to introduce organisational improvements.

Over the year, Daglivs has received KRAV accreditation in addition to the Swan label. Major emphasis is placed on in-store energy savings and planned transportation in order to ensure the lowest possible energy consumption and carbon dioxide emissions.

In future, the company will continue to focus on renewal and changes to its store in order to reinforce added value for its customers. A new customer service team will be set up, so helping to improve service levels.

Cost savings will continue in 2009 while initiatives are implemented, including giving store staff additional training.

Daglivs

Board of Directors: Chairman Pär Jansson, Johnny Capor, Magnus Ros, Jonny Olsson

CEO: Per Ekstrand

Turnover: SEK 478 million

Average number of employees: 109



Mataffären.se

► Mataffären.se is a grocery retail store which uses the Internet as its sales outlet. Customers are offered a complete range of everyday commodities for delivery in the Stockholm region. This service began before the summer of 2008 and rapidly became a success. Home deliveries take place between 10:00 and 22:00 on weekdays. This operation is run from a new picking store south of Stockholm.

Mataffären.se has a distinctive fresh produce profile and offers a broad range of organic and Fairtrade products. All

deliveries are transported using vehicles which run on biogas, and Mataffären holds KRAV accreditation.

Customers can pay online, receive an invoice or make a payment via a card terminal at the time of delivery. Coop MedMera cards can be used to pay for purchases or collect points.

Mataffären's aim is to become the dominant player in the online grocery retail trade and to lead developments in this field.

Mataffären.se

Board of Directors: Chairman Pär Jansson

Johnny Capor, Martin Fridolf, Karl Wistrand

CEO: Claes Hessel

Turnover: SEK 27 million

Average number of employees: 26



What do KRAV-labelled and Fairtrade products entail?

Coop is the biggest grocery retailer for both KRAV-labelled and Fairtrade goods.

The KRAV label appears on foods which have been produced in a sustainable way. Chemical pesticides, artificial fertilisers and genetically modified organisms (GMOs) must not be used. No synthetic colourings or flavourings can be used, and hardened fats are not permitted. Animal husbandry is at great pains to safeguard animal health and natural behaviours. An inspector calls at least once a year and makes sure that production is taking place in accordance with KRAV rules.

Fairtrade labelling means – among other things – that growers and employees in developing countries enjoy improved economic terms, child labour and discrimination are countered, democracy and organisation rights are developed, and environmental awareness and organic production are promoted.

As well as receiving higher payments, growers also receive an additional premium. This is used to develop the local society, contributing to new schools or healthcare, for example. Rules and criteria are developed by Fairtrade Labelling Organizations International (FLO), together with representatives of the growers. Inspection and certification are dealt with by FLO-Cert, an independent body.



Real estate and finance

These operations include KF Fastigheter, one of Sweden's biggest property companies focusing on the retail trade, and MedMera Bank, which has a central function in the relationship between members and business operations in the consumer cooperative movement, primarily through its handling of the Coop MedMera member card. KF Invest is the financial function for the Group, while KF Sparkassa administers deposits from members and offers competitive interest rates on savings accounts.

MedMera Bank

► The main objective of MedMera Bank is to manage the Coop MedMera reward scheme, which gives consumer cooperative movement members benefits in the form of discounts, cheques and offers with both the cooperative movement and a number of partner companies. MedMera Bank issues and manages the cooperative movement's 3.5 million or so Coop MedMera cards in circulation. The bank is also responsible for all card acquisitions within the consumer cooperative movement. The technical infrastructure allows the bank to keep all checkouts online in all connected stores.

MedMera Bank has been running banking operating since 2007 and is regulated by the Swedish Financial Supervisory Authority. Members and consumer cooperative movement stores

are offered a broad range of financial services, as are a number of partners.

MedMera Bank also assists the retail trade with information and advertising services, such as monthly mailings of Coop Mersmak magazine together with account and points information and reward vouchers and targeted offers to members. On average, MedMera Bank communicates with 1.1 million Swedish households every month.

Positive development in 2008

MedMera Bank focuses primarily on a large number of private individuals, offering them loans and consumption credit linked with the Coop MedMera card. Overall, MedMera Bank has low risk exposure in respect of credit, while at the same time a low risk profile policy is applied to investments. Most of the bank's customers are private individuals, but the bank also aims at public sector companies, municipalities and county councils. The credit crunch has not affected MedMera Bank to any appreciable extent in 2008. MedMera Bank has opted to follow fully the Riksbank's interest rate cuts.

Development over the past year has been positive in terms of both the influx of new members and the demand for

financial services. Interest in the Coop MedMera card with Visa – which was launched very successfully in 2007 – has continued to increase in 2008. The partner programme has also been extended over the year, which ensures even more benefits for customers with MedMera cards. Löplabbet and Familjens Jurist – among others – have been added. All in all, this has helped to bring about an increase in volume for the reward scheme. KF's acquisition of Daglivs, the biggest supermarket in Sweden, also resulted in an increase in the numbers of new members.

The Hotel Voucher is one of the most popular benefits in the Coop MedMera programme. Members are offered preferential rates in a large number of hotels in Sweden and the rest of the Nordic region, as well as in a number of cities in Europe. Since this scheme started, more than 2 million nights have been booked; around 570,000 of which were booked in 2008.

MedMera Bank has shifted its emphasis from operating mainly as a service organisation for the rest of the consumer cooperative movement to also actively develop and sell new and existing products. By establishing sales teams and sales coaches, the bank will be able to

MedMera Bank

Board of Directors: Chairman Lars Idermark, Johnny Capor, Kent Ryberg, Thomas Johansson, Laszlo Kriss, Håkan Smith, Karl Wistrand, Jeanette Franzén (trade union representative), Anne-Marie Rydergren (trade union representative), replaced by Susanne Hansson in February 2009)

CEO: Ivar Fransson

Net sales ex. VAT: SEK 305 million

Profit after financial items: SEK 19.6 million

Average number of employees: 53

give stores and consumer societies more support with offering products to members.

The option of becoming a member of the consumer cooperative movement online was launched over the year, and this has been very successful.

Technical development at the cutting edge

The Coop MedMera card is also an important tool for enhancing service levels and developing in-store technology. New services are constantly being developed. For a number of years now, customers with Coop MedMera cards have had the option of scanning their own goods in-store, thereby making it easier to get through the checkout and pay. Over the year, too, a number of stores have been fitted out with fast checkouts offering self-service, a service highly appreciated by customers in cities who are buying only a few goods and are in a hurry.

A lot of the technical development in progress also involves security, an issue which is taking on ever more importance. The handling of card numbers and personal details is regulated in law and demands advanced technical solu-

tions in order to prevent crime and fraud. Advanced data storage systems are being developed in order to achieve the best security possible, and the cards themselves are undergoing technical development as well.

The launch of new products and cooperation with new partners have been given priority of late. Greater benefits for members are the most important consideration; while at the same time MedMera Bank and Coop Sverige are working together to try to enhance business benefits as well. Above all, the rewards programme and customer database must be used in a way that involves clearer links between the Coop MedMera card and the stores; this will also allow financial benefits for members to be enhanced.

Supplementary services such as Bistånd på köpet (develop aid by automatic rounding off) allow members to easily donate money to help reduce poverty throughout the world. This allows the MedMera scheme to promote benefits in society as well. The prevailing economic downturn will affect profits over the coming year, and there will be strong focus on measures to counter this in 2009.

In May 2008, Dagens Nyheter named Coop MedMera Visa as the best "food card".



Coop MedMera card

The Coop MedMera card is a membership card and it acts as proof of membership for the local consumer society. This card is also a key to the rewards programme or reward scheme, as well as other services and offers from the consumer societies, KF and Coop Sverige as well as other participating companies; Akademibokhandeln, Bokus, KappAhl, Löplabbet, Familjens Jurist, Expert, OKQ8 and Apollo. More than 1,200 stores and hypermarkets, as well as 800 OK petrol stations, are affiliated to the rewards programme.

There are around 3.5 million Coop MedMera cards among the cooperative movement's members – more than 3 million of them. The Coop MedMera card allows members to register their purchases and get points which are then converted into reward vouchers. In addition to reward vouchers, members receive benefits and discount offers for hotels, travel and various events, among other things.

If cardholders collect 5,000 points, they receive a reward voucher which gives a discount in 1,200 stores or on travel or nights in hotels.

Coop Mersmak magazine is mailed out to more than a million households spending more than SEK 1,200 a month, or which make 12 or more visits to a store in a month. There is a special card, called the KF Inköpskort, for organisations and companies.

Coop MedMera Visa

Since 2007 there has been a debit and credit card, Coop MedMera Visa, which allows customers to pay with their Coop MedMera cards and collect points all over the world. Coop MedMera Visa is a debit and credit card offering credit options of up to SEK 100,000. The annual fee is SEK 95 per card. One point is received for every krona spent, regardless of where the purchase takes place.

KF Fastigheter

► KF Fastigheter manages a real estate portfolio in excess of SEK 6 billion and works with development and renewal of store networks, mainly for Coop Sverige and the retail societies. This operation is organised into three units. Projects & Technology focuses on property development and particularly technology-related issues with a view to refining the property stock for the consumer cooperative movement. Trading & Centre runs commercial development and deals with the day-to-day operation of the retail properties. Stores & Establishment identifies and initiates development of attractive trading locations for consumer cooperative retail.

Work in 2008

The new organisation with three units was introduced in 2007; and in 2008 the structuring of these units continued, mainly for the Stores & Establishment unit. The organisation has developed, and staff numbers have increased throughout KF Fastigheter as a whole. The company achieved a profit of SEK 542 million over the year, due largely to the profit from property sales, which amounted to SEK 432 million.

Over the year, KF Fastigheter has worked on formulating strategies for development of the Coop network of stores, as well as for some of the retail societies, and has completely taken over project management and store planning from Coop. The cooperation with Coop Sverige has been intensified in other areas as well, including as a result of KF Fastigheter taking over the handling of Coop's refrigeration issues.

Another part of the operation involves energy streamlining. KF Fastigheter assists the organisations within the KF Group with measures for reducing energy consumption in buildings. The EnergiReda monitoring programme allows companies to report on and follow up their consumption of water, electricity and energy for heating.

The property market

The end of several years of financial prosperity came in 2008. The collapse of the global financial markets reinforced the global recession. The property market cooled off as early as the end of 2007. Quite simply, the market had got too "hot" and the demands for direct returns were very low. International investors started to vanish from the Swedish arena. This, combined with rising interest rates, resulted in a significant decrease in the transaction rate. After the financial crisis, it was almost impossible to borrow capital, which further impacted upon the property market. Property values have fallen over the year. The rental market has also been affected to a certain extent, but no major repercussions were apparent in 2008.

The property portfolio

Despite a receding property market, KF Fastigheter has made a number of divestments over the year, mainly of warehouse and distribution properties. All in all, properties worth a total of around SEK 1 billion were sold in 2008. This means that the property strategy from 2003 has now been completed and KF Fastigheter's holdings consist purely of trading properties within a clear geographical area.

Of the property portfolio, Coop Sverige represents around 50 per cent of rental income.

Development projects

Work on KF Fastigheter's biggest project to date intensified in 2008 with the conversion of Hangar 3 at Bromma Center which took place in June. This trading area will be completed in 2012 and have grown by then to around 100,000 sq m.

Besides the start of construction of Bromma Center, a number of development projects have been handled in 2008. In Kungens Kurva, outside Stockholm, crucial steps have been taken and planning work will begin in 2009. An extensive extension project is also taking place on Backaplan in Gothenburg, and detailed planning for one of the stages is about to be completed.

KF Fastigheter has also implemented a number of smaller deals over the year. Among other things, the company has acquired land in Landskrona and acquired a 60 per cent holding in Gallerian in Varberg and 50 per cent in Solberga Handelscenter in Strängnäs.

KF Fastigheter, together with another party, has formed a company in Nynäshamn with a view to building a shopping centre. It is estimated that

Nynäspark will open in early summer 2009, and will include a major Coop establishment.

In 2008, KF Fastigheter won a competition arranged by the City of Stockholm concerning the development of the shopping facilities at the new Slussen. Together with property company Gyllenforsen, KF Fastigheter has formed a company for this purpose. An architectural competition is now in progress to determine what will happen, and KF Fastigheter is taking part in this process. The City of Stockholm is expected to make a decision on the proposals in the spring. Work on detailed planning will then commence immediately. It is estimated that the plan will be exhibited in 2010.

Market prospects

The increasingly tough property market is making more stringent demands of real estate companies such as KF Fastigheter. In 2009, the company will be focusing on increasing its competitiveness and profitability, as well as on actions to reduce capital tie-up times.

KF Fastigheter

Board of Directors: Chairman Lars Idermark, Johnny Capor, Hans Eklund, Nina Hornewall, Ingrid Karlsson, Anders Stake, Anders Palmquist (trade union representative), Harry Swartz (trade union representative)

CEO: Bernt-Olof Gustavsson

Turnover, total: SEK 560 million

Operating profit: SEK 542 million (inc. capital gains)

Average number of employees: 93

KF Fastigheter >

Key ratios

Rental income (gross): SEK 494.3 million (ex. rented)

Service turnover, external: SEK 36 million

Turnover, total: SEK 560 million

Net operating income: SEK 318.2 million (ex. rented)

Profit, property sales: SEK 432 million

Operating profit: SEK 542 million (inc. capital gains)

Number of properties: 50 wholly owned and partly owned

Book value of properties: SEK 4.3 billion, of which partly owned SEK 300 million

Approx. market value: SEK 6.1 billion, inc. partly owned

Lettable space: 450,000 sq m (wholly owned)

Dividend yield: 5.4% on identical stock

Total return: -3.2 on identical stock

Average number of employees: 93

KF Invest

► KF Invest is the Group's financial function at which all financial operations are centralised. Its job is to manage KF's financial assets, amounting to some SEK 4 billion, and to manage the financial risks to which the Group is exposed on account of its operations. KF Invest also includes Läckeby Water Group (81 per cent) and Löplabbet (70 per cent). Both companies were acquired in 2008.

Significant financial risks and exposures have arisen on account of the KF Group's acquisition of Coop Sverige and other companies. To face up to this more stringent set of demands, the financial function has been upgraded over the year in terms of both expertise and in terms of numbers. Special positions in central areas, such as cash management and risk management, have been created.

Management

The portfolio is managed mainly under the company's own auspices, and its primary focus is on interest-bearing securi-

ties. KF's share investments involve Swedish and foreign listed companies, with a good risk spread.

The rest of the portfolio is made up of alternative investments such as hedge funds and private equity funds. Management is characterised by a number of guidelines which – among other things – involve the fact that KF must always take into account ethical considerations when investing in listed shares, that KF must not invest in companies which breach UN conventions on human rights, and that KF must strive to implement investment rules compliant with KF's ethical rules when procuring discretionary management commissions.

Of course, management results are very much characterised by the credit crunch and the dramatic drop in asset prices, and the result is negative in both absolute figures and when measured against the relevant comparative indices. This is based on the very weak development of listed shares both in Sweden and internation-

KF Invest

Board of Directors: Chairman
Lars Idermark, Tomas Franzén,
Nina Jarlbäck, Göran Lindblå

CEO: Johnny G Capor

Managed financial assets, market value:
SEK 3.8 billion

Managed financial assets, book value:
SEK 3.8 billion

Total return: -4,9%

Profit after financial items: SEK -245 million
(136)

Average number of employees: 8

ally, but also as a consequence of the fact that alternative investments have generated a negative result. Although 2009 will be marked by major uncertainty, it is our view that the volatility of the financial markets will decrease and that a certain amount of stability will be established.

KF Sparkassa

► KF Sparkassa, which was formed in 1908, celebrated its centenary on 21 August 2008.

KF Sparkassa constitutes part of the parent company KF Cooperative Society. KF Sparkassa offers members of the consumer cooperative movement savings services at competitive interest rates. This amounted to 2.10 per cent as at 31 December 2008. Around 90,000 members have accounts with KF Sparkassa. Most of them save to deposit accounts which are free and offer unlimited withdrawals. KF Sparkassa also

offers longer-term savings by means of a restricted five-year loan at variable interest rates.

Savings bank transactions can be performed at around 300 consumer cooperative stores all over Sweden. Transactions may also take place online, via autogiro or plusgiro, or by telephone.

KF's strong financial position, combined with a conservative investment strategy for asset management, guarantees deposits in KF Sparkassa, which is not covered by the State depositor guarantee.

KF Sparkassa

Manager: Manfred Krieger

Deposits: SEK 3.8 billion

A man in a blue jacket is holding a Coop MedMera card. The card is white with a rainbow stripe and the text 'COOP MEDMERA' and '2015'. The card also has a number '8254' and a name 'JULIUS' visible. The background is blurred, showing an indoor setting.

Points and Bistånd på köpet

Members receive points on purchases by using their Coop MedMera cards, and these cards also allow them to easily donate money to aid work.

The Coop MedMera card is a membership card for the rewards scheme, as well as other services and offers from the consumer societies, KF and Coop Sverige as well as other participating companies; Akademibokhandeln, Bokus, KappAhl, Löplabbet, Expert and OKQ8 and Apollo. More than 1,200 stores and hypermarkets are affiliated to the rewards scheme.

The Coop MedMera card allows members to register their purchases and get points which are then converted into reward vouchers. In addition to reward vouchers, members receive benefits and discount offers for hotels, travel and various events, among other things. There are around 3.5 million Coop MedMera cards among the cooperative movement's members – more than 3 million of them.

The Bistånd på köpet (development aid by automatic rounding off) service also allows members to easily donate money to Kooperation Utan Gränser using their Coop MedMera cards.

Media group

The media group includes Norstedts Förlagsgrupp, one of Sweden's top publishers of fiction and non-fiction; and also Akademibokhandeln, with its online bookstore Bokus, as the biggest chain of bookshops on the market. Other companies include PAN Vision, one of the biggest distributors of digital home entertainment, and quality magazine Tidningen Vi, which has been published within the consumer cooperative movement since 1913.

Akademibokhandeln and Bokus

Akademibokhandeln

► The task of Akademibokhandeln is to run well stocked, integrated, market leading, nationwide book sales. The company has 61 stores all over Sweden and is responsible for more than 40 per cent of the book trading market and almost 15 per cent of the total book market in Sweden. The bookshop business has a long tradition in the cooperative movement, in which Akademibokhandeln has been involved since 1987. The online book store Bokus has been a member of KF since 1998, and since 1 October 2008 has been a subsidiary of Akademibokhandelsgruppen AB.

Akademibokhandeln is one of Sweden's strongest brands in the retail trade, and the latest survey carried out by GfK shows it coming in ninth in terms of market awareness.

Akademibokhandeln's sales fell by just under 1 per cent in 2008. This development has been affected mainly by the continuing decline in sales of course literature, along with the increase in online sales affecting the market in gen-

eral. The economic downturn and unrest on the financial markets have to a certain extent tempered demand for books over the latter part of the year.

New shops have been opened in attractive locations, including Kungälv in Gothenburg, and the bookshop in the centre of Haninge, just outside Stockholm, has been taken over. Decisions have been made to open shops in five new trading locations; Ingelsta in Norrköping (2009) and Entré in Malmö (2009), along with the Stockholm area, Sollentuna centre (2009), Liljeholmstorget (2009) and Bromma Center (2010).

Weak development for course literature has led to the closing down of one of the course shops in Lund and the course shop in Västerås. The course shops in Karlstad, Örebro, Växjö and the Stockholm School of Business and Economics will be closed in 2009.

The partnership between Bokus and the Akademibokhandelsgruppen was reinforced over the year, and as of 1 October Bokus will become a subsidiary of Akademibokhandelsgruppen AB.

The main reason for the merger is the fact that customers are more and more using multiple outlets for buying their books and other media. The extended cooperation has led to reinforcement of synergies, and a collective multi-channel strategy has been established for both companies. Work on developing a new business system has continued in 2008, and a launch is planned for the early summer of 2009.

Future development

Strong emphasis on expenses and growth through continuing acquisitions and establishments on a stagnating book trading market will characterise future operations. The range structure will be affected by the market shift taking place between physical bookshops and the Internet, which makes more stringent demands of a multi-channel strategy. Central range control has begun and will be implemented fully over the year. This means better control over the range, but also a massive cull of items that sell very few copies.

Bokus

► Bokus sells books and other media online at competitive prices. It sells a wide range of books, covering some 3.5 million titles published in countries such as Sweden, the UK, the USA and Germany.

The number of holders of Coop MedMera cards buying from Bokus is constantly increasing, and of around 1.3 million registered customers, more than 30 per cent use their Coop MedMera cards.

Bokus has won a number of awards over the past few years, including the award for best e-store in 2006 and 2005 and the Web Service Award for 2003. It has also been nominated for 2008.

The market for online book sales is still growing. Sales in 2008 were on a par with sales in the previous year. There has been a certain shift from the corporate customer segment to private customers. Shipping income fell over the year with the introduction of a free shipping option, while sales income for books increased slightly. Sales of media other than books such as audio books, films and games are on a par with the previous year.

Over the May to April period, the purchasing function was moved from Malmö to Bro, while at the same time the logistics function moved from Morgongåva to Bro. To create a competitive range to offer, a free shipping alternative was introduced in June. In mid-September, CEO Anders Ringnér left the company and was replaced by Erik Liedberg as the Acting CEO. At the same time, Bokus became a subsidiary of Akademibokhandeln.

Future development

Work on integrating Bokus with Akademibokhandeln and developing a multi-channel strategy will be continuing over the first six months of 2009. Further enhanced quality and productivity within the logistics function will also be given high priority for the continued development of Bokus.

Akademibokhandelsgruppen

Board of Directors: Chairman
Lars Idermark, Johnny Capor,
Ulf Ivarsson, Göran Lindblå,
Lotta Lundén, Mats Lundquist,
Brigitta Mauritz (trade union representative)

CEO: Ulf Lindstrand

Average number of employees: 517

Turnover of Akademibokhandelsgruppen, including Bokus: SEK 1,513 million
Operating profit: SEK -24 million



Norstedts Förlagsgrupp

► Norstedts Förlagsgrupp publishes a broad range of fiction, non-fiction, books for children and young people, dictionaries, audio books and games. This publishing group includes several of the best known Swedish book publishers such as Norstedts, Rabén & Sjögren, Prisma, Tiden and Norstedts Akademiska Förlag. In 2008, the decision was made to gather together all non-fiction and fiction publications under the name Norstedts, while Rabén & Sjögren will be used for publications aimed at children and young people. This publishing group – which publishes a total of some 500 new titles each year – has a high quality profile and publishes a large number of Swedish authors.

Norstedts Förlagsgrupp holds a market share of around 20 per cent on the general market and is the second-biggest player. Norstedts Förlagsgrupp is the market leader in the field of children's books. Kooperativa Förbundet has been publishing books since the 1920s.

The Swedish book market has grown by a few per cent per year since VAT on books was reduced in the early part of

the 21st century, but a certain decline in demand was noted in the autumn of 2008. The shift between the various sales channels also continued over the year. The online bookstore is the only outlet that has grown, while book clubs, tradition bookshops and department stores have seen a decline in sales.

The autumn was characterised by a book of memoirs by Norstedts author PO Enquist, titled *Ett annat liv*, which received the August Award for Swedish Fiction Book of the Year for 2008. Over 100,000 copies of the original edition were sold.

Stieg Larsson's Millennium trilogy has enjoyed major international success over the year. *The Girl with the Dragon Tattoo* was the most widely sold book in the EU in the previous year, and the author reached second place on the world charts. The publishing rights have been sold to more than 30 countries. To date, 2.9 million copies of the three books have been sold in Swedish, with almost 8 million more being sold internationally.

In October, the National Land Survey's mapping operations were purchased, including Kartförlaget, Kartcentrum (commissioned activities) and Kartbutiken. This organisation, which publishes maps and atlases, performs commissioned activities and runs agency and sales services, provides a good complement to the publishing group's existing non-fiction publishing activities. Turnover stands at around SEK 65 million.

The autumn saw the launch of norstedtsord.se, a free word lookup service on the Internet which is linked to Norstedts dictionaries. The intention is to establish a new business model financed by advertising.

The organisation and work process changed in 2008 in order to pave the way for more efficient working methods in a market that is changing, and a new business system was introduced. This company's operations are now divided into three business units focusing on fiction, non-fiction and children/young people. New brand platforms and graphical programmes have been produced, and these changes should be implemented fully by the end of 2010.

Future development

Förlagsgruppen will be continuing to invest in a broad selection of quality literature.

In 2009, the market is expected to pose a challenge in the prevailing uncertainty of the financial markets. Achieving maximum penetration for publishing will take top priority for our sales and marketing work. This will be supported by the investments in the new brand strategy, two new websites – one for Norstedts and one for Rabén & Sjögren – and a new business system.

Financial development over the year

Sales for Norstedts Förlagsgrupp were down on the high sales of 2007, which were characterised by a number of individual big sellers. A reduction in sales for 2008 was anticipated.

Norstedts Förlagsgrupp

Board of Directors: Chairman
Lars Idermark, Johnny Capor,
Sune Dahlqvist, Maj-Britt Johansson-
Lindfors, Lennart Foss, Annika Rost

Trade union representatives:
Eva Josefsson, Pia Lindström

CEO: Maria Hamrefors

Turnover: SEK 500 million

Operating profit: SEK 20 million

Average number of employees: 174



NORSTEDTS
FÖRLAGSGRUPP

PAN Vision

► PAN Vision is one of the leading Nordic distributors of digital home entertainment. The company operated on three main markets; computer games, films (DVDs) and peripherals for computer games and computers. The company operates in all Nordic countries and the Baltic states. Around two-thirds of the company's turnover takes place outside Sweden, and the company's single biggest market is Finland.

The games product group is undergoing positive development, with both market growth and growth in the PAN Vision market share. Films and hardware have developed in line with the emarket, which has resulted in a slight decrease in sales.

Players on the market for distribution of home entertainment include local and international publishers and independent distributors such as PAN Vision. Several international game publishers handle their own distribution to larger customers and allow local distributors such as PAN Vision to deal with distribution to other customer groups.

PAN Vision has successfully managed to enter into new VMI (Vendor Management Inventory) contracts in Sweden, Norway and Finland in 2008. VMI is a strategically important model which adds value for all parties involved. PAN Vision's objective is to extend these partnerships so as to further reinforce the added value for its customers and suppliers. Initiatives for constantly improving and developing the work and quality of the sales corps have also been given priority over the year.

Over the past year, PAN Vision has begun digital distribution of films. It is thought that within a couple of years, digital distribution will take over an even bigger part of the market, and the company intends to position itself on the market as a competitive, effective distributor of digital media.

The financial crisis and credit crunch are expected to also affect PAN Vision's operations. However, historically the home entertainment market has turned out to be relatively stable in economic downturns. A lot would seem to indicate that the hardware product group is the one that will be affected most by any continuing financial crisis.

Future development

VMI operations will continue to develop, as will the company's work on developing and reinforcing its sales and logistics functions. Ever shorter product life cycles in the field of games and films are making more stringent demands of throughout sales statistics systems in order to achieve greater efficiency in the purchasing process.

Web-based sales will grow, and in order to meet future demand for these services, greater emphasis will be placed on developing the PAN Vision web platform.

PAN Vision supports PEGI labelling of all game products. PEGI labelling gives parents an indication of whether or not a game is appropriate for their children.

PAN Vision

Board of Directors: Chairman
Lars Idermark, Gunnar Bergvall,
Johnny Capor, Stefan Lambert,
Jonas Mårtensson, Johan Åhlander

CEO: Per Almgren

Turnover: SEK 1,406 million

Operating profit: SEK 4 million

Average number of employees: 214



PAN VISION

Tidningen Vi magazine

► Tidningen Vi (www.vi-tidningen.se) is a magazine on society and culture which was launched by KF in 1913 and is published twelve times a year. 2008 saw the launch of the new magazine Vi läser (www.vilaser.se), which focuses on books and reading. This was received positively by both critics and the market.

A peripheral operation – travel and mail order sales – is reinforcing the Vi brand and providing the company with a good additional source of income. This will be further reinforced in 2009 by means of seminar operations, among other things.

The 2008 business year has gone according to plan. Circulation stands at 37,900 (TS 2008) and the number of readers is 150,000 (Orvesto 2008) throughout Sweden. Subscription circulation increased from 37,100 to 3,900 in 2008.

Respectful communication

AB Tidningen Vi also launched Vi-skogen (www.viskogen.se) in 1982 and the Teskedsorden foundation (www.teskedsorden.se) in 2006.

Teskedsorden is a foundation which works to increase tolerance among people, inspired by author Amos Oz. Its purpose is to encourage and reward people whose words and actions contribute to respectful communication between people and who pull down walls formed by ethnicity, social standing, age, sex, religion or politics. In November 2008, Josef Fares and Anita Dorazio each received a grant of SEK 50,000.

The Board of Directors at Teskedsorden includes artist Lill Lindfors, author Majgull Axelsson and EU Commissioner Margot Wallström.

Tidningen Vi magazine

Board of Directors:
Chairman Lars Idermark,
Lena Björk, Ivar Fransson,
Jan Wifstrand

CEO and Editor-in-Chief:
Anneli Rogeman

Circulation: 37,900
(TS 2008)

Number of readers:
150,000 (Orvesto 2008)

Turnover: SEK 25 million

Average number of
employees: 13





Akademibokhandeln

Akademibokhandelsgruppen runs more than 60 well-stocked shops all over Sweden.

The high rate of establishment continued over the year, and decisions have been made to open shops at five new trading locations over the next two years. Consumers are showing more and more of a preference for buying books online, and since the autumn of 2008 online bookstore Bokus has been a subsidiary of Akademibokhandeln. The new multi-channel strategy means that the range kept at the physical bookshops is being reduced and concentrated on the books that are most in demand. Other products can be ordered online for in-store pickup or postal delivery. Bokus offers a broad range of books and other media and is able to supply around 3.5 million titles published in Sweden, the United Kingdom, the USA and Germany.

Other companies in the KF Group

Other companies include the Vår Gård Saltsjöbaden conference facility and KF Gymnasiet, which offers broad economic training with emphasis on commerce, economics and leadership and offering opportunities for work experience within the cooperative movement. Läckeby Water Group is an outstanding environmental technology company, and Löplabbetgruppen runs leading running accessories shops. KF Revision and KF Shared Services provide internal services in the fields of auditing, finance administration and IT.

Läckeby Water Group

► In early 2008, KF Invest acquired 81 per cent of shares in Läckeby Water Group, a leading civil engineering company which works with water and effluent treatment, as well as the production of biogas from organic waste. Läckeby Water Group has built facilities in around 70 countries all over the world, its most important markets being Asia and Scandinavia. The company also has its own design, development and production operations at the Läckeby Products division.

In 2008, the environmental technology group had a turnover of SEK 537 million (as of 2008-01-31). Focus on the biogas segment has continued, and the company has received a number of interesting projects over the year. The company also supplies purification products, services and operating services.

The company's opportunities for growth are deemed to be good, and the objective for Läckeby Water Group is to grow both organically and by means of acquisitions.

Läckeby Water Group

Board of Directors: Läckeby Intressenter AB: Chairman Stefan Lambert, Kjell Axelsson, Christer Lindblad (trade union rep), Hans Malm, Lars-Erik Persson (trade union rep), Anders Wahrolén, Gösta Wiking

CEO: Acting CEO Stefan Lambert

Turnover, total: SEK 537 million (as of 2008-01-31)

Average number of employees: 177



Löplabbet

► In October 2008, KF Invest acquired 70 per cent of shares in Löplabbet, Scandinavia's leading running accessories chain, with 13 stores of its own, three franchise stores and one online store. Löplabbet is undergoing a period of growth. The original owners are still in

place, with a shareholding equivalent to 30 per cent of the company, and they have continued to manage its operations. Löplabbet will be progressed as an independent entity focusing on expansion.

Five new stores of its own were opened in 2008.

Löplabbet

Board of Directors: Chairman Stefan Lambert, Mattias Ericsson, Håkan Hven

CEO: Erik Vitéz

Turnover, total: SEK 12 million (as of 2008-10-27)

Average number of employees: 62



Vår Gård Saltsjöbaden

► Vår Gård Saltsjöbaden offers meeting places and conference solutions for companies, authorities and organisations. The conference facility has 138 rooms and can accommodate 550 meeting delegates. This facility is unique thanks to its beautiful location at Baggensfjärden, near Stockholm, and its art collection. KF has been running Vår Gård since 1924. The KF Group is responsible for around 17 per cent of total turnover.

Income has developed very well over the past two years. Vår Gård has

increased its income by almost SEK 20 million over two years. Results in 2008 have also undergone positive development.

As 2009 approaches, the general downturn in the financial situation is expected to lead to a reduction in demand, and the company's expenses and investments are being adapted accordingly. However, sales and marketing work is continuing actively, and major initiatives will be implemented on the Internet over the next year.

Vår Gård Saltsjöbaden

Board of Directors: Chairman Marie Wiksborg, Inger Holmström, Christina Möller, Jan Stenberg, Johan Gustavsson, Milada Jerabek (trade union representative)

CEO: Katarina Romell

Turnover, total: SEK 54 million

Operating profit: SEK 3 million

Average number of employees: 37



KF Gymnasiet

► KF Gymnasiet opened in 1994 as one of the first independent upper secondary schools in Sweden. KF acquired the school in 2007 from the Stockholm Consumer Cooperative Society. The school offers a broad economic education with emphasis on trading, finance and management and close links between theory and practice. Students are given access to qualified trainee placements in various fields throughout their entire courses.

Besides humanities courses focusing on economics and commerce courses,

the school has been offering apprentice training in partnership with Coop since last year. In 2008, the school's 250 or so students spent more than 1 300 weeks in the workplace, mainly within the cooperative movement in Sweden but also in the UK and Zambia.

In a survey carried out by the Swedish Association of Local Authorities and Regions in 2008, KF Gymnasiet came out in the top ten of schools when students themselves were allowed to give marks to their schools.

KF Gymnasiet

Board of Directors: Chairman Marie Wiksborg, Johnny Capor, Annika Hellman (trade union representative), Laszlo Kriss, Alice Kuhnke, Anne-Cathrine Lignell-Zak, Gerd Sandberg, Elsa von Kantzow Brodin

CEO and Principal:

Anne-Catherine Lignell-Zak (to 2009-03-13). New CEO and Principal: Christel Andersson

Turnover, total: SEK 18 million

Operating profit: SEK -2 million

Average number of employees: 20





Focus on staff

Issues relating to staff skills, commitment and development are given high priority within the KF Group.

Repeated surveys are used to ensure that staff feel a sense of participation and motivation, and that they work on the basis of the values which form the foundation for the consumer cooperative movement. An extensive review and dialogue (known as a Management Review) began in 2008 with the Group's 700 managers (CEOs, members of management teams, managers and key staff). The purpose of this was to work together with staff to analyse managerial qualities and define areas in need of development. The results will form the

basis for continuing Group work on recruitment and development of managers. All parts of the Group have launched knowledge transfer and skills development programmes, and these will continue over the year.

The KF Group employed 8,996 people (1,216), of whom 34 (36) were employed by the parent company, calculated on the basis of staff averages for 2008 (5,075 women and 3,921 men). Of these, 7,318 are employed by Coop Sverige. Around 98 per cent of all Group staff are employed in Sweden.



Directors' report

The Board of Directors and Chief Executive Officer for Kooperativa Förbundet (KF), Cooperative Society, registered office in Stockholm, hereby submit the Annual Report and principles of consolidation for the 2008 financial year.

The organisation

Kooperativa Förbundet (KF) is a society for Sweden's 48 (31/12 2008) consumer cooperative societies, with over three million members.

KF's business concept is to create economic benefits, and enable its members through their consumption to contribute towards sustainable development for people and the environment.

The KF Group's primary task is to develop consumer cooperative grocery retail trade (its core activity) and help to ensure that members of the Swedish consumer cooperative movement are able to buy good products at good prices in attractive stores. KF's objective for consumer cooperative grocery stores is long-term profitability, growth and competitiveness in line with the market, and to offer its members clear added value.

The grocery retail trade at KF is run via its subsidiary Coop Sverige, the Daglivs store and the Mataffären.se online store. Together with the retail societies, the collective consumer cooperative movement is responsible for 21.4 per cent of the grocery retail trade for the biggest players in Sweden. Through its store operations, KF is responsible for 55 per cent of sales within consumer cooperative retail, while the retail societies represent 45 per cent. KF's grocery store operations and the retail societies' stores are run under the brand names Coop Forum, Coop Konsum, Coop Extra, Coop Nära, Coop Bygg, Daglivs and Mataffären.se. In addition, the organisation is active in purchasing and logistics via the subsidiary known as Cilab and the Nordic co-owned company Coop Trading A/S.

Other operations are run within the fields of property and finance (KF Fastigheter, MedMera Bank, KF Invest and KF Sparkassa) and media (Norstedts Förlagsgrupp and Akademibokhandeln including Bokus, plus PAN Vision and Tidningen Vi).

Other companies in the Group are Läckby Water Group, Löplabbgruppen, Vår Gård Saltsjöbaden, KF Gymnasiet and KF Shared Services and KF Revision.

Membership of the consumer cooperative movement

The numbers of members in the consumer cooperative movement increased by almost 46,000 in 2008. In total, the Swedish consumer cooperative movement had 3,130,673 throughout the country by the end of the year.

Over the year, 140 members made 140 million reward-registered purchases with their Coop MedMera cards, and for these they received reward points resulting in 7.4 million reward vouchers. The vouchers issued were equivalent to a value of SEK 450 million.

The Coop MedMera card can be used in all Coop Sverige stores, in the retail societies' Coop stores and at Daglivs, Mataffären.se and a few other stores. In addition, the card can be used at Akademi-

bokhandeln and Bokus, Löplabbet, OKQ8, Expert Stormarknad, KappAhl and Familjens Jurist and a number of other partners – in total around 1 200 stores and 800 petrol stations. The Coop MedMera card with a Visa function can be used to collect points all over the world in any store where payments can be made with Visa.

Important events in 2008

- As of the end of 2007, the national retail trade and the purchasing and logistics operation (Cilab) that had been part of Coop Norden returned to KF in Sweden. This means that as of the 2008 business year, Coop Sverige is a wholly owned subsidiary of KF.
- Coop Sverige is reporting for 2008 its strongest operating profit in a decade, SEK 153 million (–110 million). Excluding non-recurring items, the operating profit amounted to SEK 198 million.
- An extensive improvements programme, involving both investments and cost reductions, began at Coop Sverige over the year with a view to turning the losses of the past few years into long-term profitability. At the end of the year, Coop Sverige staff were notified of redundancies equivalent to 1,000 full-time positions. Staff downsizing will be continuing in 2009 and 2010.
- A number of major investments took place in the retail trade and property business. Mataffären.se started in 2008, and the service was launched on the market in April. Mataffären.se is a grocery retail store which uses the Internet as its sales outlet. Goods from here are delivered throughout the Stockholm region. KF also acquired three Vi stores in 2008.
- At the start of the year, KF Invest acquired 81 per cent of shares in Läckby Water Group, a leading civil engineering company which works with water and effluent treatment, as well as the production of biogas from organic waste.
- In October, KF Invest acquired 70 per cent of shares in Löplabbgruppen, Scandinavia's leading chain store for running shoes and accessories.
- In the autumn of 2008, the marketing department for MedMera Bank was integrated with the Coop Sverige marketing function with a view to enhancing and coordinating market canvassing.
- Integration of the establishment and market development functions at Coop Sverige and KF Fastigheter took place in order to streamline and increase the rate of establishment of new stores.
- In 2008, work intensified on KF Fastigheter's extensive Bromma Center project. Construction work began in June, and the trading area – covering around 100,000 sq m – should be completed by 2011.
- In the autumn, Norstedts Förlagsgrupp acquired the National Land Survey's mapping operations, including Kartförlaget, Kartcentrum and Kartbutiken. These operations will provide a good complement to the publishing group's existing publication of non-fiction.
- In September, Akademibokhandelsgruppen welcomed a new CEO; and as of October 2008 Bokus has been a wholly owned subsidiary of Akademibokhandelsgruppen.

- At the end of the year, Coop entered into a partnership agreement with Green Cargo where the intention is for Coop Sverige and the retail societies to move much of their transportation of goods within Sweden from road to rail. The parties have signed a declaration of intent with a view to creating a collective logistics solution which will take a leading position in Sweden, with high levels of environmental concern and cost-effectiveness.

KF Group's sales and profits

Sales

The KF Group's net sales were up 37 per cent, from SEK 26,208 million to SEK 35,817 million in 2008. This strong increase is explained largely by the fact that Coop Sverige returned to KF as of the end of 2007. Moreover, sales are included from Daglivs and Mataffären.se, as well as Läckby Water Group and Löplabbgruppen. Pro forma figures compared with the previous year show growth of around 5.6 per cent.

KF's media companies increased their sales by a total of 2.4 per cent in 2008. Development is following the relatively weak books market, which increased by a total of 0.2 per cent over the whole of 2008. Development for physical book sales closed at –2.7 per cent on last year, and the only outlet showing positive growth – the Internet – was up 12.8 per cent. Weak market development has affected results for both Akademibokhandelsgruppen and Norstedts Förlagsgrupp, both of which are showing negative growth compared with 2007. The increase in sales within the media group came about mainly as a result of PAN Vision's successes in respect of gaming, with an increase of 33 per cent and total growth for the company of 13 per cent compared with sales in 2007. Other comparable companies reported positive sales development totalling 5 per cent.

Profit

The Group's operating businesses are reporting an operating profit of SEK 755 million (594), adjusted for items affecting comparability. The operating profit amounted to SEK 380 million (357). KF's profit after financial items amounted to SEK 110 million (476). The financial downturn has largely affected the KF Group's profit. KF Invest, excluding direct investments in unlisted companies, is reporting a loss after net financial items of SEK –245 million (136), which means a portfolio return of –4.9 per cent. The KF Group's operating profit, on the other hand, was affected positively by successful property sales over the year, amounting to SEK 432 million compared with SEK 221 million in 2007.

Investments

Total net investments, excluding financial investments, amounted to SEK 1,110 million (624, excluding effects of the dissolving of Coop Norden) over the period. These investments related mostly to the retail trade and property business.

KF Cooperative Society

The following functions were included in the parent company KF Cooperative Society (Corporate Center) in 2008: the CEO, Society and Association Staff, Retail Trade Development, Communications, Economy and Finance, HR and KF Sparkassa.

Convenience goods group

As of the end of 2007, the national retail trade and the purchasing and logistics operation (Cilab) that had been part of Coop Norden returned to KF in Sweden. This means that as of the 2008 business year, Coop Sverige AB is a wholly owned subsidiary of KF. Coop Sverige's almost 380 stores are run under the brand names Coop Forum, Coop Konsum, Coop Extra, Coop Nära and Coop Bygg.

After a fairly long period of weak economic development, with falling sales and negative operating results, an extensive improvements programme was introduced in the latter half of 2008. This programme includes all parts of the organisation and involves both financial cutbacks and aggressive strategies. Expenses have to be reduced by SEK 1,500 million by 2010. Among other things, we will be reducing the number of staff we employ, and over the year staff were notified that there would be redundancies equivalent to 1,000 full-time positions.

While savings and streamlining are being implemented, Coop Sverige is focusing on the future through extensive investments in new stores, as well as renovating and converting existing units. Four new Coop Forum stores, six Coop Extra, one Coop Nära and seven Coop Bygg stores were opened in 2008.

At the end of the year, the company entered into a partnership with Green Cargo concerning transportation by rail. This means that Coop will reduce its overall climate impact by around 10 per cent. This partnership means that about 120 trucks per working day can be removed from the roads on the route between Helsingborg and Umeå.

A new Director of Marketing took over at Coop Sverige in the autumn, and he is also the CEO of MedMera Bank. His job is to coordinate and streamline the marketing functions within the two companies.

Of a total of SEK 972 million in investments in 2008, store investments represent SEK 835 million, while other investments were made in Cilab (logistics/distribution) and IT.

Coop Sverige will be continuing over the next few years to focus on adaptations of costs, bringing them to the same levels as the costs of the company's most important competitors in order to achieve greater profitability within the company. Coop Sverige's operating profit for 2008 amounted to SEK 153 million (–110). Excluding non-recurring items, the operating profit amounted to SEK 198 million.

Daglivs has been part of the KF Group since late 2007. Daglivs is one of the biggest, most successful supermarket-format grocery stores in Sweden. Daglivs has the most customers of any store in Sweden; almost 13,000 people visit the store every day. Business has developed very well over the year. Over the next few years, the company will continue to focus on renewal and changes to the store in order to reinforce added value for its customers.

Mataffären.se started in 2008, and the service was launched on the market in April. Mataffären.se is a grocery store which uses the Internet as its sales outlet. Business has exceeded expectations since its launch. Over the next few years, work will be continuing on further developing operations, with emphasis on continued growth. Mataffären, which has the Stockholm region as its delivery area, aims to become the dominant player in the online retail trade.

Total sales for the grocery store group rose by 5.7 per cent, from SEK 29,794 million in 2007 (pro forma) to SEK 31,495 million in 2008.

Property and finance

KF Fastigheter

KF Fastigheter manages KF's real estate portfolio and offers property-related services to Coop Sverige and the retail societies. The emphasis is on retail properties in the city regions of Stockholm, Gothenburg, Malmö and Mälardalen, as well as other trading locations ripe for development. Coop Sverige and the Swedish consumer cooperative movement are a priority tenant.

The real estate portfolio consists of 50 properties with an assessed market value of SEK 6.1 billion (6.7), including the company's participations in co-owned properties. Over the year, a total of SEK 703 million (563) has been invested in wholly owned properties, while at the same time the company has divested properties and companies worth around SEK 975 million (329). The real estate portfolio includes some 35 development projects, of which four are in production. Seven of these represent investments in excess of SEK 50 million.

In 2009, the company will be focusing on increasing its competitiveness and profitability by ensuring that it gets more out of its property holdings, increasing efficiency in deals and speeding up projects in order to prevent long capital tie-up times. A few functions were set up together with Coop Sverige in order to increase the establishment rate and implementation of an aggressive establishment strategy.

Over the year, the company achieved an operating profit, including capital gains, amounting to SEK 542 million (426), which is due largely to a capital gain of SEK 432 million (221) from property sales implemented.

The operating profit amounted to SEK 109 million (205). The direct return for wholly owned properties amounted to 5.4 per cent (7.7) and relates to identical holdings. The lower direct return is explained by sales executed of fully developed properties.

MedMera Bank

MedMera issues and manages the consumer cooperative movement's 3.5 million Coop MedMera cards and is responsible for the Coop MedMera rewards scheme, which aims to give members benefits in the form of discounts, vouchers and offers.

Its focus in 2008 has been to support store sales via the Coop MedMera card and the rewards scheme. New participants have been included in the programme, such as Löplabbet and Familjens Jurist. KF has also acquired new stores, including the grocery store Daglivs, and launched Mataffären.se. This has also affected volumes in respect of its own products and led to better profit.

In 2008, MedMera has seen a strong influx of new members and payment services. There have been 82,000 new members over the year, and 56,000 new payment services (MedMera Visa, MedMera Faktura, MedMera Konto, etc.) have been affiliated, exceeding expectations.

The CEO of MedMera Bank has also been appointed Director of Marketing for Coop Sverige as the objective is to reinforce and coordinate work between the companies.

Requirements for secure card handling and new authority requirements and international rules have meant that over the year, MedMera Bank has begun a major, extensive security programme which is estimated for completion by late 2009 or early 2010.

MedMera Bank is reporting sales for 2008 amounting to SEK 277 million (243) and a profit after net financial items of SEK 20 million (5).

KF Sparkassa

KF Sparkassa manages deposits from members, with competitive interest rates on deposit accounts and five-year loans. Deposits are slightly lower than in the previous year and amount to SEK 3.8 billion (4). Most deposits are made via KF Sparkassa deposit accounts, which without fixed interest give a competitive interest rate (2.1 per cent at year-end) and a smaller amount – more than 400 million – via a bound deposit of 5 years (2.5 per cent at year-end).

KF Invest

KF Invest is the Group's finance function. Its job is to manage KF's financial assets, which at year-end had a market value of SEK 3.8 billion (4.9), and to manage the financial risks to which the Group is exposed on account of its operations.

The portfolio is managed mainly under the company's own auspices, and its primary focus is on interest-bearing securities. KF's share investments involve Swedish and foreign listed companies, with a good risk spread. The rest of the portfolio is made up of alternative investments such as hedge funds and private equity funds. Of the capital at year-end, 71.1 per cent was invested in interest-bearing assets, 7.9 per cent in quoted shares, 15.8 per cent in alternative investments, and 5.2 per cent in unquoted shares and venture capital funds.

Management is characterised by guidelines which – among other things – involve the fact that KF must always take into account ethical considerations when investing in listed shares, that KF must not invest in companies which breach UN conventions on human rights, and that KF must strive to implement investment rules compliant with KF's ethical rules when procuring discretionary management commissions.

The management result of SEK –245 million (136) and a return of –4.9 per cent are of course heavily influenced by the credit crunch and the drastic reduction in asset prices, and the result is negative in both absolute figures and measured against the relevant comparative indices.

Läckeby Water Group

At the start of 2008, KF Invest acquired 81 per cent of shares in Läckeby Water Group, a leading civil engineering company which works with water and effluent treatment, as well as the production of biogas from organic waste. Läckeby Water Group has built facilities in around 70 countries all over the world, its most important markets being Asia and Scandinavia. The company also has its own design, development and production operations at the Läckeby Products division.

In 2008, the environmental technology group had a turnover of SEK 537 million (470 pro forma). Focus on the biogas segment has continued, and the company has received a number of interesting projects over the year. In addition, the company has won major projects in countries such as China and Sri Lanka.

The company's opportunities for growth are deemed to be good, and the objective for Läckeby Water Group is to grow both organically and by means of acquisitions.

Läckeby Water Group is reporting an operating profit of SEK 6.5 million for 2008.

Löplabbet

In October 2008, KF Invest acquired 70 per cent of shares in Löplabbet, Scandinavia's leading running accessories chain, with 13 stores of its own, three franchise stores and one online store. The

original owners are still in place, with a shareholding equivalent to 30 per cent of the company, and they have continued to manage its operations. Löplabbet will be progressed as an independent entity focusing on expansion.

Five new stores were opened in 2008, while at the same time the company is continuing to see strong growth in profits.

Media group

Akademibokhandelsgruppen and Bokus

The task of Akademibokhandeln is to run well stocked, integrated, market leading, nationwide book sales. The company has 61 stores all over Sweden and is responsible for more than 40 per cent of the book trading market and almost 15 per cent of the total book market in Sweden.

Establishment of new stores in attractive locations has continued over the year, and decisions have been made to establish stores in six new trading locations in 2009–2010. On the other hand, development for course literature has been weak, so in 2008 Akademibokhandeln has closed down two course stores and made decisions to close down a further four in 2009.

An earlier partnership between Bokus and Akademibokhandeln was reinforced further over the year, and as of 1 October Bokus has become a wholly owned subsidiary of Akademibokhandeln. The market shift taking place between physical bookshops and the Internet means that a multi-outlet strategy is becoming ever more important, and the prevailing range structure will be affected.

Bokus sells books and other media online at competitive prices. It sells a wide range of books, covering some 3.5 million titles published in countries such as Sweden, the UK, the USA and Germany.

The market for online book sales is still growing steadily. The Bokus market share is more than 15 per cent, and its aim is to become a market leader over the next few years.

Akademibokhandelsgruppen's total sales, including Bokus, fell to SEK 1,513 million (1,526) in 2008 and its operating loss amounted to SEK –24 million (–10). The operating result for 2008 is affected by impairment losses relating to a business system project.

Norstedts Förlagsgrupp

Norstedts Förlagsgrupp, with its 20 per cent market share, is the second-biggest company on the general literature market in Sweden. Norstedts Förlagsgrupp is the market leader in the field of children's books. This publishing group includes several of the best known Swedish book publishers such as Norstedts, Rabén & Sjögren, Prisma, Tiden and Norstedts Akademiska Förlag. Over the past year, extensive work has taken place in order to reduce the number of publisher names and brands, with a view to achieving a greater impact on the market. A decision has been made to gather together all non-fiction and fiction publications under the name Norstedts, while Rabén & Sjögren will be used for publications for children and young people.

In October, the company acquired the National Land Survey's mapping operations, including Kartförlaget, Kartcentrum and Kartbutiken. These operations will provide a good complement to the publishing group's existing publication of non-fiction.

www.norstedtsord.se was launched in the autumn. This is an online word search service which also offers translation between Swedish and English, German and French. The intention is to establish a new model financed by advertising.

Norstedts' sales fell by around 11 per cent over the year, from SEK 564 million to SEK 500 million. The high sales of the previous year were characterised by a few single major works, and a reduction in sales was anticipated for 2008. Operating profit amounted to SEK 20 million (36).

PAN Vision

PAN Vision is one of the leading Nordic distributors of home entertainment and has three main markets; computer games, films (DVDs) and peripherals for computer games and computers. PAN operates in all Nordic countries and the Baltic states. Around 72 per cent of the company's turnover takes place outside Sweden, and the company's single biggest market is Finland.

Games as a product group have undergone positive development over the year. Both the market overall and PAN Vision's market share have grown. Films and hardware have developed in line with the market, which has resulted in a slight decrease in sales.

Over the past year, PAN Vision has begun digital distribution of films. It is thought that within a couple of years, digital distribution will constitute an ever greater part of the market, which will mean major changes for market players. It is the company's intention to position itself on the market as a competitive, effective distributor of digital media.

The company's operating profit amounted to SEK 4 million, compared with SEK 22 million in 2007. Sales rose by 13 per cent from SEK 1,249 million to SEK 1,406 million, which was explained largely by continuing strong sales in the Games product sector, which was up 33 per cent, while Film lost 17 per cent compared with the previous year.

Tidningen Vi

Tidningen Vi is a magazine all about society and culture, and twelve issues are published each year. The 2008 business year has gone according to plan. The most important event has been the launch of a new magazine, "Vi Läser", which has been warmly welcomed by both critics and the market. The company's priority for 2009 is to further reinforce its peripheral operations. Among other things, it will be launching a seminar business.

Other businesses/subsidiaries

Vår Gård Saltsjöbaden

Vår Gård Saltsjöbaden offers conferencing solutions for companies, authorities and organisations. Income has developed very well over the past two years. As 2009 approaches, the general downturn in the financial situation is expected to lead to a reduction in demand, and the company's expenses and investments are being adapted accordingly. The KF Group represents some 17 per cent of the total turnover. The operating profit for Vår Gård Saltsjöbaden amounted to SEK 3.4 million (–0.3) and its turnover rose by 28 per cent from SEK 42 million to SEK 54 million in 2008.

KF Gymnasiet

KF Gymnasiet was acquired in 2007 from the Stockholm Consumer Cooperative Society. Its business concept involves offering upper secondary education on a cooperative basis. The school offers a broad economic education with emphasis on trading, finance and management and close links between theory and practice. Students are given access to qualified trainee placements in various fields throughout their entire courses.

KF Revision AB

The focus of this company has switched from external auditing to mainly internal auditing. The internal audit will cover the entire KF Group, but initially it has been focusing on Coop Sverige's hypermarkets and store operations.

KF Shared Services

KF Shared Services is an internal service and skills company which provides and develops finance, IT and internal services for KF and KF's subsidiaries. Through its subsidiary Tranbodarna, the company supplies services in the fields of financial, personnel and member administration for consumer societies, Coop Sverige and Konsumföretagare. As of 1 January 2009, the company will also be taking over Coop's financial administrative service.

Significant risks and uncertainty factors

Due to its operations, KF is exposed to both operation-related risks and financial risks, as well as exchange rate, interest rate and liquidity risks. On account of its property holdings in KF Fastigheter, KF has significant exposure to the Swedish commercial property market.

New financial risks and exposures have arisen on account of the KF Group's acquisition of Coop Sverige and other companies. To face up to this more stringent set of demands, KF Invest's financial function has been upgraded over the year in terms of both expertise and in terms of numbers. Special positions in central areas, such as cash management and risk management, have been created.

Sustainable development

Besides fundamental financial requirements for efficiency and profitability, KF's operations are guided by a groupwide sustainable development policy, with a range of governing principles for environmental responsibility and social responsibility. A summarised sustainability report for 2008 can be found in the KF annual report.

Of all of KF's operations, it is mainly grocery store operations and KF Fastigheter which have a direct environmental impact. Transportation of goods, electricity consumption in stores and refrigerant leakage are the individual areas which are deemed to have the greatest direct impact on the environment, mainly in the form of emissions of greenhouse gases. At the same time, grocery store operations have a major direct impact on the environment on account of the ranges on sale in the stores and the overall environmental impact of these goods. Operations in other companies are deemed to have more limited effects. KF does not execute any operations which are subject to licence and notification in accordance with the Environmental Code.

At Coop Sverige, sales of organic foods are a strategic issue for sustainability work as the company is a leader in this field in Sweden in terms of both sales volume and the number of products sold. In 2008, sales of organic foods at Coop Sverige increased by 37.1 per cent and now amount to 6.2 per cent of total food sales. In 2008, all stores also received KRAV accreditation, which among other things sets demands for ranges of KRAV-labelled products, training concerning such products and marketing of them.

At the end of the year, Coop Sverige entered into a partnership agreement with Green Cargo where the intention is for Coop Sverige to move much of their transportation of goods within Sweden from road to rail. This would result in Coop Sverige reducing its climate impact by almost 8,000 tonnes of carbon dioxide, which is around 10 per cent of Coop Sverige's total environmental impact.

The consumer cooperative movement has been working for a long time now to combat poverty and to help people to help themselves in developing countries through Kooperation Utan Gränser and Viskogen. In 2008, the consumer cooperative movement passed on a total of SEK 21.3 million to these organisations.

Employees

The KF Group employed 8,996 people (1,216), of whom 34 (36) were employed by the parent company, calculated on the basis of staff averages for 2008 (5,075 women and 3,921 men). Of these, 7,318 are employed by Coop Sverige. Around 98 per cent of all Group staff are employed in Sweden.

The KF Group has conducted an extensive review and dialogue (known as a Management Review) with the Group's 700 top managers (CEOs, members of management teams, managers and key staff). The aim of this has been to chart managerial qualities, but also to define strengths, weaknesses and areas in need of development. This review will form the basis for how the KF Group should continue to work with leadership development and leader supply within the Group over the next few years. Programmes for development and skills enhancement in the fields where there is a requirement have been implemented in all parts of the Group.

Proposed distribution of unallocated funds

Non-restricted equity in the Group amounted to SEK 2,734 million at year-end. According to the parent society's balance sheet, SEK 1,960,182,167.11 is at the disposal of the Annual General Meeting.

The Board of Directors and the CEO propose that these funds be distributed as follows:

Reserve fund	27,480,566.34
Interest on capital contributions	94,676,821.89
Interest on debenture contributions	67,124,712.20
Balanced in new account	1,770,900,066.68
	<hr/> 1,960,182,167.11

Consolidated Income Statement for the KF Group

SEK millions	Note	2008	2007
Net sales	1	35,817	26,208
Cost of goods sold		-29,509	-24,590
Gross profit		6,308	1,618
Selling expenses		-5,732	-1,000
Administrative expenses		-1,276	-628
Other operating income	3	1,140	269
Other operating expenses		-102	-14
Share of profit of associated companies	4	7	8
Share of profit of joint ventures	5	35	103
Operating profit	2, 25, 27	380	357
Financial income and expenses	6	-270	119
Profit after financial items		110	476
Tax	7	-10	-107
Less minority shares		1	0
Profit for the year	8	101	369

Consolidated Balance Sheet for the KF Group

SEK millions	Note	2008-12-31	2007-12-31
ASSETS			
NON-CURRENT ASSETS			
Capitalised development expenditure		92	71
Patents, licenses, trademarks and similar rights		79	76
Tenancy rights and similar rights		9	9
Goodwill		542	396
Advance payments on intangible non-current assets		101	66
Other intangible non-current assets		0	3
Intangible non-current assets	9	823	621
Buildings and land		3,582	3,682
Refurbishment expenses for properties owned by others		20	16
Machinery and other technical equipment		71	46
Equipment, tools, fixtures and fittings		1,919	1,407
Construction in progress		488	291
Financial leasing		11	22
Other tangible non-current assets		4	4
Tangible non-current assets	10	6,095	5,469
Participating interests in associated companies	28	150	190
Receivables from associated companies, interest-bearing		9	9
Participating interests in joint ventures	28	94	66
Receivables from joint ventures, interest-bearing		73	7
Other long-term holdings of securities	28	213	185
Deferred tax assets	7	874	780
Other long-term receivables, interest-bearing	18	318	236
Other long-term receivables, non interest-bearing		60	40
Financial non-current assets	11	1,792	1,513
Total non-current assets		8,710	7,602
CURRENT ASSETS			
Commodities and consumables		5	4
Goods in production		53	14
Finished goods and goods for resale		2,898	2,640
Advance payments to suppliers		11	15
Inventories		2,968	2,673
Accounts receivable		1,441	1,333
Receivables from joint ventures, interest-bearing		18	0
Receivables from joint ventures, non interest-bearing		3	50
Other current receivables, interest-bearing		285	355
Other current receivables, non interest-bearing		796	683
Prepaid expenses and accrued income		700	509
Current receivables	12, 13	3,243	2,930
Short-term investments	14	3,568	4,590
Cash and bank balances		837	2,725
Total current assets		10,616	12,918
Total assets	23	19,326	20,520

Consolidated Balance Sheet for the KF Group

SEK millions	Note	2008-12-31	2007-12-31
EQUITY, PROVISIONS AND LIABILITIES			
Equity			
Capital contributions		1,893	1,835
Debenture contributions		964	965
Restricted reserves		994	1,158
Restricted equity		3,851	3,958
Unrestricted reserves		2,633	2,143
Profit for the year		101	369
Unrestricted equity		2,734	2,511
TOTAL EQUITY	15	6,585	6,469
Minority interests		33	25
Guarantee capital	17	20	20
Provisions for pensions and similar commitments, interest-bearing	18	19	31
Other provisions, non interest-bearing		270	340
Provisions	19	289	371
Long-term liabilities, interest-bearing		289	245
Long-term liabilities, non interest-bearing		2	–
Long-term liabilities	21	291	245
Liabilities to credit institutions		110	14
Advance payments from customers		110	29
Accounts payable		3,270	3,040
Liabilities to joint ventures, non interest-bearing		2	0
Tax liabilities		15	6
Other current liabilities, interest-bearing		5,854	7,626
Other current liabilities, non interest-bearing		804	881
Accrued expenses and prepaid income		1,944	1,794
Current liabilities	13, 22	12,109	13,390
Total equity, provisions and liabilities	23	19,326	20,520
Memorandum items			
Securities pledged and contingent liabilities			
Securities pledged	20	401	203
Contingent liabilities	24	36	60

Changes in Group equity for the KF Group

SEK millions	Contributed capital	Debenture contributions	Restricted reserves	Unrestricted equity	Total
Closing balance, 31 Dec 2006	1,779	1,051	1,045	2,465	6,340
Effect of change in accounting policies				-11	-11
Adjusted opening balance, 2007	1,779	1,051	1,045	2,454	6,329
Effect in connection with dissolving of Coop Norden				-95	-95
Exchange rate differences ¹⁾			1	20	21
<i>Total change not reported in the income statement</i>	0	0	1	-74	-74
Interest on contributed capital and debenture contributions				-99	-99
Consolidation of contributed capital	59			-59	0
Other allocation of last year's profit			0	0	0
Reduction of contributed capital	-3			0	-3
Reduction of debenture contributions		-86		0	-86
Deferred tax on interest				33	33
Profit for the year				369	369
Transfer between unrestricted and restricted reserves			112	-112	0
Closing balance, 31 Dec 2007	1,835	965	1,158	2,511	6,469
Effect in connection with dissolving of Coop Norden				67	67
Exchange rate difference			2	17	19
<i>Total change not reported in the income statement</i>	0	0	2	84	86
Interest on contributed capital and debenture contributions				-99	-99
Consolidation of contributed capital	61			-61	0
Other allocation of last year's profit			12	-12	0
Reduction of contributed capital	-3			0	-3
Reduction of debenture contributions		-2		0	-2
Deferred tax on interest				33	33
Profit for the year				101	101
Transfer between unrestricted and restricted reserves			-177	177	0
Closing balance, 31 Dec 2008	1,893	964	994	2,734	6,585

1) The opening accumulated exchange rate difference as at 1 January 2007, which has been reported directly against equity, amounted to SEK 4 million.

Cash Flow Statement for the KF Group

SEK millions	Note	2008	2007
CURRENT OPERATIONS			
Profit after financial items	26	110	476
Adjustment for items not included in cash flow	26	388	-182
		498	294
Income tax paid		-10	-
Cash flow from operating activities before changes in working capital		488	294
Cash flow from changes in working capital			
Increase(-)/decrease(+) of inventories		-256	18
Increase (-)/decrease (+) of operating receivables		-91	318
Increase (+)/decrease (-) of operating liabilities		70	-555
Cash flow from current operations		210	75
Investment activities			
Acquisition of subsidiaries	26	-209	1,688
Sales of subsidiaries	26	467	27
Acquisition of business segments	26	-22	-16
Acquisition of intangible non-current assets		-150	-76
Acquisition of tangible non-current assets		-1,586	-620
Sales of tangible non-current assets		232	440
Investments in financial assets		-67	-70
Cash flow from investment activities		-1,335	1,373
Financing activities			
Reduction of contributed capital		-3	-3
Reduction of debenture contributions		-2	-86
Change in deposits, Sparkassan/MedMera Bank	13	-275	220
Other changes to loans		-1,260	155
Dividend to minority interests		-1	-
Interest on contributed capital and debenture contributions		-99	-99
Cash flow from financing activities		-1,640	187
Cash flow for the year		-2,765	1,635
Cash and cash equivalents at beginning of year		6,279	4,642
Exchange rate difference in cash and cash equivalents		5	2
Cash and cash equivalents at year-end	26	3,519	6,279

Income Statement for the KF Cooperative Society

SEK millions	Note	2008	2007
Net sales	1	33	22,166
Cost of goods sold		-43	-22,147
Gross profit		-10	20
Administrative expenses		-205	-224
Other operating income	3	76	93
Other operating expenses		0	-95
Operating profit	2, 25, 27	-139	-206
Financial income and expenses	6	280	266
Profit after financial items		141	60
Appropriations	16	4	3
Tax	7	38	15
Profit for the year		183	78

Balance Sheet for the KF Cooperative Society

SEK millions	Note	2008-12-31	2007-12-31
ASSETS			
NON-CURRENT ASSETS			
Patents, licenses, trademarks and similar rights		0	1
Advance payments on intangible non-current assets		7	3
Intangible non-current assets	9	7	4
Buildings and land		–	68
Equipment, tools, fixtures and fittings		4	14
Construction in progress		–	1
Tangible non-current assets	10	4	83
Participating interests in Group companies	28	6,184	12,379
Participating interests in associated companies	28	3	3
Receivables from associated companies, interest-bearing		9	9
Other long-term holdings of securities	28	17	17
Deferred tax assets	7	153	112
Other long-term receivables, interest-bearing		1	38
Financial non-current assets	11	6,367	12,558
Total non-current assets		6,378	12,645
CURRENT ASSETS			
Advance payments to suppliers		4	4
Inventories		4	4
Accounts receivable		0	2
Receivables from Group companies, interest-bearing		5,797	6,122
Receivables from Group companies, non interest-bearing		78	74
Other current receivables, interest-bearing		5	111
Other current receivables, non interest-bearing		5	16
Prepaid expenses and accrued income		44	3
Current receivables	12	5,929	6,328
Cash and bank balances		287	614
Total current assets		6,220	6,946
Total assets	23	12,598	19,591

Balance Sheet for the KF Cooperative Society

SEK millions	Note	2008-12-31	2007-12-31
EQUITY, PROVISIONS AND LIABILITIES			
Equity			
Capital contributions		1,893	1,835
Debenture contributions		964	965
Statutory reserve		959	947
Restricted equity		3,816	3,747
Retained earnings		1,777	1,764
Profit for the year		183	78
Unrestricted equity		1,960	1,842
TOTAL EQUITY	15	5,776	5,589
Untaxed reserves	16	–	4
Guarantee capital	17	20	20
Other provisions, non interest-bearing		11	12
Provisions	19	11	12
Long-term liabilities, interest-bearing		217	225
Long-term liabilities	21	217	225
Advance payments from customers		0	2
Accounts payable		11	22
Liabilities to Group companies, interest-bearing		2,015	2,143
Liabilities to Group companies, non interest-bearing		41	48
Other current liabilities, interest-bearing		4,363	11,327
Other current liabilities, non interest-bearing		115	147
Accrued expenses and prepaid income		29	52
Current liabilities	22	6,574	13,741
Total equity, provisions and liabilities	23	12,598	19,591
Memorandum items			
Securities pledged and contingent liabilities			
Securities pledged	20	–	–
Contingent liabilities	24	29	55

Changes in equity for the KF Cooperative Society

SEK millions	Contributed capital	Debenture contributions	Statutory reserve	Retained earnings	Profit for the year	Total
Closing balance, 31 Dec 2006	1,779	1,051	947	1,799	-2	5,574
Interest on contributed capital and debenture contributions				-99		-99
Consolidation of contributed capital	59			-59		0
Other allocation of last year's profit				-2	2	0
Reduction of contributed capital	-3					-3
Reduction of debenture contributions		-86				-86
Group contribution				128		128
Tax effect of Group contribution				-36		-36
Deferred tax on interest				33		33
Profit for the year					78	78
Closing balance, 31 Dec 2007	1,835	965	947	1,764	78	5,589
Interest on contributed capital and debenture contributions				-99		-99
Consolidation of contributed capital	61			-61		0
Other allocation of last year's profit			12	66	-78	0
Reduction of contributed capital	-3					-3
Reduction of debenture contributions		-2				-2
Group contribution				104		104
Tax effect of Group contribution				-29		-29
Deferred tax on interest				33		33
Profit for the year					183	183
Closing balance, 31 Dec 2008	1,893	964	959	1,777	183	5,776

Cash Flow Statement for the KF Cooperative Society

SEK millions	Note	2008	2007
CURRENT OPERATIONS			
Profit after financial items	26	141	59
Adjustment for items not included in cash flow	26	75	-222
		216	-163
Income tax paid		-	-
Cash flow from operating activities before changes in working capital		216	-163
Cash flow from changes in working capital			
Increase (-)/decrease (+) of operating receivables		10	447
Increase (+)/decrease (-) of operating liabilities		-75	-336
Cash flow from current operations		151	-52
Investment activities			
Acquisition of subsidiaries	26	0	-755
Sales of subsidiaries	26	85	-
Acquisition of intangible non-current assets		-3	-4
Acquisition of tangible non-current assets		-4	-80
Sales of tangible non-current assets		-2	223
Investments in financial assets		-	-6,938
Divestment/reduction of financial assets		6,505	-
Cash flow from investment activities		6,582	-7,554
Financing activities			
Reduction of contributed capital		-3	-3
Reduction of debenture contributions		-2	-86
Change in deposits, Sparkassan/MedMera Bank	13	-275	220
Other changes to loans		-6,840	7,522
Interest on contributed capital and debenture contributions		-99	-99
Group contributions received		160	442
Cash flow from financing activities		-7,059	7,996
Cash flow for the year		-327	392
Cash and cash equivalents at beginning of year		614	222
Cash and cash equivalents at year-end	26	287	614

Accounting policies

The annual report for the KF Cooperative Society and the KF Group has been compiled in accordance with the Annual Accounts Act on the basis of Swedish Financial Accounting Standards Council recommendations RR1 – RR29, including associated Emerging Issues Task Force statements.

Consolidated financial statements

The Group's annual accounts comprise the parent company and all subsidiaries of which there is more than 50 per cent ownership in voting rights or where there is a controlling influence by some other means.

The consolidated accounts were prepared 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. Equity in acquired companies is determined on the basis of a market valuation of assets and liabilities on the acquisition date. If the market valuation of assets and liabilities produces values that are not the same as the acquired company's book values, these market values constitute the Group's acquisition value. If the acquisition value of shares in a subsidiary exceeds the calculated value of the net assets upon acquisition, the difference is posted to the balance sheet as Group goodwill. If the acquisition value is less than the value of the net assets, the difference is posted as negative Group goodwill.

Only the profit generated after the acquisition date is included in the Group's equity.

The consolidated income statement includes companies acquired during the year at values relating to the time after the acquisition. Profits for companies divested during the year are included for the period during which they were owned.

Internal Group transactions involving income, expenses, claims and liabilities, as well as unrealized profits, are eliminated.

Associated companies and joint ventures

Companies in which KF has a significant influence are classified as associated companies. Companies in which collaboration is governed by agreements giving the co-owners a joint controlling influence are classified as joint ventures. Associated companies and joint ventures are reported in the consolidated accounts according to the equity method. In the consolidated income statement, the share of profits in associated companies and joint ventures constitutes the Group's proportion of the reported profit before tax adjusted for minority interests, where necessary adjusted for any depreciation of surplus or negative surplus value. The share of the companies' tax is reported under the Group's tax expense.

Translation of foreign subsidiaries and associated companies

The income statements and balance sheets of foreign subsidiaries and associated companies are translated using the current method. According to this method, all items in the balance sheet must be translated at the closing rate, while all items in the income statement must be translated using the average exchange rate for the period. Any differences arising are not reported in the income statement, but have a direct effect on the Group's restricted and unrestricted reserves respectively. In the sale of subsidiaries, exchange rate differences previously reported directly to equity are reported in the income statement.

Classifications

Non-current assets, long-term liabilities and provisions essentially consist solely of amounts that are expected to be recovered or paid after more than twelve months from the year-end. Current assets and current liabilities essentially consist solely of amounts that are expected to be recovered or paid within twelve months of the year-end.

General valuation principles

Assets, liabilities, provisions and derivatives are reported at the acquisition value unless otherwise stated below.

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. Exchange rate gains and losses on operating receivables and liabilities are reported net under the operating profit, while the corresponding exchange rate gains/losses are reported under financial items. The corresponding net figure for financial receivables and liabilities is reported under other financial items.

Derivatives

The Group's currency flows are primarily an effect of goods purchased in foreign currencies. Forward agreements, currency swaps and options are used to hedge these flows. Interest rate derivatives, FRAs and futures are used to change the interest rate structure of the underlying financial net debt.

Unrealized changes in the value of derivative instruments used for hedging commercial flows or for hedging interest rate risk are not revalued at the year-end, but are reported at their acquisition value. Interest income and interest expense resulting from these derivatives are reported on an ongoing basis under net interest income/expense.

Intangible and tangible non-current assets

Tangible and intangible non-current assets are valued at the acquisition cost less depreciation/amortization to plan and any impairment losses. Depreciation according to plan is based on the assets' acquisition values and the estimated economic useful life. If there are any indications of impairment, an assessment is made of the recoverable amount. If the recoverable amount is less than the book value, the item is written down to this amount.

The following depreciation rates are applied for tangible and intangible non-current assets:

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

For acquisitions of a strategic nature, for example to gain access to new markets, goodwill is amortized over a period of up to 10 years.

Financial non-current assets

Shares and participations that are non-current assets are valued individually. If there are any indications of impairment, an assessment is made of the recoverable amount. If the recoverable amount is less than the book value, the item is written down to this amount.

Inventories

Inventories are valued at the lower of the acquisition value and the net sales value. Risks of obsolete inventories are taken into account.

Trade and other receivables

Trade and other receivables are reported at the amounts expected to be paid after careful consideration.

Short-term investments

Short-term interest-bearing investments and quoted shares including shares in funds are valued collectively, according to the so-called portfolio method, at the lower of the acquisition value and the fair value.

Provisions

Legal and informal commitments arising from past events, and which at the year-end are deemed likely to occur, but at an uncertain amount or date, have been posted as provisions. A provision is reported at the amount matching the best assessment of the payment required to settle the commitment. When the outflow of resources is deemed to lie far in the future, the expected future cash flow is discounted, and the provision is reported at the present value. The discounting rates is equal to the market rate before tax, also taking into account the risks associated with the liability. The gradual increase in the amount of the provision implied by the present value is reported as an interest expense in the income statement. The provisions are reviewed at the balance sheet date.

A provision for restructuring is reported once the Group has prepared a detailed and informal restructuring plan, and the restructuring has either commenced or been publicly announced. No provisions are made for future operating expenses. A provision for a future onerous contract is reported when the expected benefits that the Group expect to obtain from the contract are lower than the unavoidable costs of fulfilling the terms of the contract.

Pensions

Pension liabilities are calculated in accordance with the Swedish Financial Accounting Standards Council's recommendation RR 29 "Employee benefits". In accordance with this, actuarial calculations are produced for benefit-based plans using the projected unit credit method, which means that the pension costs are allocated during the employee's working life. present value of commitments relating to vested benefits for current and former employees is calculated every year on the basis of actuarial assumptions that are defined in connection with the year-end. For funded plans, the consolidated balance sheet reports the net pension commitment after deductions for the plan's managed assets valued at market value. Funded plans with net assets, in other words with assets in excess of commitments, are reported as a financial asset, otherwise as a provision. Actuarial gains and losses are distributed over the employees' remaining calculated period of employment, if they are outside the 10 per cent so-called 'corridor' for the plan in question.

Income

Income is posted when the income can be calculated in a reliable way and when material risks and benefits associated with the product/service have been transferred to the counterparty. Income is posted at the fair value received or due to be received less deductions for any discounts given.

Tax

The Group's tax comprises the sum of current tax and deferred tax. Current tax comprises payable or receivable tax relating to the current year and adjustments of current tax for previous years. Deferred tax is calculated on the basis of temporary differences between reported and tax values of assets and liabilities according to the balance sheet approach. Deferred tax assets are reported to the extent that it is probable that they can be utilised in the foreseeable future. Tax is reported in the income statement, except in cases where the underlying transaction is reported in equity.

Leasing

Leasing agreements in which the financial risks and benefits associated with ownership are essentially transferred to the leaseholder are defined as financial leasing agreements. If this is not the case, then it constitutes operational leasing. Assets leased under financial leasing contracts are reported as non-current assets in the Group's balance sheet at fair value at the start of the lease term, or at the present value of the minimum lease payments if this is lower. The commitments to pay future leasing charges are reported as long-term or current liabilities. The leased assets are written off over the economic life of the assets, while the lease payments are split between interest and amortisation of the liabilities. Interest expense is posted in the income statement. Leasing charges paid under operating leases are carried as an expense in a straight line over the lease term.

Interest-bearing and non interest-bearing

Assets and liabilities are divided into those that are interest-bearing and those that are non interest-bearing. Interest is not on a par with dividends, and for that reason, shares held for investment purposes are reported as non interest-bearing. Shares held for dealing purposes are reported as interest-bearing, as the intention of the shareholding is short term and the investment is made in order to generate a return that can be compared to interest. Receivables and liabilities in respect of Group contributions and dividends are reported as interest-bearing.

Current account receivables and liabilities

The KF Group and the consumer cooperative societies have a joint settlement system – the current account system. This system is used for settlement of goods deliveries and other invoicing.

Cash flow statement

The indirect method has been applied for reporting cash flow from operating activities. Cash and cash equivalents are calculated as the sum of cash and bank balances and short-term investments. Short-term investments are classified as cash and cash equivalents on the basis that they carry an insignificant risk of value fluctuations and that they can easily be converted into cash funds.

Operating profit

Operating profit is defined as the legal operating profit adjusted to take into account items affecting comparability, such as capital gains of a one-off nature and writedowns.

Adoption of the income statement and the balance sheet

The income statement and the balance sheet will be adopted by KF's General Meeting.

Notes

Note 1 Net sales

SEK millions	Group	
	2008	2007
KF Cooperative Society ¹⁾	0	22,102
Grocery retail group		
Coop Sweden	31,004	–
Daglivs	478	–
Mataffären.se ³⁾	27	–
Real estate and finance		
KF Fastigheter ²⁾	553	580
MedMera Bank	277	243
Läckeby Water Group	537	–
Löplabbet	12	–
Media group		
Akademibokhandelsgruppen and Bokus	1,513	1,526
Norstedts Förlagsgrupp	500	564
PAN Vision	1,406	1,249
Tidningen Vi magazine	25	23
Other businesses/subsidiaries		
Vår Gård Saltsjöbaden	54	42
KF Gymnasiet ⁴⁾	18	–
KF Revision	9	6
KF Shared Services	81	80
Eliminations	–677	–207
Total net sales, KF Group	35,817	26,208

1) Sales to members and retail consumer societies were previously included in the parent company's net sales. Following the dissolving of Coop Norden, this sale is handled by Coop Sverige.

2) Relates mainly to rentals. The amount includes SEK 33 million (64) that is posted as sales in the KF Cooperative Society's income statement and relates to rentals from the so-called agreement properties in the KF Cooperative Society.

3) Operations are run within KF Näthandel AB.

4) Operations are run within KF Utbildning AB.

Sales to foreign buyers amounting to SEK 1,076 million (934) are included.

Note 2 Depreciation and impairment losses

Depreciation and impairment losses of tangible and intangible non-current assets are included at the following values:

SEK millions	Group		Parent Company	
	2008	2007	2008	2007
Cost of goods sold	–139	–102	–2	–5
Selling expenses	–419	–44	–	–
Administrative expenses	–128	–30	–2	–3
Other operating expenses	–9	–2	0	0
Total	–696	–178	–4	–8

Operational leasing

The rental cost of assets, excluding rental of premises, financed through leasing for 2008 and the following four years amounts to:

SEK millions	2008	2009	2010	2011	2012
KF Group	84	41	38	30	25

Note 3 Other operating income

SEK millions	Group		Parent Company	
	2008	2007	2008	2007
Capital gain from sale of properties	540	221	–	58
Commission income: games, tickets, etc.	116	–	–	–
Other	484	48	76	35
Total other operating income	1,140	269	76	93

Note 4 Participations in the earnings of associated companies

SEK millions	Profit before tax	
	2008	2007
Barnens Bokklubb AB	1	1
Månadens Bok HB	2	5
Coop Trading AS	1	–
Stenungs Torg Fastighets AB	1	–
Other associated companies	1	2
Total participations in the earnings of associated companies	7	8

Note 5 Participations in the earnings of joint ventures

SEK millions	Profit before tax	
	2008	2007
Coop Norden AB ¹⁾	–	100
Ljusta Projektutveckling AB ²⁾	35	0
Other joint ventures	0	3
Total participations in the earnings of joint ventures	35	103

1) Coop Norden was dissolved on 31 December 2007, Coop Sverige is now a subsidiary of KF.

2) Of which capital gain SEK 35 million (0).

Note 6 Financial income and expenses

SEK millions	Group		Parent Company	
	2008	2007	2008	2007
Profit from participations in Group companies:				
Dividends			339	220
Capital gains/losses			-19	0
Impairment losses			-13	0
Writeback of impairment losses re. financial non-current assets			0	0
Total			307	220
Profit from other financial non-current assets:				
Dividends	30	58	18	1
Interest	7	3	0	2
Capital gains/losses	-2	10	-	-
Impairment losses	-21	-1	-	-
Total	14	70	18	3
Other interest income and similar income items:				
Dividends	14	13	0	0
Interest	320	188	388	309
Exchange rate gains	6	-	-	-
Capital gain/loss on sale of financial current assets	-21	68	-	-
Impairment loss on financial current assets	-303	-	-	-
Total	17	269	388	309
Interest expenses and similar expense items:				
Group companies			-150	-88
Other companies	-300	-220	-283	-178
Total	-300	-220	-433	-266
Total financial income and expenses	-270	119	280	266
profits from Group companies being included as follows:				
Other interest income and similar income items			357	295
Total			357	295

Note 7 Tax

Tax on profit for the year

SEK millions	Group		Parent Company	
	2008	2007	2008	2007
Current tax	5	4	-	-
Deferred tax	-14	-60	37	15
Share of taxes in associated companies/joint ventures	-1	-52	-	-
Total	-10	-107	37	15

Correlation between tax for the period and reported profit before tax

SEK millions	Group		Parent Company	
	2008	2007	2008	2007
Reported pre-tax profit	110	476	145	60
Tax at prevailing tax rate, 28% ¹⁾	-31	-133	-41	-17
Tax effect of non-deductible expenses:				
Depreciation/impairment loss on Group goodwill	-20	-2	-	-
Impairment losses on shares and property	-10	-	-4	-
Allocation/provision, non-deductible	-8	-18	-	-18
Other non-deductible costs	-12	-33	-3	-3
Tax effect of non-taxable income:				
Utilisation of allocation/provision, non-deductible	-	16	20	8
Dividend on shares and participations	4	-	95	62
Other non-taxable income	5	58	1	14
Sale of shares, properties and tenant-owner's rights:				
Tax effect of sale of shares	151	-	-5	-
Tax effect of sale of properties and tenant-owner's rights:	-39	-16	-9	-17
Tax loss carryforwards utilised:				
Utilisation of tax loss carryforwards not previously capitalised	-	78	-	-
Deficit for which tax loss carryforwards have been revalued/not reported	19	-15	-	-
Adjustment of current tax for previous periods	-10	-5	-	-
Adjustment of deferred tax for previous periods	-4	-12	-7	-14
Effect of adjusted tax rate	-56	-	-10	-
Adjustment for tax in associated companies and joint ventures	0	-22	-	-
Other, net	0	-3	-	-
Total tax reported	-10	-107	37	15

1) The current tax rate has been calculated on the basis of the applicable tax rate for the parent company.

Note 7, cont. Tax**Deductible temporary difference/tax loss carryforwards that have not led to reporting of deferred tax assets**

SEK millions	Group		Parent Company	
	2008	2007	2008	2007
Loss carryforwards	190	275	–	–
Total	190	275	0	0

Deferred tax liabilities and tax assets classified per balance sheet category

SEK millions	Group		Parent Company	
	2008	2007	2008	2007
<i>Deferred tax liability</i> ¹⁾				
Financial non-current assets	–	33	–	–
Other non-current assets (incl. any untaxed reserves)	145	133	–	–
Total	145	166	0	0
<i>Deferred tax assets</i>				
Other non-current assets	4	–	–	–
Provisions and long-term liabilities	52	12	12	–
Tax loss carryforwards	962	934	141	112
Total	1,018	946	153	112
Deferred tax assets, net	873	780	153	112

1) In the balance sheet, deferred tax liabilities have been offset against deferred tax assets.
Deferred tax liabilities in the parent company are included under untaxed reserves.

Note 8 Transactions with associated parties**Net sales to associated companies and joint ventures**

SEK millions	Group	
	2008	2007
Associated companies	0	1
Joint ventures ¹⁾	0	395
Total net sales to associated companies and joint ventures	0	396

1) The KF Group has previously had transactions with joint ventures within fields such as property management, card acquisitions and marketing.
These services will be provided to subsidiaries as of 2008 with the dissolving of Coop Norden.

Note 9 Intangible non-current assets

GROUP SEK millions	Capitalised development expenditure	Patents, licences, trademarks and similar rights	Tenancy rights and similar rights	Goodwill	Advance payments intangible non-current assets	Other intangible non-current assets	Total intangible non-current assets
Accumulated acquisition values:							
At beginning of year	333	214	25	580	67	8	1,226
New acquisitions	38	34	1	–	73	–	146
Divestments, scrapping, closures	–65	–61	–5	–92	–	–1	–225
Reclassifications/acquired companies	21	7	5	223	–9	–6	242
Exchange rate differences	1	–	–	–	–	–	1
Total acquisition value	328	194	26	710	131	1	1,390
Accumulated depreciation according to plan:							
At beginning of year	–218	–137	–16	–159	–	–4	–533
Divestments, scrapping, closures	21	61	5	68	–	1	156
Reclassifications/acquired companies	–9	–2	–2	–	–	3	–9
Depreciation according to plan for the year	–26	–31	–3	–64	–	0	–125
Exchange rate differences	–1	–	–	–	–	–	–1
Total depreciation according to plan	–233	–109	–17	–155	0	0	–512
Accumulated impairment losses:							
At beginning of year	–44	–1	–	–25	–1	–1	–72
Divestments, scrapping, closures	44	–	–	22	–	1	67
Reclassifications/acquired companies	–	–	–	–	1	–	1
Impairment losses for the year ¹⁾	–3	–5	–	–12	–30	–1	–51
Total impairment losses	–3	–6	–	–15	–30	–1	–55
Carrying amount at year-end	92	79	9	542	101	0	823
Carrying amount at beginning of year	71	76	9	396	66	3	621

1) Of impairment losses for the year, impairment losses of SEK –46 million are reported under administrative costs, and losses of SEK –5 million under cost of goods sold. In the previous year, SEK –4 million was reported under administration and SEK –1 million under cost of goods sold.

PARENT COMPANY SEK millions	Capitalised development expenditure	Patents, licences, trademarks and similar rights	Advance pay- ments intangible non-current assets	Total intangible non-current assets
Accumulated acquisition values:				
At beginning of year	5	2	3	10
New acquisitions	–	0	4	4
Total acquisition value	5	2	7	14
Accumulated depreciation according to plan:				
At beginning of year	–5	–1	–	–6
Depreciation according to plan for the year	–	–1	–	–1
Total depreciation according to plan	–5	–2	–	–7
Carrying amount at year-end	0	0	7	7
Carrying amount at beginning of year	0	1	3	4

Note 10 Tangible non-current assets

GROUP									
SEK millions	Buildings	Land and land improvements	Refurbishment expenses on properties owned by others	Machinery and other technical non-current assets	Equipment, tools and fixtures and fittings	Financial leasing	New construction in progress	Other tangible non-current assets	Total tangible non-current assets
Accumulated acquisition values:									
At beginning of year	3,374	710	32	111	4,259	82	291	7	8,866
New acquisitions, capitalised expenditure	237	80	-8	31	859	0	514	0	1,714
Divestments, scrapping	-533	-85	-	-9	-454	0	0	-	-1,081
Reclassifications/acquired companies	135	52	11	39	150	-39	-301	-	48
Exchange rate differences	-	-	-	-	1	-	-17	-	-15
Total acquisition value	3,213	757	35	172	4,816	43	488	7	9,532
Accumulated depreciation according to plan:									
At beginning of year	-298	-42	-16	-65	-2,810	-60	-	-3	-3,295
Disposals	56	10	9	9	397	0	-	-	481
Reclassifications/acquired companies	-6	-1	-3	-35	-3	35	-	-	-14
Depreciation according to plan for the year	-37	-14	-5	-11	-452	-7	-	-	-526
Exchange rate differences	-	-	-	-	-1	0	-	-	-1
Total depreciation according to plan	-285	-48	-15	-101	-2,870	-32	-	-3	-3,354
Accumulated impairment losses:									
At beginning of year	-58	-3	-	-	-42	-	-	-	-103
Disposals	6	-	-	-	17	-	-	-	23
Reclassifications/acquired companies	-	-	-	-	-8	-	-	-	-8
Reversed impairment losses for the year	-	-	-	-	8	-	-	-	8
Impairment losses for the year	-	-	-	-	-1	-	-	-	-1
Total impairment losses	-52	-3	-	-	-27	-	-	-	-81
Carrying amount at year-end	2,876	706	20	71	1,919	11	488	4	6,095
Carrying amount at beginning of year	3,017	665	16	46	1,406	22	291	4	5,467

PARENT COMPANY					
SEK millions	Buildings	Land and land improvements	Equipment, tools and fixtures and fittings	New construction in progress	Total tangible non-current assets
Accumulated acquisition values:					
At beginning of year	81	18	31	1	131
New acquisitions, capitalised expenditure	0	-	0	3	3
Divestments, scrapping	-81	-18	-13	-4	-116
Total acquisition value	0	0	18	0	18
Accumulated depreciation according to plan:					
At beginning of year	-31	0	-17	-	-48
Disposals	32	0	6	-	38
Depreciation according to plan for the year	-1	0	-3	-	-4
Total depreciation according to plan	0	0	-14	-	-14
Carrying amount at year-end	0	0	4	0	4
Carrying amount at beginning of year	50	18	14	1	83

Tax assessment values	Group		Parent Company	
SEK millions	2008	2007	2008	2007
Buildings	1,916	1,709	-	51
Land and land improvements	748	802	-	36
Total	2,664	2,511	-	87

Note 10, cont. Tangible non-current assets**Investment properties – fair values and changes in fair values**

SEK millions	Group		Parent Company	
	2008	2007	2008	2007
At beginning of year	1,232	5,135	110	508
Reclassification to operating properties	–	–3,999	–	–217
New acquisitions	34	116	–	–
Investments in properties	246	86	–	0
Divestments	–187	–276	–110	–178
At year-end	1,255	1,232	0	110
Change in value	–71	171	0	–3

Fair value was determined primarily on the basis of internal assessments. A small number of external valuations were conducted to quality-assure the valuation process.

The following valuation methods were used to determine the fair value:

- Yield valuation of 40% of investment properties, primarily through cash flow calculations, in which the property's future net operating profit and estimated residual values are assessed at current value.
- Around 30% of the stock relates to land and development properties where the value has been assessed with the assistance of implemented sales of equivalent properties/building rights on the market.
- For the remaining 30% relating to new production, the value has been determined on the basis of costs incurred minus depreciation.

Assumed direct return for calculation of residual value

Category	2008	2007
Shopping centres	6.5%–7%	6.0%–6.6%
Volume trading	6.5%	6.1%–6.6%
Development properties/other	6.75%–8.25%	6.8%–9%

Assumed interest calculated for discounting of cash flow

Category	2008	2007
Shopping centres	8.5%–9%	8%–8.6%
Volume trading	8.5%	8.1%–8.6%
Development properties/other	8.75%–10.25%	8.8%–10%

Investment properties' influence on income for the period

The Group's rental income regarding the investment properties amounts to SEK 59 million (67.4). Net operating income amounts to SEK 26.8 million (32.7).

Direct costs of unlet floor space in the Group amount to SEK 18.5 million (8.8).

Financial leasing

Coop Sverige, which has been a subsidiary of KF as of 31 December 2007, has financial leasing contracts concerning trucks and trailers, as well as store inventories to a lesser extent. The lease charges, and the variable charges for interest and interim charges for all the above contracts, are calculated according to prevailing interest rates on a defined base date and with the interest rate parameter "30-day Stibor". The contracts are cancellable, containing a repurchase clause.

After the expiry of the lease term, the contract is automatically renewed for one year at a time unless cancelled nine to six months before the expiry of the lease term.

At the end of the lease term, Coop Sverige is entitled, if cancellation has taken place and provided that payments under the contract have been duly completed, to indicate a purchaser for the object in the lease for a cash purchase price (ex. VAT) that equates to the residual value of the object in question after the leasing contract. The lease contracts run mostly from 2004, with a duration of 3–5 years.

In 2008, interest of SEK 0.8 million has been paid.

Maturity dates for future lease charges	Group				Parent Company			
	Minimum lease charges		Present value of minimum lease charges		Minimum lease charges		Present value of minimum lease charges	
SEK millions	2008	2007	2008	2007	2008	2007	2008	2007
Maturity dates within one year	2	7	2	6	–	–	–	–
Maturity dates for years 2–5	–	2	–	2	–	–	–	–

Note 11 Financial non-current assets

GROUP SEK millions	Participating interests in associated companies	Receivables from associated companies	Participating interests in joint ventures	Receivables from joint ventures	Other long- term holdings of securities	Deferred tax receivables	Other long- term receivables	Total financial non-current assets
Accumulated acquisition values:								
At beginning of year	191	9	66	8	300	780	277	1,632
Additional assets/receivables	32	–	12	65	50	71	143	372
Less assets/receivables settled	–63	–	–	–	–1	12	–39	–92
Reclassifications/acquired companies	–8	–	16	–	1	11	–1	19
Total acquisition value	151	9	94	73	350	874	380	1,932
Accumulated impairment losses:								
At beginning of year	–1	–	–	–	–115	–	–2	–119
Reclassifications/acquired companies	–	–	–	–	–1	–	1	0
Impairment losses for the year	–	–	–	–	–20	–	0	–20
Total impairment losses	–1	–	–	–	–137	–	–1	–140
Carrying amount at year-end	150	9	94	73	213	874	379	1,792
Carrying amount at beginning of year	190	9	66	7	185	780	276	1,513

PARENT COMPANY SEK millions	Participating interests in group companies	Participating interests in associated companies	Receivables from associated companies	Other long- term holdings of securities	Deferred tax receivables	Other long- term receivables	Total financial non-current assets
Accumulated acquisition values:							
At beginning of year	13,373	6	9	17	112	38	13,555
Additional assets/receivables	2,618	–	–	0	42	–	2,659
Less assets/receivables settled	–8,800	0	–	–	–	–37	–8,837
Total acquisition value	7,191	6	9	17	153	1	7,377
Accumulated impairment losses:							
At beginning of year	–994	–3	–	0	–	–	–997
Impairment losses for the year	–13	–	–	–	–	–	–13
Total impairment losses	–1,007	–3	–	0	–	–	–1,010
Carrying amount at year-end	6,184	3	9	17	153	1	6,367
Carrying amount at beginning of year	12,379	3	9	17	112	38	12,558

Note 12 Current receivables

SEK millions	Group		Parent Company	
	2008	2007	2008	2007
Trade and other receivables	1,441	1,333	0	2
Lending, MedMera Bank	194	170	–	–
Other receivables	883	862	6	121
Prepaid expenses and accrued income	700	509	44	3
Current account receivables, external	4	6	4	6
Receivables from joint ventures	21	50	–	0
Receivables at Group companies			2,543	3,455
Current account receivables, Group companies			3,332	2,741
Total current receivables	3,243	2,929	5,929	6,328

Prepaid expenses and accrued income consist of:

Prepaid rentals	71	77	10	0
Items relating to insurance operations	137	135	–	–
Bonus from suppliers	137	–	–	–
Chain fees, retail societies	42	–	–	–
Other	313	297	34	3
Total	700	509	44	3

Note 13 Deposits from and lending to Coop MedMera cardholders

Coop MedMera card holders are able to deposit money into their accounts. Account holders can also be granted a card credit, subject to a credit check.

Note 14 Short-term investments

SEK millions	Group		Parent Company	
	2008	2007	2008	2007
Bonds and certificates	2,681	3,553	–	–
Shares and participations	886	1,037	–	–
Total current investments	3,568	4,590	–	–

Note 15 Equity

KF's statutes state that each member must pay a minimum contribution of SEK 10,000. Every year, the consumer society must transfer to its deposit account 2/3 of the excess funds attributable to interest on the deposited capital as decided upon by the KF annual general meeting. Members who resign or are excluded from KF may have their funds reimbursed, subject to the Board's approval. Members can also apply to KF's Board to transfer their contribution, either wholly or partly, to another member.

In addition to members' contributions, capital has been provided in the form of debenture contributions. The purpose of debenture contributions is to provide KF with risk-bearing equity that, in the event of the dissolution of the union, carries the right to repayment after payment to the union's creditors but before reimbursement of members' contributions. The debenture contribution may be redeemed at the earliest five years after the contribution is made. For the holder, a minimum period of notice of at least two years applies. Interest is paid on debenture contributions in accordance with the debenture certificate issued.

The purpose of the statutory reserve is to save a portion of the net profit that is not used to cover any loss carried forward. Retained earnings comprise the unrestricted equity from the previous year after any transfers to the statutory reserve and after any payment of dividends.

Note 16 Untaxed reserves

PARENT COMPANY	At year- of year	Balance sheet appropriations	At year- end
SEK millions			
Accumulated additional depreciation, properties	4	–4	0

Note 17 Guarantee capital

In conjunction with KF's takeover, on 1 February 1987, of the majority of the OK societies' and other parties' investments in the OK Union, agreement was reached that the released funds would be transferred to the KF Cooperative Society as guarantee capital. The terms of the SEK 20 million loan are fixed until 1 January 2013, and the loan is unsecured.

Note 18 Provisions for defined benefit pensions and similar obligations

As of the year-end KF has defined benefit pension plans, which are secured through the KP Pension & Insurance foundation. These plans provide benefits based on the remuneration and the length of service that employees have at or close to retirement.

Below are details of the most important defined benefit pension plans.

The cost of pensions is included in full in the operating profit.

Amounts reported in the income statement

GROUP		
SEK millions	2008	2007
Expenses relating to service during current period	-41	-18
Interest expense	-141	-27
Expected return on managed assets	149	33
Curtailments and settlements	-3	-
Total	-37	-12

The actual return on managed assets during the year was 3.5 per cent (4.0).

Provision for pensions

GROUP		
SEK millions	2008	2007
Funded pension plans reported as long-term receivables	236	151
Total	236	151

Reconciliation of balance sheet

GROUP		
SEK millions	2008	2007
Net debt at beginning of year	151	94
Net expense posted in the income statement	-37	-12
Fees paid	122	16
Divestments/reclassifications	-	53
Net interest-bearing receivables/liabilities at year-end¹⁾	236	151

1) A special payroll tax has also been booked to the net interest-bearing receivables/liabilities at year-end.

Commitments

GROUP		
SEK millions	2008	2007
Current value of wholly or partly funded obligations	-3,573	-3,250
Fair value of managed assets	2,995	3,187
<i>Net value</i>	-578	-63
Unreported actuarial profits and obligations	814	214
Net debt at end of year	236	151

Significant actuarial assumptions

GROUP		
%	Sweden 2008	Sweden 2007
Discount rate	2.7%	4.4%
Expected return on managed assets ¹⁾	3.6%	4.8%
Expected pay increase	2.0%	3.0%
Expected inflation	1.0%	2.0%

1) Reflects long-term estimated return on managed assets weighted according to the foundation's investment policy. Has been calculated after deductions for administrative expenses and applicable taxes.

Note 19 Provisions

GROUP SEK millions	Pensions ¹⁾	Warranty commitments	MedMera rewards ²⁾	Restructuring costs ³⁾	Other provisions	Total provisions
At beginning of year	31	8	71	225	36	371
Provisions for the period	1	–	4	14	42	60
Acquired companies	18	13	–	–	2	33
Provisions released	–24	–4	–1	–106	–2	–137
Divestments/reclassifications	–	–	–	–2	–15	–17
Provisions reversed	–6	–3	0	0	–12	–21
At year-end	19	14	74	131	51	289

PARENT COMPANY SEK millions	Pensions	Warranty commitments	MedMera rewards	Restructuring costs	Other provisions	Total provisions
At beginning of year	–	–	–	–	12	12
Provisions released	–	–	–	–	–1	–1
At year-end	–	–	–	–	11	11

1) See also Note 18 regarding benefit-based pension plans.

2) Purchases made using the Coop MedMera membership card earn points for the cardholder. A provision has been made based on points earned but not redeemed at year-end and taking into account redemption frequency and period of validity.

3) Relates mainly to provisions made in the Coop Sverige group, particularly for staff cutbacks as well as restructuring and closing down shops.

Note 20 Pledged assets

SEK millions	Group		Parent Company	
	2008	2007	2008	2007
For own benefit:				
<i>Collateral pledged for liabilities:</i>				
Property mortgages	12	12	–	–
<i>Total collateral pledged for liabilities</i>	<i>12</i>	<i>12</i>	<i>–</i>	<i>–</i>
<i>Collateral pledged for unutilised bank overdraft facilities:</i>				
Corporate mortgages	16	16	–	–
<i>Collateral pledged for purposes other than debt:</i>				
Corporate mortgages	148	74	–	–
Securities	225	101	–	–
<i>Total collateral pledged for purposes other than debt</i>	<i>373</i>	<i>175</i>	<i>–</i>	<i>–</i>
Total collateral pledged	401	203	–	–

KF Invest Förvaltning AB has lodged a custody account, containing interest-bearing instruments to a value of SEK 1,697 million (1,738), as security for a guarantee of SEK 1,700 million that was issued by Swedbank in favour of MedMera Bank AB

Note 21 Long-term liabilities

SEK millions	Group		Parent Company	
	2008	2007	2008	2007
<i>Deposits from members:</i>				
5-year loan ¹⁾	217	225	217	225
Total deposits from members	217	225	217	225
<i>Other long-term liabilities:</i> ²⁾				
Liabilities to credit institutions	72	20	0	0
Other liabilities	2	–	–	–
Total long-term liabilities	291	245	217	225

1) The portion of KF's 5-year loans that falls due after more than one year. See also Note 22 for information regarding members' deposits.

2) All other long-term liabilities fall due between 1 and 5 years from the balance sheet date.

Note 22 Current liabilities

SEK millions	Group		Parent Company	
	2008	2007	2008	2007
<i>Deposits from members:</i> ¹⁾				
Sparkassan	3,406	3,728	3,406	3,728
5-year loan	199	212	199	212
Total deposits from members	3,605	3,940	3,605	3,940
<i>Other current liabilities:</i>				
Deposits, MedMera Bank	1,492	1,400	0	0
Liabilities to credit institutions	110	14	0	–
Advance payments from customers	110	29	–	2
Trade and other payables	3,270	3,040	11	22
Liabilities to Group companies			149	333
Liabilities to joint ventures	2	0	–	0
Current account liabilities, external	757	863	757	863
Tax liabilities	15	6	–	–
Other liabilities	804	2,304	115	6,671
Accrued expenses and prepaid income	1,944	1,794	29	52
Current account liabilities, Group companies			1,908	1,858
Total other current liabilities	8,504	9,450	2,969	9,801
Total current liabilities	12,109	13,390	6,574	13,741
<i>Prepaid expenses and accrued income consist of:</i>				
Personnel-related costs	842	843	6	5
Premium reserve in insurance activities	224	212	–	–
Goods delivered but not yet invoiced	159	152	1	3
Other	718	587	21	44
Total	1,944	1,794	29	52

1) Deposits from members mainly comprise savings deposited by members of the consumer cooperative societies, and also investments from certain affiliated member organisations. Savings in KF Sparkassa are distributed over a number of different accounts. Lenders depositing funds in KF's 5-year loans are entitled to allow the funds to remain in the account after the end of the five-year period at a somewhat reduced rate of interest with a one-year period of notice. Lenders can also choose to leave the funds in place for a new five-year period on the same terms. That part of KF's 5-year loans that falls due after more than one year is reported as a long-term liability.

Note 23 Financial instruments and financial risk management**Financial instruments**

As part of KF's asset management activities, KF has a portfolio of financial instruments. The portfolio mainly contains interest-bearing instruments, such as commercial paper and short-dated bonds.

KF also holds quoted and unquoted shares, as well as participations in venture capital companies and funds with absolute yield targets. The market value of the entire managed portfolio at year-end was SEK 3,778 million (4,878).

KF uses financial instruments such as interest rate futures, currency swaps and currency futures to limit the effects of fluctuations in interest rates and exchange rates.

The following table shows reported and fair values for each type of interest-bearing financial instrument. Portfolio valuation is applied for the asset management portfolio, excluding holdings in venture capital companies and unquoted shares. The fair value is therefore quoted only for the whole portfolio.

With the exception of holdings in venture capital companies and unquoted shares, as well as receivables in venture capital companies, the table does not include non interest-bearing instruments for which the book value corresponds with the fair value, e.g. trade and other receivables and trade and other payables.

Financial instruments reported in the balance sheet:

SEK millions	Book value		Fair value ¹⁾	
	2008	2007	2008	2007
Assets:				
Unquoted shares	28	30	28	30
Holding in venture capital companies	211	179	211	179
	239	209	239	209
Shares and share funds	333	474		
Bonds	2,282	3,101		
Financial assets with absolute yield targets	553	563		
Certificates	399	452		
Investments in banks and other short-term, interest-bearing instruments	0	0		
	3,567	4,590	3,567	4,699
Lending, MedMera Bank	194	170	194	170
Cash and bank balances	837	2,725	837	2,725
Other interest-bearing assets	483	263	483	263
Total assets	5,320	7,975	5,320	8,066
Liabilities:				
Sparkassan	3,822	4,165	3,822	4,165
Deposits, MedMera Bank	1,491	1,400	1,491	1,400
Other interest-bearing liabilities	978	2,340	978	2,340
Total liabilities	6,291	7,905	6,291	7,905

1) Interest-bearing financial instruments are valued by discounting future cash flows. Quoted assets are valued at the quoted price. Unquoted holdings have been valued in accordance with the EVCA's valuation principles.

Financing and financial risk management principles

KF is exposed to various types of financial risks in its business. KF has a centralised finance function, in the form of an internal bank. This finance function is performed by KF Invest. KF Invest is responsible for the Group's dealings with the financial markets, for managing financial risks within the Group and for all interest-bearing items in the balance sheet. The internal bank works not only for the Group, but also for consumer cooperative societies. This centralised finance function makes it possible to achieve the professional management of risks, payment flows and bank relationships.

KF Invest's exception mandate is determined by KF's Board and is clearly limited.

Currency risk

Currency risk is the risk of exchange rate fluctuations having a negative impact on the consolidated income statement and balance sheet. Total currency exposure in the portfolio may not be more than 10 per cent of the value of the asset portfolio, i.e. SEK 378 million.

Currency risk is normally split into transaction exposure and translation exposure. Transaction exposure derives from the Group's operational and financial currency flows. Translation exposure depends on assets, liabilities and equity abroad, such as exposure arising from foreign companies. The subsidiaries' currency hedging is done via KF Invest by means of internal Group transactions, which KF Invest in turn hedges against external counterparties.

Note 23, cont. Financial instruments and risk management

Transaction exposure

KF aims to hedge operational transaction exposure when the underlying product is initially priced.

However, financial flows are hedged for their entire duration. The table below shows currency positions in nominal amounts converted into SEK.

Internal bank's outstanding currency contracts as at 31 December 2008:

Currency	Contract with Group company (in local currency)	Contract with external counterparty (in local currency)	Net exposure (in local currency)	Net exposure in Euro (in EUR)
AUD	-0.2	0.2	0.0	0.0
DKK	-42.6	39.9	-2.6	-0.4
EUR	-28.5	27.3	-1.2	-1.2
GBP	-2.9	2.9	0.0	0.0
HKD	-0.6	0.8	0.3	0.0
NOK	19.7	-19.3	0.5	0.0
USD	-28.1	27.8	-0.3	-0.2
Total currency exposure (EUR millions)				-1.6

KF's translation exposure derives mainly from foreign assets in the wholly-owned subsidiary PAN Vision Holding AB. Exposure is mainly in DKK, NOK and EUR. KF does not hedge its translation exposure.

Interest rate risk

Interest rate risk is defined as the risk of fluctuations in the prevailing rates of interest having a negative impact on KF's earnings. The KF Group's primary sources of financing are member contributions, debenture contributions, deposits via the KF Sparkassa and MedMera, as well as other capital. KF's debt portfolio is subject to relatively short fixed interest terms (durations).

The fixed interest terms in KF's asset portfolio are scaled to meet the short durations in the debt portfolio. Under the Group's finance policy, the duration must be 0–3.6 years, with a benchmark of 1.8 years. At year-end the duration was 1.81 years (1.99), which corresponds to an interest rate risk relative to the benchmark of SEK 0.3 million (6.6) (calculated as a 1 per cent shift in the interest rate curve).

KF uses interest rate swaps to reduce the interest rate risk and to protect the Group's profit against a possible rise in interest rates.

Other market risk

Market risk is defined as the risk of variation in the value of financial instruments due to changed market prices.

Within the scope of KF's asset management activities, at year-end KF held quoted shares and shares in funds with absolute yield targets with a market value of SEK 886 million (1 037). The shares are managed partly by external managers, partly by KF Invest. KF also had SEK 239 million (209) in venture capital companies and unquoted shares, of which SEK 211 million (179) is attributable to asset management activities.

Other market risk in asset management activities is limited by rules governing the maximum allocation to asset types that are exposed to risk and by limitations in respect of the risk level in alternative investments. KF limits any other market price risk by means of a detailed set of rules relating to diversification and loss limitation (so-called stop-loss limits) in KF's operational investment regulations.

Liquidity risk

KF's liquidity is good. As at 31 December 2008 the Group's liquid assets totalled SEK 3,519 million (6,279). Liquidity is managed as part of asset management.

A liquidity shortage may arise within KF due to unforeseen withdrawals from KF Sparkassa, MedMera Bank or the Current Account, and through incorrect liquidity reporting from wholly-owned subsidiaries. To avoid a liquidity shortage, liquidity is monitored on a daily basis. KF's investments in

certificates, bonds and quoted shares must be made primarily in securities that can be converted to cash within three working days with no risk of increased expenses. KF must also make sure that SEK 200 million is available as a liquidity reserve. The liquidity reserve comprises bank balances and loan facilities that can be used without advance notice. At year-end KF had bank credits of SEK 600 million (150), which were used to only a limited extent during the year.

Credit risk and counterparty risk

KF is exposed to credit risk through its investments in bonds and shares. This risk is limited by rules in KF's finance policy on the ratings of counterparties. KF also has exposure to consumer cooperative societies as a consequence of lending. Such lending may therefore only be undertaken after a careful credit assessment. KF also has very limited credit risk in its accounts receivable, which is a natural consequence of the nature of the business.

The largest single credit exposure as at 31 December 2008 was with Statshypotek AB. The market value totalled SEK 830 million. KF also has counterparty risks, mainly through financial instruments in the currency, interest rate, share and electricity markets. Counterparties in these transactions are banks, stockbrokers, electricity trading companies and retail societies.

KF's counterparty risk is limited because financial transactions are conducted only with approved counterparties. KF strives to spread financial transactions across several counterparties. The Group also mainly uses standardised contracts. KF also strives to sign ISDA agreements with all financial counterparties, in order to enable the settlement of liabilities and receivables in the case of the counterparty becoming insolvent.

Note 24 Contingent liabilities

	Group	Parent Company		
SEK millions	2008	2007	2008	2007
<i>For own benefit:</i>				
Guarantees	9	11	–	–
Other	–	22	–	20
<i>For the benefit of subsidiaries:</i>				
Other	–	–	2	8
<i>For the benefit of associated companies:</i>				
Other	27	27	27	27
Total	36	60	29	55

In some cases KF has provided guarantees for delivery, rental and contract commitments at subsidiaries.

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

Coop Sverige AB's subsidiary group, Coop Sverige Fastigheter AB, at that time part of the Coop Norden group, disposed of some of its property holdings in 2005. For these property holdings, Coop Norden AB prepared a rental guarantee which was taken over by KF over the year. The National Tax Board reviewed the sale in 2007 and by means of an appraisal decision taxed affected companies an extra SEK 1.8 billion. The companies have applied to postpone payment, which was granted, and appealed the decision to the County Administrative Court. Any negative result at the County Administrative Court would lead to a further tax burden of SEK 517 million. In KF's view, there is a very high likelihood of the company not being subject to extra tax, which is why no provision has been made in the accounts. In the contract concerning the division of the Coop Norden group in December 2007, it was agreed that if the companies were to have to pay extra tax, contrary to expectations, the additional tax would be divided according to earlier participating interests; i.e. NKL would be responsible for 20%, FDB for 38% and KF for 42%.

Note 25 Fees and remuneration to auditors

SEK millions	Group		Parent Company	
	2008	2007	2008	2007
Audit assignments, KPMG	11	5	1	1
Other assignments, KPMG	3	2	1	1
Total	14	7	2	2

Note 26 Cash flow information**Interest paid and dividends received**

SEK millions	Group		Parent Company	
	2008	2007	2008	2007
Dividends received	47	73	357	221
Interest received	327	192	388	311
Interest paid	-290	-223	-432	-261
Net	84	41	313	271

Adjustments for items not included in cash flow

SEK millions	Group		Parent Company	
	2008	2007	2008	2007
Less participations in earnings in associated companies/joint ventures	-41	-111	-	-
Dividends received from associated companies/joint ventures	2	1	-	-
Expected dividends from subsidiaries	-	-	-	-220
Depreciation and impairment losses of assets	909	179	18	8
Capital losses from sale of non-current assets	92	-204	57	-10
Capital losses on sale of operations/subsidiaries	-459	-27	-	-
Allocations to pensions	-30	0	-	-
Other provisions	-85	-20	-1	0
Total	388	-182	75	-222

Acquisition of subsidiaries and other business units

SEK millions	Group		Parent Company	
	2008	2007	2008	2007
<i>Acquired assets and liabilities:</i>				
Intangible non-current assets	230	403	-	-
Tangible non-current assets	250	1,355	-	-
Financial assets	12	152	-	-
Inventories	32	2,195	-	-
Operating assets	125	1,356	-	-
Cash and cash equivalents	124	2,044	-	-
Total assets	773	7,505	-	-
Minorities	8	25	-	-
Provisions	35	331	-	-
Loans	70	26	-	-
Operating liabilities	295	3,942	-	-
Total minorities, liabilities and provisions	407	4,323	-	-
Purchase price	366	1,795	15	755
Less: Vendor's mortgages	-11	-1,424	-15	-
Purchase price paid	355	372	0	755
Less: Cash and cash equivalents in the acquired operation	-124	-2,044	-	-
Effect on cash and cash equivalents	231	-1,672	0	755

Disposal of subsidiaries and other business units

SEK millions	Group		Parent Company	
	2008	2007	2008	2007
<i>Divested assets and liabilities:</i>				
Tangible non-current assets	238	-	-	-
Operating assets	7	-	-	-
Cash and cash equivalents	2	1	-	-
Total assets	247	1	-	-
Loans	184	-	-	-
Operating liabilities	9	-	-	-
Total liabilities and provisions	193	-	-	-
Sale price	512	28	85	-
Less: Vendor's mortgages	-43	-	-	-
Purchase price received	470	28	85	-
Less: Cash and cash equivalents in the divested operation	-2	-1	-	-
Effect on cash and cash equivalents	467	27	85	-

Cash and cash equivalents

SEK millions	Group		Parent Company	
	2008	2007	2008	2007
<i>The following components are included in cash and cash equivalents:</i>				
Cash and bank balances	837	2,725	287	614
Short-term investments, equivalent to liquid assets ¹⁾	2,681	3,553	-	-
Total	3,519	6,279	287	614

1) Excluding shares and participations, which are included under short-term investments reported in the consolidated balance sheet.

Transactions that do not involve payments

SEK millions	Group		Parent Company	
	2008	2007	2008	2007
Vendor's mortgage issued on the acquisition of shares in Coop Norden AB	-	1,424	-	-
Vendor's mortgage issued, internal Group acquisitions	-	-	15	0
Vendor's mortgage issued, other operating acquisitions	11	-	-	-

Note 26, cont. Cash flow information

Change in net debt

SEK millions	Group		Parent Company	
	2008	2007	2008	2007
Net debt at beginning of year	11	-146	6,816	-457
Taking on new interest-bearing liabilities	-	374	-	7,743
Amortisation of interest-bearing liabilities	-1,534	-	-7,096	-
Other changes in interest-bearing liabilities	-98	1,456	-	23
Changes in provisions for pensions	-12	30	-	-
Investments in new interest-bearing assets	-	-	328	341
Divestment/reduction of interest-bearing assets	-109	-195	-	-
Other changes in interest-bearing assets	165	129	141	-442
Change in cash and cash equivalents	2,760	-1,637	327	-392
Net debt at year-end	1,184	11	516	6,816

Note 27 Employees and salaries

Average number of employees	Group		Parent Company	
	2008	2007	2008	2007
Women	5,075	717	16	18
Men	3,921	499	18	18
Total	8,996	1,216	34	36
<i>Of which working abroad:</i>				
Europe:				
Women	54	41		
Men	117	87		
Total Europe	171	128		
Asia:				
Women	8	-		
Men	15	-		
Total Asia	23	-		
<i>Total abroad:</i>				
Women	62	41		
Men	132	87		
Total abroad	194	128		

Salaries and remuneration

SEK millions	Group		Parent Company	
	2008	2007	2008	2007
Group Board and CEO	66	29	7	7
Other	3,031	444	30	28
Total	3,096	473	37	35
<i>Of which working abroad:</i>				
Europe:				
Group Board and CEO	7	4		
Other	56	39		
Total Europe	62	43		

Asia:				
Group Board and CEO	-	-		
Other	3	-		
Total Asia	3	-		

Total abroad:

Group Board and CEO	7	4		
Other	59	39		
Total abroad	65	43		

Social security costs

SEK millions	Group		Parent Company	
	2008	2007	2008	2007
Social security costs	1,292	221	21	24
Of which pension costs for:				
Group Board and CEO	11	9	2	3
Other	280	66	5	10

Gender balance in corporate management

%	Group		Parent Company	
	2008	2007	2008	2007
Women, %:				
Board of Directors	27%	29%	42%	55%
Other senior executives	37%	31%	20%	30%

Absence due to illness, parent company

%	2008		2007	
Absence due to illness as a proportion of normal hours worked	2.5%		1.4%	
Absence due to illness, 60 days or more	1.7%		0.6%	

Absence due to illness, by gender:

Men	0.5%	0.5%
Women	4.8%	2.3%

Absence due to illness, by age category

Aged 29 or under	6.9%	3.7%
30-49	0.7%	0.7%
50 or over	5.5%	2.2%

The Board was paid a total fee, in accordance with the General Meeting's decision, of SEK 1,512 thousand (1,330), of which the Chairman, in accordance with the Board's decision, received SEK 400 thousand (350). In addition to this, in accordance with a special decision, the Chairman received fixed remuneration of SEK 516 thousand (409). An annual pension provision is made for the Chairman of 35 per cent of total remuneration.

The CEO, Lars Idermark, was paid a salary of SEK 5,372 thousand (4,287). This increase is attributable to KF's takeover of Coop Sverige. The retirement age is 62. An annual pension provision is made of 35 per cent based on salary. The period of notice from the company is 6 months, and pension contributions are paid in full. There is also a severance payment of 12 months, which can be deducted against other income.

Note 28 Shares and participations¹⁾

Companies	Corporate registration number	Registered office	Holding, %	Number of shares/ participations	Book value
SEK thousands					
Shares and participations in subsidiaries/ second tier subsidiaries					
KF Cooperative Society					
Coop Sverige AB	556030-5921	Stockholm	100	110,988	2,604,223
Coop Inköp & Logistik AB	556710-5480	Stockholm	95		
KF Fastigheter AB	556033-2446	Stockholm	100	100,000	1,112,219
KF Invest AB	556027-5488	Stockholm	100	800,000	1,194,372
KF Invest Förvaltning AB	556174-7717	Stockholm	100		
KFI Kapital AB	556706-3762	Stockholm	100		
Läckeby Intressenter AB	556741-2480	Stockholm	81		
Löplabbetgruppen AB	556760-2452	Stockholm	70		
Pan Vision Intressenter AB	556741-2258	Stockholm	100		
Stockholm Daglivs AB	556205-5227	Stockholm	100	5,000	338,271
MedMera Bank AB	556091-5018	Stockholm	100	3,000,000	312,240
Akademibokhandelsgruppen AB	556046-8448	Stockholm	100	15,000	178,068
Bokus AB	556538-6389	Malmö	100		
Norstedts Förlagsgrupp AB	556045-7748	Stockholm	100	17,000	120,291
KF Shared Services AB	556118-5371	Stockholm	100	10,000	28,089
Tranbodarna AB	556005-2788	Borlänge	100		
KF Försäkrings AB	516401-8417	Stockholm	100	10,000	20,000
Tidningen Vi AB	556041-3790	Stockholm	100	10,000	6,757
KF Näthandel AB	556011-2822	Stockholm	100	17,000	5,042
Vår Gård Saltsjöbaden AB	556035-2592	Saltsjöbaden	100	35,000	4,200
KF Utbildning AB	556067-4672	Stockholm	100	1,000	133
KF Revision AB	556198-2330	Stockholm	100	1,000	100
Other companies and dormant companies					260,223
Total subsidiaries, KF Cooperative Society					6,184,227

Companies	Corporate registration number	Registered office	Holding, %	Number of shares/ participations	Book value Parent Company	Share of equity in Group
SEK thousands						
Associated companies						
KF Cooperative Society						
<i>Direct ownership</i>						
Cooperative Institute, Cooperative Society	716421-4186	Stockholm	49	21	210	210
Nord Coop Invest Ltd		Slovakia	50		108	108
Strykjärnet i Norrköping, HB	916694-5544	Norrköping	25	5	1,688	1,688
Nyholmenkvarnen 2 AB	556710-5860	Stockholm	25	25	249	0
Förvaltnings AB Kastanjeblomman	556261-6812	Stockholm	38	420	177	177
Total directly owned					2,432	2,183
<i>Indirect ownership</i>						
Coop Norden Trading A/S	20,406,194		25			54,351
Stenungs Torg Fastighets AB	556462-9854	Stenungsund	30			80,535
Böckernas Klubb med journalen AB	556317-0629	Stockholm	43	7,658		3,324
Barnens Bokklubb AB	556103-0445	Stockholm	50	1,525		3,570
Other associated companies						5,782
Total indirectly owned						147,562
Total associated companies, KF Group						149,745

1) A complete list of companies is enclosed with the annual accounts for the Swedish Companies Registration Office.

Note 28, cont. Shares and participations

Companies SEK thousands	Corporate registration number	Registered office	Holding, %	Number of shares/ participations	Book value Parent Company	Share of equity in Group
Joint ventures						
<i>Indirect ownership</i>						
Kvarnholmen utveckling AB	556710-5514		50			79,743
Solberga Handelscenter AB	556764-6483		50			13,234
Other joint ventures						1,321
Total indirectly owned						94,298
Total joint ventures, KF Group						94,298

Companies SEK thousands	Corporate registration number	Registered office	Holding, %	Number of shares/ participations	Book value
Other companies					
<i>Holdings in KF Cooperative Society</i>					
Riksbyggen Cooperative Society	702001-7781	Stockholm	3	30,360	15,180
Bilda Förlag F&D, Cooperative Society	702000-2601	Stockholm	11	5,250	1,028
Other holdings					1,236
Total other companies in KF Cooperative Society					17,444
<i>Holdings by subsidiaries</i>					
Baltic Rim Fund		Jersey	24	20,000	152
Litorina kapital 1998 KB	969653-7555	Stockholm	22		2,375
Other holdings (participating interest less than 20%)					193,468
Total holdings of subsidiaries ¹⁾					195,995
Total other companies in KF Cooperative Society					213,439

1) Additional investment commitments in venture capital funds total SEK 163 million (2009).

Stockholm, 6 March 2009

Nina Jarlbäck
Chairman

Maj-Britt Johansson-Lindfors

Glenn Ericsson

Hans Eklund

Sune Dahlqvist

Anders Stake

Ingrid Karlsson

Göran Lindblå

Mats Lundquist

Rose-Marie Borgström
Employees' representative

Jeanette Franzén
Employees' representative

Lars Idermark
CEO

Auditor's report

To the Annual Meeting of the Swedish Cooperative Union (KF),
Cooperative Society
Corporate reg. no. 702001-1693

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the President and CEO of the Swedish Cooperative Union (KF), Cooperative Society for the year 2008. The annual accounts and the consolidated accounts are included in the printed version of this document on pages 38–69. These accounts and the administration of the organisation and the application of the Annual Accounts Act when preparing the annual accounts and the consolidated accounts are the responsibility of the Board of Directors and the President and CEO. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and CEO, as well as evaluating any significant valuations made by the Board

and CEO in preparing the annual accounts and consolidated accounts and evaluating the overall presentation of information in the annual report and consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the association in order to be able to determine the liability, if any, to the association of any Board member or the President and CEO. We also examined whether any Board member or the President and CEO has, in any other way, acted in contravention of the Cooperative Societies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the association's and the Group's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The Directors' report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the general meeting of shareholders that the income statements and balance sheets of the cooperative society and the Group be adopted, that the profit be dealt with in accordance with the proposal in the Directors' report and that the members of the Board of Directors and the President be discharged from liability for the financial year.

Stockholm, 6 March 2009

Bertil Hammarstedt

Birgitta Lönegård

KPMG AB

Per Bergman
Authorised Public Accountant

Key ratios

The following key ratios are calculated for the Group

- EQUITY/ASSETS RATIO
- DEBT/EQUITY RATIO
- RETURN ON CAPITAL EMPLOYED
- INTEREST COVERAGE RATIO
- RETURN ON EQUITY AFTER TAX

Definitions:

- EQUITY/ASSETS RATIO is calculated as the total of reported equity, guarantee capital, debenture loans and minority equity as a percentage of the balance sheet total.
- NET DEBT/EQUITY RATIO is calculated as the net debt divided by equity. Net debt is calculated as the sum of interest-bearing liabilities including guarantee capital and debenture loans, minus total interest-bearing assets.
- CAPITAL EMPLOYED is calculated as the sum of assets less non interest-bearing liabilities, including deferred tax liability.
- RETURN ON CAPITAL EMPLOYED is calculated as profit before interest expenses and exchange rate differences on financial liabilities as a percentage of average capital employed.
- INTEREST COVERAGE RATIO is defined as the profit before interest expenses and exchange rate differences on financial loans divided by the sum of interest expenses and exchange rate differences on financial loans.
- RETURN ON EQUITY is calculated as profit after tax as a percentage of average reported equity.

		2008	2007	2006	2005	2004
Equity/assets ratio	%	34.3	31.7	42.9	42.3	40.2
Debt/equity ratio	multiple	0.18	0.00	-0.02	0.03	0.01
Return on capital employed	%	7.7	5.2	7.2	7.3	11.0
Interest coverage ratio	multiple	1.1	3.2	4.9	6.0	8.9
Return on equity after tax	%	1.5	5.8	9.4	9.8	18.6

Definitions of key ratios calculated for KF Fastigheter:

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

KF – an organisation owned by its members

More than 3 million people in Sweden are members of consumer societies and hence own the consumer cooperative movement. The Coop MedMera card acts as proof of membership. The consumer societies in turn are members of Kooperativa Förbundet (KF, the Swedish Cooperative Union), and together these members determine the direction the business should take. The consumer cooperative movement has no political or religious affiliation, and membership is open to all.



Members' opportunities to exert influence

Our members, who are also our owners and our customers, have various ways in which they can make a difference to what we do. There may be annual democratic elections, or members may submit motions to a consumer society. One common way of exerting influence is for members to put forward their views or make demands directly in shops, or to use the Internet. The Coop Membership Panel is a web tool for carrying out regular questionnaire surveys, a modern complement to owner influence via the societies. Over the year, five membership panels have been held on www.coop.se, with responses from some 45,000 members, in order to find out about members' views on specific issues.

Members also have the opportunity of pursuing various issues in different groups relating to individual shops in the form of member councils, reference groups and focus groups. Many shops also have a separate place in the store, known as the "Members Point", where members and customers can pick up information and submit their views and suggestions for improvements.

For instance, in the first six months of 2008 a lot of views and queries were submitted by members concerning the Coop ranges in view of the debate on fish threatened with extinction. This led to the Coop initiating a review of its ranges in the summer and then developing a new policy on fish.

KFs aim is to continue to form its business in line with its business concept, to create economic benefits and at the same time enable its members through their consumption to contrib-

ute towards sustainable development for people and the environment. This is achieved by – among other things – offering inexpensive, sustainable goods and services and providing clear economic benefits. To further enhance its benefits for members, KF is also continuing to develop favourable financial services for its members. Members are offered personal information and customised offers via their Coop MedMera cards.

A project has begun over the year within the consumer societies in which elected officials will be starting to review shops from a customer perspective. This programme is based on quality aspects, and the results will be compiled and discussed with store managers and other relevant Coop staff. The aim is to enhance benefits for members and customer satisfaction by helping to create better shops.

48 consumer societies all over Sweden

The underlying principle for cooperative control is that every member has one vote. The Annual General Meeting (AGM) is the highest decision-making body in every consumer society. Individual members may submit motions and written proposals concerning the shop movement and business in general to the AGM. 114 motions were submitted in 2008, of which almost half came to the Stockholm Consumer Cooperative Society. In 2008, around 39,000 members took part in societies' shop, district and society annual meetings all over Sweden. A total of around 3,500 officials were elected, of whom 374 were members of the Boards of the various societies.

KF's Annual General Meeting

KF's Ordinary General Meeting comprises a total of 101 representatives, of whom 94 represent the consumer society, five represent OK, one represents Folksam and one represents Fonus.

The consumer societies select representatives to attend the meeting. The number of members of the society in question forms the basis for how many representatives are to represent the society in question.

The KF AGM is held by 15 May at the latest every year. The General Meeting deals with matters such as the income statement and balance sheet for KF, and the discharge from liability of the members of the Board and the CEO. The meeting also appoints Board members and sets fees and other remuneration for the KF Board on the basis of proposals from KF's Nominations Committee.

KF's statutes define the purpose of KF's business. In addition to the agenda set in KF's statutes, the 2008 General Meeting dealt with a motion concerning cooling chain quality assurance. The meeting decided that KF must work actively to pay the greatest attention possible in all its procurement and distribution operations to environmental consequences and quality assurance so that the consumer cooperative movement becomes a leader in the food industry.

An information conference was held in March 2008, prior to the AGM, and relevant issues were discussed here with a view to enhancing openness and promoting more in-depth cooperation within the consumer cooperative movement. In addition, a large number of

informal meetings are held between society representatives and the KF management team in various combinations.

Membership Panel

Influence is one of Coop's key values, and listening to our customers and members is central to our business. Our members have opportunities in a variety of ways to influence our business by means of meetings, shop committees and motions. The Coop Membership Panel is a modern complement to the ongoing dialogue with our customers. The questions posed to members over the year have dealt with many issues, mainly health, ecology and eating habits. The responses of our members form the basis for the development of ranges, shops and concepts that is constantly in progress at Coop.

The Coop report

The information in the Coop report is based on the results of a number of web-based member surveys carried out at www.coop.se between January and June 2008. These surveys were open to all Coop members and we received a total of 45,000 responses. Of our respondents, 21 per cent were aged 39 or under, 32 per cent were aged 40 to 54, 29 per cent were aged 55 to 64, and 18 per cent were aged 65 or over. Almost 70 per cent of respondents were female. The Coop report is also based on our Unga vuxna – Young Adults – web survey. We also performed a qualitative survey using focus groups.

Societies

The consumer societies are the owners of KF. At the end of the year, there were 48 societies in Sweden with more than three million members in total. There are two different kinds of societies; retail societies and member interest societies.

Retail societies

There are a total of 390 shops and hypermarkets under Coop chain profiles and 23 other sales outlets within the retail societies. There were 43 of these societies at the end of the year.

As well as running the shops, the societies maintain contact with members, carry out opinion-forming work and offer training on retail and consumption-related issues.

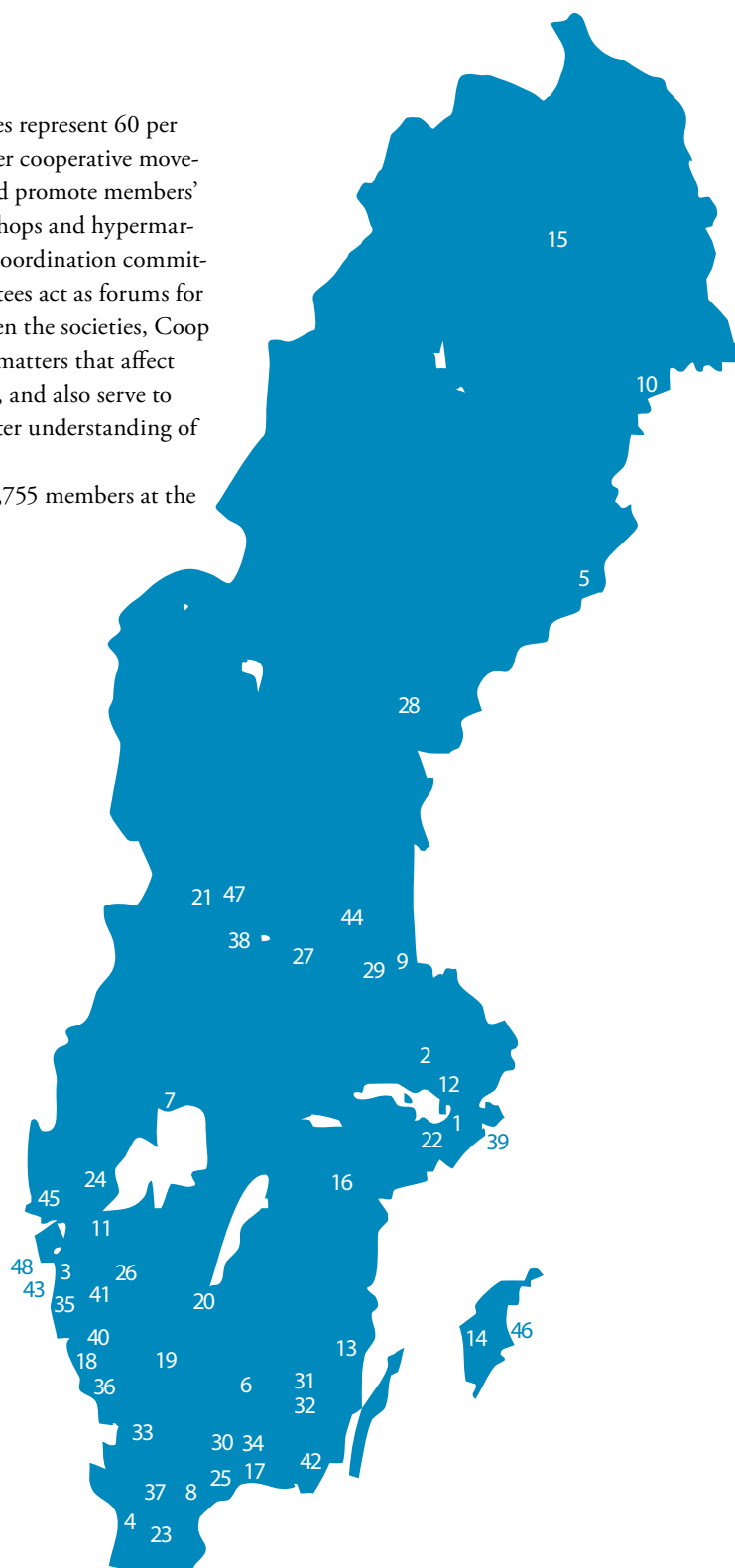
Combined sales (excluding VAT) for the retail societies totalled SEK 16.9 billion. There were 1,180,918 members at the end of the year.

Member interest societies

Operations within the member interest societies focus mainly on membership and consumer issues. Coop Sverige is responsible for business operations in the regions where the five consumer societies Stockholm, Svea, Solidar, Väst and Norrort are active.

These five societies represent 60 per cent of the consumer cooperative movement's members and promote members' local influence on shops and hypermarkets via a range of coordination committees. These committees act as forums for consultation between the societies, Coop Sverige and KF on matters that affect business operations, and also serve to communicate a better understanding of local conditions.

There were 1,949,755 members at the end of the year.



Consumer societies

		Number of members
1. Stockholm, Ktf	STOCKHOLM	605,686
2. Svea, Ktf	UPPSALA	596,518
3. Väst, Kooperativa Ktf	GOTHENBURG	344,493
4. Solidar, Ktf	MALMÖ	339,657
5. Nord, Konsum	UMEÅ	262,128
6. Göta, Ktf	VÄXJÖ	201,628
7. Värmland, Ktf	KARLSTAD	133,457
8. Kristianstad-Blekinge, Ktf	KRISTIANSTAD	125,205
9. Gävleborg, Ktf	GÄVLE	103,125
10. Norrbotten, Konsum	LULEÅ	90,263
11. Bohuslän-Älvsborg, Ktf	UDDEVALLA	87,345
12. Norrort, Konsum	UPPLANDS VÄSBY	63,401
13. Oskarshamn, Ktf	OSKARSHAMN	29,725
14. Gotland, Ktf	VISBY	28,365
15. Malmfälten, Ktf	GÄLLIVARE	28,228
16. Norra Östergötland, Kf	FINSPÅNG	23,414
17. Karlshamns Ktf	KARLSHAMN	11,552
18. Varbergs Ktf	VARBERG	9,497
19. Mellersta Nissadalens Ktf	HYLTEBRUK	4,845
20. Tabergsdalens Ktf	NORRAHAMMAR	4,669
21. Norra Dalarna Ktf	ÄLVDALEN	3,930
22. Färingsö, Ktf	STENHAMRA	3,368
23. Veberöds Kf	VEBERÖD	2,966
24. Mellersta Dals Kf	MELLERUD	2,801

		Number of members
25. Mörrum, Ktf	MÖRRUM	2,720
26. Dalsjöfors Ktf	DALSJÖFORS	2,347
27. Bjursås, Ktf	BJURSÅS	1,874
28. Långsele Kf	LÅNGSELE	1,785
29. Forsbacka, Kf	FORSBACKA	1,524
30. Lönsboda Kp hf	LÖNSBODA	1,347
31. Lenhovda Kf	LENHOVDA	1,283
32. Orrefors m o, Kf	ÄLGHULT	1,255
33. Knäred m o, Kf	KNÄRED	1,207
34. Svängsta Ktf	SVÄNGSTA	1,186
35. Frillesås, Ktf	FRILLESÅS	1,132
36. Getinge Kp hf	GETINGE	1,019
37. Kågeröds Hf	KÅGERÖD	936
38. Sollerö Ktf	SOLLERÖ	839
39. Möja Kf	MÖJA	686
40. Morups Hf	GLOMMEN	660
41. Hajoms koop handelsförening Kphf	HAJOM	486
42. Fågelmara Ktf	FÅGELMARA	479
43. Styrö Kf	STYRSÖ	439
44. Åmots Kp hf	ÅMOTSBRUK	342
45. Klippan, Koop handelsförening Kphf	BOHUS-MALMÖN	291
46. Garda-Lau, Hf	LJUGARN	217
47. Sörsjöns koop handelsförening Kphf	ÄLVDALEN	197
48. Centrum, Handelsföreningen Hf	KÄLLÖ-KNIPLA	156

48 societies **3,130,673**

Work of the Board of Directors

Kooperativa Förbundet, the Swedish Cooperative Union, is an economic association headquartered in Stockholm. Management and control of operations within the KF Group are based on Swedish legislation, primarily the Act on Economic Associations.

KF is monitoring developments in the field of Corporate Governance and is constantly adapting its Corporate Governance principles with a view to adding value for its owners and other stakeholders by the proper dissemination of information, together with effective work by the management and the Board.

Board of Directors

The KF Board of Directors shall consist of no fewer than seven and no more than eleven members, elected at the KF Annual General Meeting. In 2008, the Board consisted of nine members who were elected by the AGM. The Swedish Commercial Employees' Union also appointed two regular employee representatives and one deputy.

Work in 2008

The Board held ten minuted meetings over the year. Strategic issues were a recurring theme. Important issues on the agenda included measures for enhancing benefits for members, the Coop Sverige improvement programme and the broad manager development initiative ongoing throughout the entire organisation, titled Management Review.

In 2008, fees totalling SEK 1,580,000 (1,329,900) were paid to the Board, of which SEK 400,000 (350,000) was paid to the Chairman of the Board. In addition

to the fees, compensation for loss of earnings was paid to Board members, and by special decision, a set fee of SEK 516,000 (408,804) was paid to the Chairman. Annual pension contributions are also made to the Chairman of the Board, totalling 35 per cent of her total remuneration over the year.

Board work procedures

KF's statutes define and regulate principles for the Board's tasks and decision-making capacity. The Board defines an annual meeting plan and agenda. The Board appoints a CEO and every year provides a set of instructions for him. The allocation of work between the CEO and the Board is specified in KF's statutes, which state that the Board makes decisions of a fundamental nature or of major financial significance for the business. The Board is also responsible for supervising the CEO's management of the business.

The CEO, in turn, is responsible for day-to-day management of the KF Group and takes the initiative for development and rationalisation of Group business. The Board must perform an evaluation of the work of the Board and CEO each year, and this has taken place over the year. The Board also provides the societies with information and opportunities for discussion on important topics each year.

KF's Nominations Committee

The KF Annual General Meeting appoints members for a Nominations Committee on the basis of a proposal from the Board. This proposal is based on nominations received from the societies' constituency meetings.

The following people were elected as members of the KF Nominations Committee at the 2008 AGM: Ulla Hultén

Chairman, Gothenburg, Bo Kärreskog, Gislaved, Lars Ericsson, Stockholm, Sune Grahm, Vilhelmina and Kent Ryberg, Västerås. The Nominations Committee is responsible for producing proposals for members for the KF Board to be placed before the AGM for a decision. They also suggest fees and other remuneration for Board work. Evaluation of the work of the Board over the year, along with an attendance list, have been submitted to the Nominations Committee. Fees and other remuneration to the Board are decided upon every year by the KF AGM. Remuneration to the CEO is decided upon by the Board on the basis of a set management policy. Concerning other leading officers, the CEO makes decisions on their salaries and other employment terms on the basis of a policy laid down by the Board. The CEO notifies the Board of these conditions each year.

Auditors

KF's statutes also define principles for the election of auditors. The AGM appoints a registered firm of auditors and two elected auditors. The Board takes charge of the procurement of audit services. Auditors are appointed for a two-year period but are assessed annually. The auditors are responsible for the annual audit review at the meeting concerning KF's accounts. KPMG, with Per Bergman as the Principal Auditor, was elected as the registered firm of auditors for two years at the 2008 AGM.

The elected auditors are Bertil Hammarstedt, Konsum Nord and Birgitta Lönegård, Stockholm Consumer Cooperative Society. Their deputies are Björn Johansson, Bohuslän-Älvsborg Consumer Cooperative Society.

Chairman's statement

2008 was a very active year for the Board of Directors at KF, with new Group responsibility for Coop Sverige. Change work and profitability issues at Coop Sverige, as well as other subsidiaries, have been given priority.

The recession and financial crisis which affected the world – and also Sweden – in the latter half of 2008 are of course also affecting KF and the work of the Board. One of the areas taking on more significance during a recession involves pricing issues. Sustainability and environmentally friendly solutions continue to be priority areas, but in a recession it is particularly important for us also to focus on our pricing. Our new business concept, which we adopted in 2007, with the aim of giving our members greater economic benefits thanks to their membership, is taking on more and more importance.

We constantly have to go on analysing everything we do so that the organisation can continue to grow. Venturing to change creates development. As a company owned by its members, we hold particular responsibility for reviewing our expenses in order to comply with our business concept.

To give our members the economic benefits they have every right to demand, we have to focus even more closely on profitability. This is why Coop Sverige in particular has made a lot of decisions on streamlining over the year. This has involved both new initiatives and cut-backs. Making people redundant is always difficult, particularly in a recession.

I regret the fact that staff have left the company, but as a Board we have to make demands and stand responsible for ensuring that we have an organisation that not only has sufficient skills, but also is run cost-effectively in order to survive ever tougher competition and recession.

Any company that wants its staff to feel motivated has to be able to offer opportunities for development and initiatives to enhance skills. I am quite sure we will be able to do this. With the measures we are taking, we are laying a firm foundation for future stable growth for the Group.

Although we are experiencing a recession, we have the power to invest in new shops and other activities. In our capacity as a cooperative company, it is very important to us to have that strength, but it is also important from a society perspective to help as a company to buck the downward trend of the recession. Companies that are bold in times of recession and are able to invest in new solutions will win out in the future. I am completely convinced of this. Anyone who invests for the future is also taking social responsibility.

This also involves working to promote sustainable development. The sustainability perspective includes not only products, but also transportation and energy consumption, for example.

KF's decision to position itself in the front line as regards climate and environmentally friendly transportation for the convenience goods sector is massively important. Continuing to focus on finding new solutions will give us

strength; in our work to promote sustainable development, and in our attempts to reinforce our finances and profitability.

I am convinced that when we look back in a few years' time, as a Swedish cooperative we will be able to say that 2008 was the year in which we mustered our strength for the consumer cooperative movement in Sweden, when we laid the foundation for greater financial benefits for our members, and when we continued to focus on sustainable development, thereby also leading to our market shares starting to increase.

This year sees the 110th anniversary of the founding of the Swedish Cooperative Union. At that time, its strength lay in its members' initiative and confidence in the cooperative concept. Today, with more than 3 million members, we can demonstrate that the cooperative concept is still strong. And we will reinforce it still further by clearly emphasising the economic benefits of buying from us.

Nina Jarlbäck
Chairman



Board of Directors



Nina Jarlbäck, 1946

Chairman of the KF Board of Directors since 2002, Board member since 1995. Chairman of the Board at the Svea Consumer Cooperative Society, Chairman of the Board at Folksam Liv, Vi-skogen and Kooperation Utan Gränser, and Board member at Riksbyggen.

Former municipal commissioner and member of public boards.



Hans Eklund, 1954

Board member since 1997.

Vice Chairman of the Board at the Svea Consumer Cooperative Society. Doctor of Law. University professor and Director of Studies at the Institute of Law, Uppsala University. Lay auditor at Folksam and KP Pension & Försäkring.



Göran Lindblå, 1954

Deputy Chairman of the KF Board of Directors since 2007, Board member since 1999. President and CEO of OK Economic Society. Journalist. Acting Chairman at OKQ8 AB, Chairman of the Board at KFO and Vice Chairman at Folksam Sak.



Ingrid Karlsson, 1959

Board member since 2004.

Board member of the Väst Consumer Cooperative Society. Cleaning Manager at Sahlgrenska University Hospital, Gothenburg.



Maj-Britt Johansson Lindfors, 1950

Vice Chairman since 2008.

Board member since 2006.

Chairman of the Board at Konsum Nord. Doctor of Economics, specialising in strategic development and change.

Head of the Management Academy at the Umeå School of Business.

Board member at the Nordic Centre at Fudan University, Shanghai.



Mats Lundquist, 1949

Board member since 2001.

Vice Chairman of the Board at the Stockholm Consumer Cooperative Society. M.Sc. (Econ).

Senior Consultant at Ipsos Sweden AB.



Anders Stake, 1956

Board member since 2004.
CEO of Gävleborg Consumer Cooperative Society. Economist.
Board member of the Cooperative's Negotiating Body (KFO).



Rose-Marie Borgström, 1959

Board member since the autumn of 2008. Former deputy since the autumn of 2005.
Employees' representative, Commercial Employees' Union.
Sales assistant, Coop Konsum Nora.



Sune Dahlqvist, 1948

Board member since 2006.
Vice Chairman at the Stockholm Consumer Cooperative Society.
Negotiation Consultant for the Tenants' Association, Stockholm Region (Head of Negotiation, 1996–2005).
Board member at Folksam Liv.



Per Ribacke, 1972

Deputy since 2008
Employees' representative, Commercial Employees' Union.
Board member at Cilab.
Storeman at the Coop terminal in Växjö.



Glenn Ericsson, 1952

Board member since 2008.
CEO of the Kristianstad-Blekinge Consumer Cooperative Society.
Former CEO of Koop Sydöst, Head of Obs! in Hässleholm and Head of Marketing for Luma in Karlskrona.
Vår Gård training courses and IFL Business Training.



Jeanette Franzén, 1972

Board member since 2007.
Employees' representative, Commercial Employees' Union.
Clerical officer at KF Sparkassa.

Group management



Lars Idermark, 1957

President and CEO.
Employed at KF since 2005.
Qualified as an agronomist, with university studies in Business Economics, Economics and Law. Former President and CEO at LRF Holding AB, COO at Föreningsbanken, Acting President and CEO at FöreningsSparbanken, COO at Capio and CEO of Second Swedish National Pension Fund.



Karl Wistrand, 1957

CEO of Coop Sverige AB.
Employed at Coop since 2007.
Studied Law at Gothenburg University.
Formerly worked at Ica since 1992, where he was Chief Financial Officer and Chief Operating Officer.



Leif Linde, 1955

Director, KF Förbundskansli (Secretariat) and Acting Director of Communications (March 2008–March 2009)
Employed since 2006.
Higher secondary school education.
Formerly Union Secretary at ABF, Party Secretary, Director General of the Swedish National Board for Youth Affairs, and CEO and Society Manager of the Svea Consumer Cooperative Society.




Johnny Capor, 1966

Chief Financial Officer.
Employed at KF since 2006.
MBA in Corporate Finance, BSc in Innovation Engineering & Economics.
Formerly with Price Waterhouse Corporate Finance, Stockholm and London, CEO of Possio AB. Head of Nordic Region and Corporate Finance at Libertas Capital in London.



Marie Wiksborg, 1965

HR Director.
Employed at KF since 2006.
M.Sc. (Econ).
Formerly Training Manager and Director of Human Resources, Sheraton Hotel & Towers. Head of Business Support at KF Fastigheter.



The mission of the Swedish consumer cooperative movement is to create economic benefits, and enable its members through their consumption to contribute towards sustainable development for people and the environment.

Our fundamental values – influence, concern, honesty and innovation – must govern everything we do. Sustainable development – financially, socially and environmentally – is therefore a central concept. Our fundamental values further reinforce its significance to what we do.

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Sustainable development for KF

Sustainable development is all part of the consumer cooperative movement's heritage and tradition, and a strategic part of the future vision for the entire organisation. Sustainable development is defined as "The long-term financial, social and environmental results of how we implement our business concept and our values in business".

Sustainable development, with a high level of responsibility, must form an integral part of our day-to-day operations in all business units, irrespective of business area. In the grocery retail trade, KF's objective is, through a dialogue with the Group's stakeholders, to develop into the leading player in Sweden in the field of sustainable development. Work is based on KF's groupwide sustainable development policy, international guidelines such as the UN Global Compact initiative, and major commitment to society such as trade and industry's climate appeals whereby participating companies have committed to become climate-neutral.

Accounting policies

Parts of KF's operations, including Coop Sverige, have previously carried out environmental and sustainability reports for their operations. However, this report is KF's first groupwide sus-

tainability report. This report must be viewed as the first step in long-term work to promote a collective, structured report on the results of the companies' collective sustainability work. This is why there is no historical data in a number of areas, and in other areas there is a need to develop both data collection and measures/targets. Our aim is to present our work in an open, communicative, transparent way to a broad target group and to present objectives, measures, key performance indicators and future challenges. This report is also an opportunity to stimulate and pave the way for even broader discussion with KF stakeholders in society and to develop our ambition to act as a force in society for positive sustainable development.

KF's approach to this report has been inspired by GRI (Global Reporting Initiative) guidelines for sustainable development reporting. Internal sustainability work must be developed further before

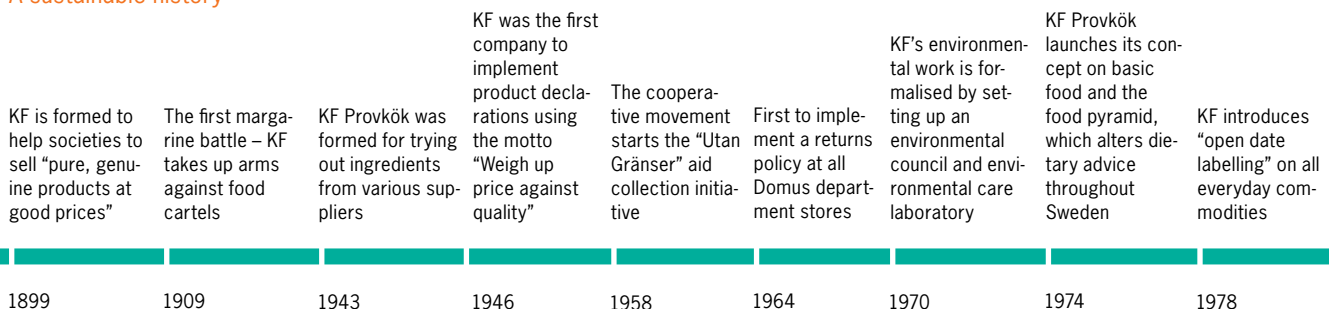
investments are made in more developed GRI reporting and an external audit of the work. Data has been collected mainly from the wholly owned subsidiaries which belonged to the KF Group on 1 January 2008.

For more information, see the KF website, www.kf.se/hallbarutveckling.

Organisation of sustainability work

Sustainable development is part of the job for all KF companies. KF's Board of Directors and Group executive make decisions on and stand responsible for the overall sustainability policy, process and reporting forms. Within the Group executive, the director of the KF Secretariat is responsible for general sustainability work. Every company within the Group is responsible for implementing the KF sustainability policy within its own operations and establishing the necessary responsibilities and procedures.

A sustainable history



The Group's strategic sustainability work is coordinated centrally in cooperation with a working team of representatives of the individual companies. Members and customers can influence the cooperative movement's sustainability work through consumer societies and their annual general meetings, and also via different channels for direct influence.

KF's priority sustainability areas

KF has selected a number of target areas for its sustainability work on the basis of an assessment of where KF has a major influence and can progress development. KF's priority areas are based on the Group's sustainable development policy and supplement the financial report with a report on how the Group works with environmental and social responsibility. The target areas selected are:

- Energy
- Transportation
- Waste
- Product range
- Suppliers
- Employees
- Members
- Commitment to society

Environmental responsibility

KF has a long tradition of commitment to environmental issues. The emphasis on our environmental work has varied,

from the campaigns of the 1970s against waste and single-use packaging, the start of the initiative to promote organic ranges in the 1980s, to the climate commitment of the 2000s. Back in 1970, KF set up an environmental council consisting of researchers, and an environmental care laboratory in order to work with the environment on the basis of facts.

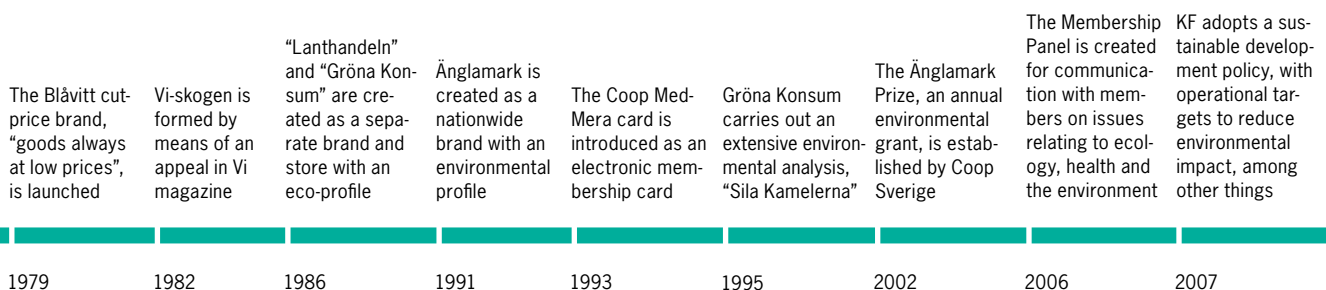
One starting point for the Groups' environmental work involves analysing and implementing measures on the basis of an overall perspective of operations in relation to the world around us and a life cycle perspective for the products and services supplied. KF impacts directly upon the environment in its own operations, but also affects it indirectly as well – perhaps to an even greater extent – through the impact generated by suppliers and by customers themselves. Analyses indicate that as much as 80 per cent of energy usage, for example, is in primary production as regards foods; that is to say, agriculture, horticulture or fishing. This is why the selection of ranges and information to customers are central elements of the Group's environmental work.

Ecology and impact on climate are priority issues in KF's environmental responsibility. KF's climate work focuses on reducing emissions of greenhouse

gases from transportation and the use of energy in stores. Our initial objective is to reduce the company's direct emissions of greenhouse gases in relation to turnover by at least 10 per cent by 2010 and 30 per cent by 2020 compared with 2008. KF has calculated the Group's emissions of greenhouse gases on the basis of its direct climate impact in five areas; transportation of goods, business trips, electricity consumption as tenants, energy consumption as property owners, and emissions of refrigerants.

The grocery retail trade represents around 90 per cent of all KF emissions of greenhouse gases. However, the magnitude of emissions from electricity consumption is very much dependent on the choice of methodology for the conversion factor to carbon dioxide. KF has opted here to report the higher figure for emissions so as not to underestimate our impact on the environment.

The consumer cooperative movement's contribution to Vi-skogen has a positive impact on climate as this form of agro-forestry binds considerable quantities of carbon dioxide. According to preliminary calculations, the consumer cooperative movement's total contributions are equivalent to positive climate impact of around 100,000 tonnes of carbon dioxide equivalents (CO₂e). Of this total,



some 26,000 tonnes correspond to the contributions made directly by KF Group companies, while a further 60,000 tonnes are accounted for by members channelled via KF Group companies, such as via the deposit receipt button and Bistånd på köpet (aid by automatic rounding off). If we include climate impact from the KF Group's direct contributions to Vi-skogen, this means that the Group's overall climate impact would amount to around 63,000 tonnes of CO₂e.

Issues relating to ecology are directly linked to the range in the stores. Although sales of organic products have massively increased over the last few years, organic sales account for just 3 per cent or so of total food sales in the grocery retail trade in general. The consumer cooperative movement has been a leading player for a long time now in the field of sales of organic products, and our aim is to retain and further develop this position despite increasing competition.

Social responsibility

Social responsibility relates to responsibility for the impact which KF has on everyone who encounters the Group's operations in various contexts, from pro-

KF aims to reduce its emissions of greenhouse gases by at least 10 per cent by 2010 and 30 per cent by 2020.

duction to final consumption. Staff relations will be a priority issue over the coming years. Not least given the cost reductions initiated in 2008, which involve terminating the employment of a fairly large number of people, it is essential to create an organisation structure and management culture that makes the most of staff skills and allows them to develop further. KF also has a long history of active work in society, channeling customers' commitment to give people help to help themselves and to combat poverty all over the world. This

work will be given further priority over the coming years. As a consumer cooperative movement owned by members, the influence of owners is also a distinguishing aspect of social responsibility; that is, ensuring a genuine influence among members, as well as formal owner influence in democratic forms implemented through receptiveness to the views and wishes of members concerning day-to-day operations.

Public view of Coop's social responsibility

In May 2008, survey company GfK carried out a survey in the form of a web panel on the social responsibility of retail companies. Coop was ranked best for social responsibility in the retail trade. The Nordic Brand Academy's Reputation Barometer, as it is known, includes social responsibility as one of the areas measured at the participating companies and compared. Here, too, Coop came out on top in the grocery retail companies category, and Coop's social responsibility index also rose compared with the previous year.

Contributions to Vi-skogen

Estimated positive climate impact	Total contribution (SEK)	CO ₂ (tonnes)
Conveyed via the consumer cooperative movement	7,100,000	101,429
Conveyed via the KF Group	6,017,013	85,957
Contributions from KF Group companies	1,808,434	25,835

Emissions of greenhouse gases

	Coop		Relative turnover		Other companies		Relative turnover		Total		Relative turnover	
	CO ₂ e (tonnes)	%	CO ₂ e kg/SEK millions		CO ₂ e (tonnes)	%	CO ₂ e kg/SEK millions		CO ₂ e (tonnes)	%	CO ₂ e kg/SEK millions	
Transportation of goods	23,739	29.8%	766		4,072	44.5%	843		27,812	31.3%	776	
Business travel	1,900	2.4%	61		591	6.5%	122		2,491	2.8%	70	
Energy consumption, property owner	0	0.0%	0		3,873	42.3%	802		3,873	4.4%	108	
Electricity consumption, tenants	35,500	44.6%	1,145		596	6.5%	123		36,097	40.6%	1,007	
Refrigerants	18,532	23.3%	598		20	0.2%	4		18,552	20.9%	518	
Total	79,671	100.0%	2,570		9,153	100.0%	1,895		88,824	100.0%	2,479	

Energy

The single biggest direct impact on climate from KF's operations comes from energy consumption. The Group's energy consumption comes from stores, warehouses and offices, and relates to both electricity consumption and heating/cooling. This also includes emissions of greenhouse gases from refrigerants in order to capture the Group's total emissions of greenhouse gases in the field. KF has opted to report on the basis of the influence principle; i.e. to report the energy consumption which the companies themselves can influence directly. This means that the companies as tenants report on their electricity consumption, and as property owners they report their heating, cooling and any energy consumption that is not attributable to tenants. No less than 81 per cent of the Group's reported energy consumption comes from electricity consumption at convenience stores, refrigerators, freezers and lighting being responsible for most of their electricity consumption.

The company's impact on climate depends partly on the amount of energy consumed and also on the choice of energy source (if certified renewable electricity is purchased, for example). KF

has opted to use the average residual electricity mix, as it is known, from the Nordic electric power market, Nord Pool, as its basis for calculation of emissions of greenhouse gases unless the

81 per cent of the Group's energy consumption comes from the use of electricity at retail stores.

companies have purchased specified products. KF is of the view that the most effective way in the long term to reduce climate impact is to prioritise measures to streamline and reduce the Group's total electricity consumption. Sensible, modern refrigeration and freezing units have a dual effect, as they both limit electricity consumption and reduce emissions of greenhouse gases through the leakage of refrigerants.

By focusing on energy streamlining initiatives within the company, we have opportunities to reduce both expenses and emissions of climate-affecting greenhouse gases and to influence both staff and customers to behave in a more environmentally aware way.

KF's general objective is to reduce emissions of carbon dioxide per square metre by at least 10 per cent by 2010 and at least 30 per cent by 2020 compared with 2008. In late 2008, Coop Sverige and KF Fastigheter were commissioned to produce a proposal for a strategy to reduce energy consumption and climate impact from Coop stores.

Buildings with low energy consumption

KF Fastigheter works on planning, production and administration of retail properties with low heating costs, and it also offers property-related services for cooperative companies, such as consultancy support with regard to energy. In 2008, KF Fastigheter has started work on energy declarations for all properties. The opportunities for energy streamlining in the grocery retail trade are clear when it comes to constructing new buildings where the energy issue is an integral part of production, e.g. by utilising excess heat from refrigerated and freezer displays for heating.

At the KF Fastigheter building in Marieberg, Örebro, where Coop Forum can be found, the roof has been provided with a specially designed skylight

Energy consumption

KF Fastigheter's own properties	kWh	kWh/m ²	CO ₂ (tonnes)
Heating/cooling	20,205,827	48	2,491
Property electricity	13,818,281	33	1,382
Total	34,024,108	80	3,873

Refrigerants

Coop Sverige stores	Number of cooling units	Coolant (kg)	Leakage, %	CO ₂ e (kg)	GWP factor*
R134A	391	8,431	13.12	1,437,410	1,300
R404A	1,937	38,526	13.36	16,783,295	3,260
R407C	253	1,926	7.23	222,720	1,600
R417A	36	412	9.35	74,690	1,940
Total	2,695	50,111	12.83	18,518,115	

* GWP factor = Global Warming Potential factor, a conversion factor which shows how much the gas contributes to the greenhouse effect in relation to carbon dioxide.

which saves 25 per cent of lighting energy and reduces the need for cooling in summer thanks to a reduction in the internal load from the lighting.

Coop Extra in Västerås is one of the grocery retail trade's most energy-efficient buildings and is essentially completely self-sufficient when it comes to heat. KF Fastigheter reduced consumption at the store to 46 kWh/m² per annum, or less than two-thirds of the EU's standard for Green Buildings.

At Vår Gård Saltsjöbaden, new technology has been used in the existing building to reduce energy consumption and environmental impact. Among other things, ground source heat pumps have replaced earlier oil-fired heating, and where oil still has to be used, the company has switched to using rapeseed oil. This has resulted in savings of more than 200 cubic metres of oil, equivalent to 550 tonnes of carbon dioxide. Vår Gård is preparing for certification as a Swan labelled facility in 2009.

Akademibokhandeln has switched from conventional to green electricity in 35 of its 61 stores and at its warehouse in Morgongåva, which has reduced the company's total emissions of carbon dioxide by 56 per cent, or 428 tonnes a year. The stores not using green electric-

ity are located in shopping centres where stores are tied to the electricity contracts of the shopping centres in question.

Daglivs, Bokus, KF Gymnasiet, Norstedts and Tidningen Vi also purchase completely renewable electricity.

Energy Hunt

The Energy Hunt project has been implemented at several KF companies with a view to creating commitment among staff concerning energy streamlining. Staff in the stores have received training on energy saving with regard to refrigerated displays, freezers and heating. All in all, more than 3,600 staff have received training on energy saving activities at Coop Sverige. Coop Sverige's head office took part in 2007/2008 in the EU's Energy Trophy competition, which involves saving energy in office buildings by encouraging staff to change their behaviour. Coop Sverige came second in Sweden, with energy savings of 12.1 per cent compared with the previous year.

A similar Energy Hunt will be taking place in 2008/2009 at the head offices of nine KF Group companies. This work has led to energy savings of 13.3 per cent in the autumn of 2008.

Challenge: To phase out hydrofluorocarbons from refrigeration systems

Ozone-depleting substances, known as freons, have been used in a number of different areas – including in refrigeration and freezer systems – due to their physical properties and chemical stability. All countries now are working to phase out these substances from various products on the basis of international agreements. However, the substances often used to replace them, known as hydrofluorocarbons (HFCs), impact on our climate.

Emissions of these gases are not enormous in terms of number of kilograms, but they are considerably more powerful than carbon dioxide and so influence the greenhouse effect even in small quantities. The Group's refrigeration and freezer facilities still use hydrofluorocarbons in older systems. Phasing out the use of hydrofluorocarbons requires these facilities to be replaced with completely new ones which can be run using natural refrigerants. Coop's ambition is to switch to natural refrigerants when installing new refrigeration and freezer systems, and to reduce both leakage and the total amount of HFC gases in existing refrigeration and freezer systems.

Electricity consumption

Coop Sverige stores (kWh/m ² sales area)	2008	2007	2006
Coop Supermarket	797	844	860
Coop Forum	307	338	318
Total	513	557	523

Electricity consumption	Coop		Other business		Total
	kWh	kWh/m ²	kWh	kWh/m ²	kWh
Convenience stores	321,728,339	357	5,940,000	950	327,668,339
Other stores	–	–	5,969,470	209	5,969,470
Office	1,209,500	93	1,563,525	73	2,773,025
Bearing	32,065,401	125	1,099,725	79	33,165,126
Other	–	–	700,000	83	700,000
Total	355,003,240	302	15,272,720	195	370,275,960

Transport

KF's work gives rise to a lot of transportation, both direct and indirect. The Group's environmental work in the field of transportation includes goods transportation, business trips and issues relating to store locations. Transport issues are extensive and complex as they are linked to policy, infrastructure issues and society building. KF's long-term objective is to reduce emissions of carbon dioxide from transportation in relation to financial turnover by at least 10 per cent by 2010 and at least 30 per cent by 2020 compared with 2008.

Emissions of carbon dioxide from transportation by truck increased by 43 per cent between 1990 and 2007, while at the same time carbon dioxide emissions in total for Sweden fell by 9 per cent. The retail trade is responsible for a considerable amount of carbon dioxide emissions as regards goods traffic, and statistics show that we have to find a better solution for the transportation of goods in a country as extensive as Sweden. At KF, goods transport is responsible for more than 30 per cent of total carbon dioxide emissions, and so solutions which can reduce the overall climate impact of the entire goods transport chain are a top priority.

One important issue when reporting transportation is where you choose to set the system limits, i.e. what parts of the transport chain from supplier to customer are to be included in the company's accounts. KF's ambition is to gradually be able to report as great an amount of the transport flow as possible, both incoming transport to the company and

120 fewer truck consignments per working day between Helsingborg and Umeå.

outgoing transport to customers or stores, regardless of whether this transport takes place using the company's own vehicles or external shipping agents. The opportunities to be able to report both aspects at the moment varies from company to company and so incoming and outgoing transport are reported separately.

Goods are mainly transported by truck. The transportation bought in is regulated by environmental requirements. For instance, Coop's suppliers undertake only to use diesel of environmental class 1, and not to use tyres that contain HA (high aromatic) oils.

Coop's own truck drivers are trained on how to drive economically, which involves driving more efficiently and reducing fuel consumption. One incentive for the drivers is that they receive part of the savings this involves. New trucks purchased also have better environmental qualities than the existing vehicle fleet. In 2008, Coop invested in 14 new trucks using the latest technology, and 11 trailers. Coloadng and more efficient transportation are further reducing environmental impact. Emissions from Coop's transportation of goods fell in 2008 by around 2,700 tonnes of carbon dioxide, or more than 10 per cent.

Partnership with Green Cargo

In late 2008, Coop began a partnership with Green Cargo, which involves moving a lot of goods transportation work within Sweden from the roads to the railways. The solution involves special Coop trains which drive truck trailers across the country. This change of transport method means that a reduction has been achieved between Helsingborg and Umeå which is equivalent to 120 truck consignments per working day. This change is mainly affecting the transportation of goods into Coop terminals,

Emissions from transportation of goods, 2008

	CO ₂ e (tonnes)			Total KF, %
	Incoming transport	Outgoing transport	Total	
Coop		23,739	23,739	85.4%
Daglivs		850	850	3.1%
Akademibokhandeln*			1,255	4.5%
Bokus	592	314	907	3.3%
PAN Vision		724	724	2.6%
MedMera Bank		336	336	1.2%
Total			27,812	100.0%

* Includes both incoming and outgoing transport, but does not include details on distribution from shipping agent.

which were previously handled mainly by suppliers. At the same time, this means that Coop now has a better overview of the entire transport chain, from suppliers to stores, and can control it. The new solution is thought to mean that Coop will reduce its overall environmental impact by more than 10 per cent, which is equivalent to 8,000 tonnes of carbon dioxide. Mataffären.se, KF's initiative for providing food via an online service, uses biogas vehicles for home delivery. Biogas is considered to be the most environmentally friendly of current fuels. Surveys also show that coordinated home delivery of foods has considerably less environmental impact than if customers themselves drive their goods home from stores.

Coop Sweden

Used truck fleet in accordance with Euro class*, %

	Own	External	Total
Euro 2	35.9	20.8	26.6
Euro 3	45.0	38.6	41.0
Euro 4	16.0	33.7	26.8
Euro 5	3.2	7.0	5.5

* Euro classification is a system for environmental classification of vehicles within the EU on the basis of requirements for exhaust emissions. The higher the class, the more stringent the requirements for low emission levels.

Number of company cars and percentage of "green" cars

	Company cars (no.)	"Green" cars, %
Coop Sweden	116	47
Other companies	129	56
Total	245	51

Business trips, 2008*	Road	Rail	Air	Total	KF, %
Coop Sweden					
km	4,986,439	930,010	5,157,576	11,074,025	72,7%
CO ₂ e (tonnes)	997	0	903	1,900	76,3%
Other companies					
km	1,640,760	717,270	1,803,723	4,161,753	27,3%
CO ₂ e (tonnes)	328	0	263	591	23,7%
Total					
km	6,627,199	1,647,280	6,961,299	15,235,778	100,0%
CO ₂ e (tonnes)	1,325	0	1,166	2,491	100,0%

* Statistics from central contract partners and payments for distance travelled by car on business are used to define business trips.

In 2008, we have listed all business trips and the extent to which these took place by road, air or rail. Business travel is responsible for almost 3 per cent of the Group's emissions of greenhouse gases. Of course, the most environmentally friendly business trip is the one that never happens. At Pan Vision and Bokus, investments have been made in a videoconferencing system which is used to reduce the amount of business travel required. Pan Vision estimates that the system has saved around 100 return flights in 2008, which – besides reducing the company's environmental impact – has saved time and money and streamlined staff working hours.

Challenge: How customers get their everyday commodities home

Several life cycle analyses show that customers transporting goods home from the stores represents a considerable proportion of the climate emissions generated by everyday commodities. The locations of stores and the means of transport used are two factors which determine emissions when customers transport goods home. The number of stores and shopping centres in external locations outside city centres has increased over several decades together with the increase in car ownership.

KF can influence these emissions by its placement of future stores and by playing an active part in physical society planning so that – for example – public communications are incorporated when planning the development of marketplaces. One positive example is Bromma Center, where special bus routes to the marketplace have been established. Another example is Mataffären.se, where coordinated home deliveries take place using biogas vehicles. However, the development of alternative fuels for cars will be crucial to store structure in the future.

Recycled plastic means new trolleys

Customers at Coop Forum in Häggvik can place their goods in trolleys made from recycled PET bottles.

Trolleys made from PET bottles have been purchased for four of Coop's newly opened superstores in 2008. These trolleys are made in Italy and the Czech Republic and are currently in use in Canada and several countries in southern Europe, among others.

These trolleys are available in two sizes – large and small – with two removable baskets. 250 recycled PET bottles are used for a large trolley, while 121 PET bottles are needed for the small trolley. These are used to manufacture the frame and the two baskets. These trolleys are lighter than traditional ones and are estimated to have the same service life, 10–12 years. An equivalent of newly manufactured plastic is saved at the same time. These trolleys will be trialled in 2009 and gradually introduced in all stores.

Just nu drar du runt
på 250 petflaskor!

coop KONSUM

Waste

All KF companies have to sort their waste. However, the quantity of waste varies widely depending on what companies do. Most administrative companies have only small quantities of waste where the options for sorting and recycling are governed by the property owner's waste disposal system.

Convenience stores and goods terminals have large amounts of waste to deal with, and in many cases recycling has switched from an expense to income because products such as corrugated cardboard can be sold back, for example. Waste includes packaging, various kinds of input product and potential goods which can no longer be sold, such as waste food. More environmentally friendly waste disposal could therefore involve initiatives for less packaging or more resource-efficient packaging, initiatives to reduce physical destruction of goods, and initiatives for more recycling

of various materials. Another aspect involves making it easier for customers and members to recycle different materials and products.

Working in cooperation with Kretsloppskontoret in Gothenburg, visitors to Coop Forum in Backa, Bäckebo and Sisjön, as well as Coop Konsum Avenyn, have been offered the opportunity to hand in what is known as hazardous waste directly to stores. Special collecting stations for items such as electronic waste, batteries and bulbs have been tested in stores in 2008. The trial has seen some very good results, and a total of 4.5 tonnes of hazardous waste was collected over the first year. Kretsloppskontoret will now be rolling out these kinds of collecting stations in more locations.

Waste such as glass, corrugated cardboard, inflammable/organic waste, office paper, hazardous waste, metal packag-

ing, soft plastics and wood are sorted at source in stores. A new way of dealing with waste by using a container press for wet waste has been introduced at a number of Coop Konsum stores in Stockholm. This saves on transportation and reduces costs, while at the same time sorting waste in a more environmentally friendly way. Waste disposal as per this model will be introduced at more stores all over Sweden.

KF Shared Services has been procuring and distributing standardised laptop and desktop computers to KF subsidiaries since 2008. Around 1 200 computers are involved in total. In 2008, external logistics management was implemented for computers and peripherals by means of a test company. This includes environmentally correct handling of packaging and recycling of electronics in computers replaced.

Waste disposal, Coop Sverige

Waste (tonnes)	Terminals	%	Store**	%	Total	%
Waste, materials recycled	11,746	91	23,044	68	34,790	74
Waste used for heating	878	7	5,435	16	6,313	13
Waste for biological treatment	193	1	5,435	16	5,628	12
Hazardous waste	77	1	*	*	77	0
Waste for landfill	70	1	*	*	70	0
Total	12,964	100	33,914	100	46,878	100
Of which recycled (the first three categories)	12,817	99	*	*	*	*

Waste, materials recycled

Specified materials (tonnes)	Terminals	%	Store**	%	Total	%
Wood	167	1	2,165	9	2,332	7
Paper	91	1	*	*	91	0
Corrugated cardboard	10,571	90	17,424	76	27,995	80
Plastic	830	7	3,455	15	4,285	12
Metal	88	1	*	*	88	0
Total	11,747	100	23,044	100	34,791	100

* No data available

** Template-based data based on data from a representative selection of stores

Challenge: Less food waste in stores

Each store handles large quantities of fresh food in the form of fruit and vegetables, bread, meat and dairy products. Physical destruction is a concept that covers all foods that have to be thrown away when their sell-by dates expire, for example. Besides representing a major financial cost, this is also a major environmental cost, not least when you consider the environmental impact of the entire production chain but with no benefit to end-consumers. Initiatives are in place for developing procedures to reduce physical destruction without impairing food safety.

Product range

The range in our convenience stores, in KF's view, is what has the greatest potential to contribute towards more sustainable development in respect of both environmental responsibility and social responsibility.

Coop Sverige has three brands of its own – Änglamark, Coop and X-tra. Products with these brands are developed collectively within Coop Trading for the cooperative movement within the Nordic countries. This means that products have to be adapted to suit the most stringent environmental and health requirements within any of the individual Nordic countries. The Differ branding agency carried out a survey among Swedish consumers in the autumn of 2008 regarding how environmentally friendly brands on the Swedish market were considered to be. When consumers themselves were asked to spontaneously name the greenest brand, Änglamark came first and Coop third of all brands.

In 2008, Coop Sverige adopted a policy for “a good business” which specifies targets and guidelines for – among other things – development of ranges in the fields of environment, health, supplier relations and social development. One specific aim is for Coop's own brands to be the best in their own respective brand platforms as regards environmental and health-related qualities.

The organic range

Sales of organic foods increased massively in 2008 throughout the entire Swedish grocery retailing. Despite this, only around 3 per cent of total food sales

The development of Coop's own brands follows the toughest rules in the Nordic region.

in the grocery retail trade are accounted for by organic products. At Coop Sverige, the corresponding figure is 6.2 per cent. This figure is highest within the Coop Konsum chain, where sales of organic foods amount to no less than 8.6 per cent. In 2008, Coop Sverige increased its sales of organic products by 37 per cent compared with the previous year. The number of organic products in the central range which bear the KRAV label increased by 32 per cent in 2008, from 1,317 to 1,736. Of the organic goods, 1,629 bore the KRAV label. This makes Coop a leader in the field of organic goods in terms of both sales volume and number of products.

Ecolabelled goods

There are several different ecolabels for non-food products. These include the Swan, Bra Miljöval, the EU flower, Miljöanpassad Vara, TCO labelling and FSC (Forest Stewardship Council). As regards special goods, Coop stores increased their sales of ecolabelled goods by 11 per cent in 2008. Ecolabelled goods accounted for 4.1 per cent of sales of special goods. The number of ecocoded products among our special goods amounted to 1,480 in 2008. Most ecolabelled goods can be found in the range of cleaning products.



Product range	Products Number of	Sales development		Percentage of sales*	
		Coop Sverige, %	Coop total*, %	Coop Sverige, %	Coop total**, %
Organic goods	1,736	37.1	44.7	6.2	4.9
Ecolabelled goods	1,480	2.5	11.1	4.0	4.1
Fairtrade products	99	5.7	18.2	0.3	0.2
Keyhole-labelled goods	3,900	3.7	13.7	23.9	21.4

* Percentage of total food sales for organic, Fairtrade and Keyhole-labelled goods. Percentage of total sales of special goods for ecolabelled goods.

** "Coop total" covers the Coop stores for which Coop Sverige receives sales data. For 2008, the number of Coop stores included but outside Coop Sverige increased around 47 to 68 per cent.

Fairtrade products

Fairtrade labelling means – among other things – that growers and employees enjoy improved economic terms, child labour and discrimination are countered, democracy and organisation rights are developed, and environmental awareness and organic production are promoted. Sales of Fairtrade products in Sweden are increasing rapidly, but they are still marginal compared with overall sales. In some other countries, such as the UK, sales of Fairtrade products have progressed a lot further.

Coop's ambition is to offer Fairtrade products in all product groups where such products are available. In 2008, Coop Sverige's sales of Fairtrade products increased by 5.7 per cent. The number of Fairtrade products increased over the year from 69 to 99. Coop also arranged special campaign weeks for Fairtrade goods, with special displays in stores, advertising campaigns and store activities.

Healthy, more nutritious food

KF's retail companies must offer healthy products and information so that customers can make informed decisions and promote good health. Clearer labelling and assistance with cooking more nutritious meals have been requested by the Coop Membership Panel, among others. Keyhole-labelled foods contain less fat, sugar and salt but more fibre than other foods of the same type. Sales of Keyhole-labelled products at Coop increased by 14 per cent in 2008 compared with the previous year, and they accounted for 21 per cent of total food sales. The range of Keyhole-labelled goods increased by 13 per cent and consists of some 3 900 products. However, fruit and vegetables account for much of this. Coop is working to promote healthy goods in stores and by providing information. At www.coop.se, for example, there are 300 Keyhole-labelled recipes to choose from. Debate on additives in food has been lively over the year. Coop has been working for a long time to reduce addi-

tives in food. As the development of Coop's own brands is compliant with the most stringent of regulations in the Nordic countries, Coop was able to get onto the Swedish market very early with its reduction and removal of trans fats from its own products. Coop is also working to remove glutamate from both

Coop Konsum Avenyn was named Store of the Year for 2008 by the retail industry.

its own brands and other goods. At Christmas, for example, all Christmas hams sold at Coop were glutamate-free. In the same way, Coop is working to reduce the salt content of its products and has – for example – produced a Japanese soya which contains 35 per cent less salt.



Organic bags

The best option for the environment are organic fabric bags which can be used repeatedly. Coop Ånglamark's fabric bags were supplemented over the year with a new fabric bag – "Jag är snygg och gör skillnad" (I'm gorgeous and I'm making a difference) – which is both organic and bears the Fairtrade label.

All stores KRAV-labelled

Coop has opted to focus its certification of stores on KRAV accreditation as their biggest environmental impact is in how goods are produced. To receive approval, stores have to offer a broad range of KRAV products and the staff have to have a good knowledge of KRAV and organic production. KRAV-accredited stores are allowed to break up, label and handle KRAV-approved products. Among other things, they can sell these products loose. The accreditation is followed up each year. In 2007, 262 stores held KRAV accreditation; and greater efforts were made in 2008, when all 730 Coop stores held KRAV accreditation. Online store Mataffären.se and Daglivs are now KRAV-accredited stores as well.

Green pilot stores

Over the year, Coop has opened a number of stores with extra emphasis on the environment. Coop Forum in Häggvik is the Forum store with the highest environmental profile. Its organic range has taken on a dominant role. Häggvik also has three trained environmental masters, and all staff have completed a basic course on ecology and environmental issues. Experiences of environmental work in Häggvik will be applied throughout the entire chain. Coop Konsum Avenyn in Gothenburg has opened an ecostore with an eco café. Its range consists of some 300 organic items, of which half are unique to this

store. Food which is made in the store and café is made from organic ingredients as far as possible and all the drinks are organic as well, including the wines and beers. Coop Konsum Avenyn was named Store of the Year 2008 by the grocery retail industry. Later in the autumn, the new Coop Konsum Zinkensdamm store in Stockholm was opened, with a new store layout and a clear range profile promoting sustainable development, ecology and health.

Green bags

In 2008, Coop introduced environmental bags to all Coop Konsum stores. These bags are made from corn starch and so reduce oil consumption. Coop Sverige has decided to completely replace conventional plastic bags with environmental bags as soon as possible. These environmental bags contain 40 per cent renewable raw materials, corn starch being the most important ingredient. To make a strong bag for carrying goods, the starch is mixed with degradable, compostable polyester.

However, the best option for the environment are organic fabric bags which can be used repeatedly. Coop Änglamark's fabric bags were supplemented over the year with a new fabric bag – "Jag är snygg och gör skillnad" (I'm gorgeous and I'm making a difference) – which is both organic and bears the Fairtrade label.

Challenge: More locally produced food



Trends towards more sustainable consumption, together with a trend for genuine, authentic food have together created greater consumer pressure for more locally produced food.

In 2008, LRF (the Federation of Swedish Farmers) and Coop began a long-term partnership to increase the amount of local food available in stores. A new regional organisation has been created which is tasked with finding more local growers and producers and making sure that their goods appear in all Coop stores.

LRF and some of the retail societies have cooperated successfully on a regional basis for a number of years in order to increase the amount of food produced locally in Coop stores. This has resulted in initiatives such as Kaprifolkött meat in western Sweden, as well as a collective initiative in Värmland where Konsum Värmland is now the market leader as regards food of local and regional origin. Our aim is for the consumer cooperative movement's stores to have the biggest ranges of locally produced food.

KRAV-labelled stores

Coop	2008	2007
Number of KRAV-labelled stores	730	262

Suppliers

Supplier relations involve both making demands of environmental responsibility and social responsibility and at the same time creating long-term cooperations to promote sustainable development.

Coop Sverige has a code of conduct which all suppliers have to sign. This code of conduct is based on guidelines produced by the UN and ILO. For instance, it includes prohibition of child labour and requires factories to comply with local legislation on minimum wages, overtime and employees being paid as agreed. Coop also demands that suppliers review the code of conduct with their suppliers.

Within the scope of its annual negotiations with suppliers in 2008, Coop Sverige demanded that all national suppliers should report on how they work

with environmental responsibility and social responsibility as a basis for future cooperation. This work will undergo further development in 2009. Similar development work relating to supplier requirements will be taking place in 2009 within Coop MedMera, KF Shared Services and Norstedts. Coop MedMera makes demands of partners who are to be affiliated to the Rewards Programme. Each new partner is assessed on the basis of – among other things – how the company handles its social and environmental responsibilities before contracts are signed.

Tidningen Vi has worked actively with environmental requirements in respect of its suppliers. Their printworks, Sörmlands Grafiska, holds environmental accreditation to ISO 14001 as well as quality accreditation to ISO 9001. Their magazines are also printed on ecolabelled paper and using ecolabelled prod-

ucts in the form of products bearing the Swan and FSC labels.

KF's managers of financial assets and investments are also subject to similar requirements as suppliers. Management is characterised by a number of ethical guidelines which involve the fact that KF must always take into account ethical considerations when investing in listed shares, that KF must not invest in companies which breach UN conventions on human rights, and that KF must strive to implement investment rules compliant with KF's ethical rules when procuring what are known as discretionary management commissions. The major acquisitions that took place in 2008, Läckeby Water Group and Löplabbet, operate in ways that are highly compliant with KF's sustainability profile, with emphasis on health and the environment.

Challenge: Review of working conditions in Sweden and Europe

The problem with a lack of respect for working conditions and human rights has led to companies developing codes of conduct and review procedures for products from countries defined as being particularly at risk. As major exporters, it is often Asiatic countries that are looked at.

Over the past few years, more and more examples have indicated the need to review production in western Europe and Sweden in the same way. In the agricultural and gardening industry, it is common for some of the workforce to be made up of seasonal workers, often holders of temporary work permits. Given the fact that the majority of foods on offer in stores original from Sweden and Europe, there is due case to further develop review procedures for suppliers in our local area.

Suppliers

Intercoop and BSCI audits of suppliers of goods to Coop Sverige in 2008

Office	Approved	Provisionally approved, improvements required	Number of audits
India	7	5	12
Indonesia	12	11	23
China	55*	40	95
Pakistan	1	0	1
Vietnam	8	4	12
Total	83	60	143

* 22 of these audits were carried out by the ICTI (International Council of Toy Industries).



Intercoop reviewing in Asia

Intercoop works on inspecting producers before they can supply Coop with goods.

Intercoop is a buy office for special goods, located in the Far East but owned by the consumer cooperative movement in the Nordic countries plus Italy and Spain. Intercoop has been a member of the BSCI (Business Social Compliance Initiative) since 2007. This is an independent third-party organisation which coordinates inspections of operations in the Far East. In 2008, a gradual transition began from Intercoop's own inspections to BSCI carrying out the inspections. Engaging external international auditors is giving Intercoop greater muscle in its demands on suppliers. This is also a way of making things easier for suppliers, who gain access to a large customer base once they are approved by the BSCI.

Coop has a strategy which involves maintaining communication with suppliers who are unable to meet the company's requirements straight away. If a supplier has good intentions and can demonstrate constant improvements, better results will be achieved through a long-term relationship in which Coop sets demands for development.

In 2008, Intercoop and the BSCI carried out 143 inspections of suppliers who supply goods to Coop Sverige. Of these, 83 were approved while 60 demonstrated some form of shortcoming which has to be rectified for them to gain full approval. The main shortcomings noted are excessively high numbers of overtime hours, too little money being paid for overtime work, and suppliers paying monthly salaries lower than the minimum wage defined in law.

Employees

Employees are the group's most vital asset. The KF Group is undergoing a phase of change, and so a number of areas for savings and synergies have been identified. Some of these areas affect the workforce. The average number of staff within the Group in 2008 was 8,996, of whom 81 per cent work for Coop Sverige.

To create long-term profitability and competitiveness, as well as financially sustainable development, the KF Group has initiated extensive cost reductions. Among other things, staff numbers are being reduced and structural changes are taking place within the organisation. In the autumn, all staff at Coop Sverige were gathered together for "Jättelyftet" (The Massive Lift), an initiative to provide information on the change processes taking place. In November, notice was given to staff at Coop Sverige, equivalent to 1,000 full-time positions. Staff cutbacks have also taken place at other companies in the KF Group in 2008, including Akademibokhandeln. At the same time, special initiatives are being put in place in order to create an attractive environment in which the remaining staff can develop.

Employee index

An employee survey – Employee index, or EI – has taken place for the entire the KF Group in 2007 and 2008. The response frequency, like the values, were slightly lower for the stores than for the offices and official functions.

KF's target is to ensure that at least 70 per cent of staff are happy with their current work situation. The result for

Three areas will be given priority in 2009; skills, leadership and corporate culture.

2008 was 72.7 per cent for the KF Group excluding Coop Sverige, an increase of 1.6 percentage points on the previous year. At Coop Sverige, the corresponding result was 59 per cent. Following analysis of the overall result for the Group, a decision has been made to prioritise three areas for 2009; skills, leadership and corporate culture. A collective action plan for further work on these areas has been implemented within the organisation.

Leadership analysis

In 2008, the organisation underwent an analysis and almost 700 managers and key personnel – some 600 of them within Coop Sverige – were analysed in what is known as a Management Review. Leadership is a priority issue, and this analysis provides a good foundation for 2009. Identified skills gaps will be analysed further, and measures in the form of redeployments, skills development and new recruitment are currently being implemented in order to minimise this gap. The established requirements profile for leadership within the Group is being used by way of comparison.

Skills development and supply

All KF Group staff must have their own personal development plans, which are followed up regularly. Staff appraisals will also be carried out, and communication between managers and staff is subject to constant review within the Group. According to the staff survey, the number of staff appraisals held is up by 12 percentage points.

Employees and managers, 2008 numbers and gender distribution

	Coop		Other companies		Total	
	Number of	% of women	Number of	% of women	Number of	% of women
Personnel	7,318	57.1%	1,678	53.5%	8,996	56.4%
Leading officials	821	41.0%	282	42.6%	1,103	41.4%

KF Akademin is the Group's corporate university and booking portal and can be accessed via the KF intranet. A number of quality-assured courses, both internal and external, are offered via this portal. KF Akademin also includes a course booking system, which is a good tool for managers' work on skills development for their own staff. Groupwide introductory courses relating to the Group's operations and values have also been developed over the year.

KF Gymnasiet constitutes a natural element of skills supply within the Group as the courses on offer here focus on the retail trade and the KF Group also offers practical placement during courses.

Equal opportunities and diversity

KF views differences between people as an asset, and its ambition is for KF staff to reflect society as a whole. Good working dynamics are created by ensuring the working teams within the Group include a good mix of people. In 2008, 56 per cent of company employees were women. 41 per cent of people in leading positions were female. On the Group executive team and the KF Board of Directors, 33 per cent were women. At Coop Sverige, staff coming from outside the Nordic region amounted to 11.4 per cent in 2008, compared with 14.7 per cent for the number of economically active people in Sweden as a whole. Corresponding figures for the other subsidiaries are not available. However, the KF Group and its companies are working actively to extend their diversity by recruitment to become a more multicultural company and to increase knowledge within the company. For instance, KF Fastigheter is one of the partner companies in a "Diversity Challenge" which is aiming to increase diversity in trade and industry.

Challenge: Less sick leave at Coop



KF is working actively to reduce the amount of sick leave within the Group. The total average for sick leave – that is, the number of hours of sick leave from the total number of regular working hours – amounted to 5.7 per cent in 2008. Many of the companies are reporting low figures, but Coop and above all its subsidiary Cilab are showing relatively high levels of sick leave compared with the retail industry in general. However, sick leave has been reduced at both Coop and Cilab compared with previously. KF's aim is to reduce sick leave by 25 per cent by the end of 2010. To achieve this, the occupational health department is working actively to provide qualified advice, for example. Both the occupational health department and staff members' immediate superiors need to be notified when staff go off sick and when they return to work. Managers also receive regular reminders when their staff are ill. Rehabilitation processes start early in order to prevent long-term sick leave situations.

Sick leave

(measured as percentage ill)

	Women	Men	All
Coop Sverige, ex. Cilab	6.5	3.5	5.5
Cilab	9.4	6.9	7.5
Other	4.4	2.3	3.6
Total	6.4	4.6	5.7

"Percentage ill" relates to the number of hours of sick leave from the total number of regular working hours.

Members, owners and customers

Within the consumer cooperative movement, individuals are stakeholders of the company as members, owners as well as customers. This is why it is essential that how KF responds to expectations within the respective roles has to be controlled and monitored. Sweden's consumer societies have more than 3 million members, and together the consumer societies own KF. It is these members who together decide on the direction of the company, both as owners and as customers. They exercise this control by means of annual democratic elections, but also by influencing the individual grocery stores where they shop, via the consumer societies and via various member surveys.

KF's target is to ensure that at least 70 per cent of members are happy with their membership of the consumer cooperative movement by 2010.

Attitudes towards membership of the consumer cooperative movement are gauged via an ongoing consumer survey (Market Monitor) run by survey company AC Nielsen, which reports back on a quarterly basis. In the fourth quarter of 2008, 47 per cent of members polled said they had a positive or very positive attitude towards membership. The results have been relatively constant throughout 2007 and 2008. To achieve

our target, the members will probably have to feel both that the financial benefits of membership are on the increase and that their chances of having an influence are improving.

Ownership aspects

The number of members of the consumer societies has been increasing constantly since KF was formed. In 2008, the number of members increased by 46,000, or 1.5 per cent. Members' participation in the formal democratic process takes place via participation in elections to representative bodies at various levels and via submission of motions for society meetings. In 2008, around 39,000 members took part in societies' annual general meetings (AGMs) at the store, district and society levels all over Sweden. A total of around 3,500 officials were elected, of whom 375 were members of the Boards of the various societies. 114 motions were submitted, of which almost half came to the Stockholm Consumer Cooperative Society.

Of the elected representatives, more than 61 per cent were women and the average age was around 60. The average age on the society Boards is lower, 56, while at the same time the number of women is also lower, around 45 per cent.

According to the societies' own assessment, they are of the view that the representativity of the elected representatives is poorer in terms of age and ethnic

KF's target is to ensure that at least 70 per cent of members are happy with their membership of the consumer cooperative movement by 2010.

background and relatively good in terms of gender and social background. One challenge we face is encouraging more younger members to take an interest in the operations of the societies.

Traditionally, most members have been active through what are known as store or member councils, the elected representatives functioning as contact links between members and stores. Several societies are also trialling encouraging member interest in ways other than becoming elected representatives. What are known as ecoambassadors and Fair-trade ambassadors are a new function at some member societies, whereby members are offered training in order to learn more about organic food production and

Member development	2008	2007	2006
Number of members, thousands	3,131	3,085	3,038
Change, %	1.49	1.55	1.27

Elected representatives: number, gender, age	Number of	% of women	Average age
Elected representatives in societies	3,558	61.4%	60.3
Members, society Boards	374	45.4%	56.4
Members, KF Board*	9	33.3%	56

* Excluding employee representatives

Fairtrade products. These ambassadors then pass on their knowledge in stores and – for example – schools. The idea is for them also to contribute towards business benefits by linking information with sales, above all via Coop themed activities. In 2008, there were around 340 active ecoambassadors and 200 Fairtrade ambassadors at the societies.

Another way of garnering views from members is via the KF and Coop Membership Panel. The Membership Panel is a web tool for questionnaire surveys among members. In 2008, Coop and KF asked questions on five occasions and in total received around 45,000 responses. The results were compiled in the Coop report, which provides an overall indication of consumer attitudes towards – among other things – issues relating to food and health, as well as feedback on how Coop acted on the var-

ious issues. For the elected representatives to be able to perform their Board duties professionally and control operations effectively, they need to acquire knowledge of the tasks at hand. Both KF and the societies themselves offer members of the society Boards special training on Board work and their roles as elected representatives within the consumer cooperative movement. In 2008, 70 members of the society Boards took part in three different courses arranged centrally by KF.

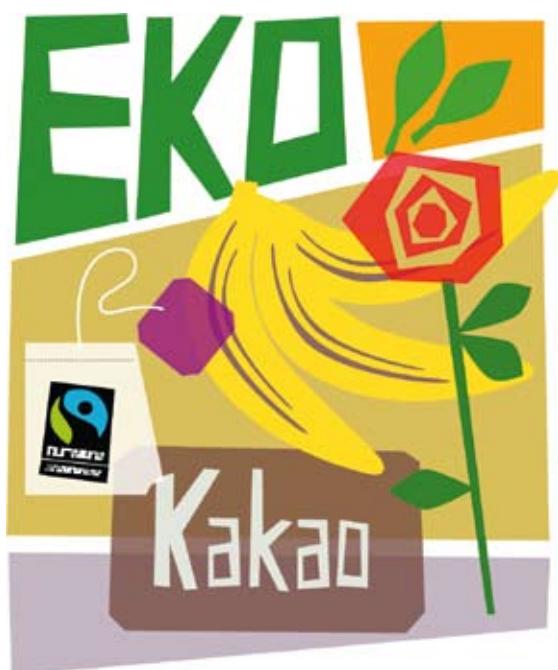
Customer aspects

Most members mainly participate in operations by being customers at the Group's stores and by using the rewards scheme on offer to members. The Coop MedMera card allows members to register their purchases and get points which are then converted into reward vouchers

(5,000 points = 1 voucher). These reward cheques can then be converted to SEK 50 towards shopping or a discount of 5 or 10 per cent on total spends, depending on the type of store. Members are also given special member prices on selected goods and benefits, and discount offers on items such as travel, hotels and a range of events. 7.4 million reward vouchers were sent out, with a redemption value in discounts equivalent to SEK 450 million. The number of reward vouchers and their redemption values have been relatively constant over the past few years.

Honest information

Working not only with traditional marketing, but also with information, training and reports for members and customers form an integral part of the duties of the consumer cooperative movement. KF has issued factual information on various consumer issues for a



Membership Panel

By responding to questions in the Membership Panel, members can provide a foundation for Coop work on issues such as food, health and the environment. In 2008, a total of 45,000 members took part in five different panels.

long time now, most recently in the “Bra att veta” (Good to know) series over the past few years. The aim is to make it easier for members and customers to make informed choices as consumers.

The “mat & klimat” (food and climate) brochure was issued free in the autumn, and 70,000 copies were distributed to stores and schools. At the same time, the book “Vad blir det för mat?” (What kind of food is this?), a book about food and children aimed at parents with nursery-age children, was also published. The idea is for the book to form a basis for study circles and series of lectures in 2009 via the consumer societies and ABF (Workers’ Educa-

tional Association). The first team of supervisors received training on the subject matter of the book in August 2008.

Mersmak magazine is delivered free to around 1 million members each month, and contains consumer information, recipes and reports focusing in particular on ecology, health and enjoyment of food. Coop Sverige is also alone in ensuring that all purchases of organic and ecolabelled goods are marked and totalled on receipts in order to encourage informed consumption.

In 2007/2008, Coop Sverige trialled allowing customers in selected stores to book “health coaches” who went around the store with them and gave them advice on their purchases. In the autumn of 2008, the experiences gained from the project were transferred to the web, where members and customers can now receive information and assistance to encourage more healthy consumption, all collated in a separate interactive web section.



Challenge: New forms of member influence

The way in which people want to influence society are changing as society changes. Evaluation studies show that the will to make informed choices and make decisions through consumption is becoming ever stronger – a development which the consumer cooperative movement has worked to promote. However, the same development trend means that traditional forms of representative member democracy, with Board meetings and AGMs, are finding it harder and harder to attract members in both consumer societies and other societies. Therefore, the challenge is in both developing the forms of formal representative member democracy and reinforcing alternative forms of communication with and influence for members. Several different initiatives have been implemented in this regard, but the forms need to be developed further. In a time when customer communication and customer participation are becoming more and more strategic to corporate development, the consumer cooperative movement has a unique position – thanks to its special nature as a company owned by members – allowing it to create a genuine dialogue with all the customers who are also owners of the organisation. Therefore, developing member influence is a strategic challenge which also has commercial potential.

Challenge: Sustainable marketing which adds value for customers

Traditionally, the retail trade – and, not least, the grocery retail trade – has invested major resources in marketing by means of direct mailings to consumers' homes. Various kinds of discount coupons have also been in paper form. Marketing has also been very much independent of individuals' buying habits. Digital development and people's increasing accustomisation to dealing with computers and mobile phones are now providing opportunities for gradual development of more digital marketing and information to customers and members. Besides the option of providing easier, more relevant offers, a development of this kind can also result in considerable environmental benefits in terms of less use of paper and emissions from transportation.

Relations with society

The consumer cooperative movement's task of facilitating sustainable consumption for its members also includes being an active social debater with regard to issues relating to sustainable development, and an active partner in development of both the local societies in which the cooperative movement is active and the global society of which KF is a part.

The consumer cooperative movement wishes to stimulate a development whereby people take an interest and play an active part in social development. This is why helping people to help themselves provides a natural foundation for KF's involvement in society. In total, the consumer cooperative movement channelled SEK 22.9 million to help people in poor countries to help themselves in 2008.

Utan Gränser and Vi-skogen

Kooperation Utan Gränser (The Swedish Cooperative Centre) is a non-profit aid organisation which was founded by KF back in 1958, before State development aid existed. This organisation works to help inhabitants of developing

countries to work their own way out of poverty by supporting various local cooperative initiatives all over the world, for instance. The consumer cooperative movement collected more than SEK 14.2 million for Utan Gränser to help combat poverty in 2008.

The consumer cooperative movement collected more than SEK 7.1 million for Vi-skogen in 2008. Vi-skogen is an aid programme in which farmers on small-holdings around Lake Victoria in Africa are given help to combat poverty by planting trees and what is known as agroforestry. Vi-skogen was started by means of a campaign in Tidningen Vi in 1982 and is now run by the "Vi planterar träd" foundation, KF being a founder and also appointing its Board. Besides combating poverty, Vi-skogen operations indirectly have a significant positive environmental impact in that planting trees binds carbon dioxide and prevents erosion. Estimating on the low side, the consumer cooperative movement's contributions to Vi-skogen can be estimated to involve a positive climate impact equivalent to 100,000 tonnes of

carbon dioxide. In 2009, Vi-skogen's tree planting initiatives will receive accreditation as a means of reducing carbon dioxide.

The consumer cooperative movement has developed several different collection channels to allow members to give their contributions towards combating poverty in the world in a straightforward manner. Of the various channel, the deposit receipt button is the one that generates the biggest contributions. MedMera has linked to its debit cards the Bistånd på köpet (aid by automatic rounding off) service, which means that all customers who have opted for the service contribute by allowing every purchase made on the card to be rounded up to the nearest whole krona. Bistånd på köpet is the collection means undergoing the fastest increase. By the end of 2008, around 127,000 MedMera accounts were linked to Bistånd på köpet. Among other things, Coop Sverige donates SEK 0.03 for every carrier bag sold.

Contributions through KF/the consumer cooperative movement (SEK)

	2008	2007	2006
Kooperation Utan Gränser	14,217,455	14,139,808	14,525,150
Vi-skogen	7,114,878	6,443,402	5,763,906
Världens Barn – Radiohjälpen	1,560,000	2,400,000	0
Total	22,892,333	22,983,210	20,289,056

KF also gives a direct annual contribution of SEK 1 per member to these organisations. In addition, the consumer cooperative movement has played an active part in the Radiohjälpen collection “Världens barn” (Children of the World), Utan Gränser and Vi-skogen being just two of the organisations receiving contributions.

Sponsorship

As an active member of local society, KF and its member organisations also contribute to selected NGOs and projects by means of sponsorship. All sponsorship activities within the Group must follow the guidelines in the KF sponsorship policy and be compliant with the consumer cooperative movement’s business concept and key values. Most sponsorship takes place via the consumer societies, which have natural contact with the local societies in which the stores are located. The societies’ sponsorship is normally concentrated on local initiatives for children and young people, often relating to sports.

Coop Sverige’s sponsorship is limited. The biggest sponsorship event is the Våruset, a jogging race involving 150,000 female participants, which takes place in 17 cities all over Sweden. The Våruset is an example of an activity which appeals to lots of people of all ages and emphasises health and the environment. Our ambition is to develop the Våruset into one of the most environmentally friendly, ecologically aware jogging races in the world. Coop also supports the issue of newspapers by homeless people in Stockholm, Gothenburg and Malmö, a business directly in line with the cooperative movement’s notion of helping people to help themselves.

KF was one of the main sponsors of Tällberg Forum, an annual international event where more than 400 decision-makers in trade and industry, politics, science and civil society gather to discuss global challenges and crucial issues. In 2008, KF was also the main sponsor of an organic banquet at Tällberg Forum.

Active social debater

As an economic society, KF is part of civil society. In 2008, KF played an active part in the creation of Sektor3, a think tank which reviews civil society through research, communication and debate. The starting point is that Sweden needs more of the power found in everything from junior football teams to cooperative companies and non-profit organisations. KF holds the Chairmanship of Sektor3 for the first year.

KF has also played an active part in the debate on climate change in Sweden by means of a debate article – among other things – in several Swedish newspapers which stated that companies have to venture into the front line when it comes to developing environmentally friendly transportation.

KF is a member of and part of the board of EuroCoop and Cooperatives Europe, the European cooperative bodies for national consumer cooperatives and cooperatives in general. KF has worked on various social issues at a European level via these bodies, including work in relation to EU legislation concerning tax neutrality for cooperative enterprise.

Testkedsorden – “Teaspoon Orden” – is a foundation that was founded in August 2006 by Tidningen Vi. Orden works to promote tolerance and counter fanaticism. The source of inspiration for

this came from author Amos Oz and his book *Hur man botar en fanatiker* (How to cure a fanatic). In 2008, Testkedsorden sent out this book to all Year 2 students in upper secondary education in Sweden. Orden also gives annual grants to people working in the spirit of Testkedsorden. For seven years now, Coop Sverige has been presenting the Änglamark award with a view to drawing attention to people who make commendable efforts to promote the environment, and to encourage them in their work. The theme for this year was food and climate. Coop also works to stimulate children’s interest in food. One of its initiatives is Barnens Egen Matskola, which is Sweden’s biggest cookery competition for children. More than 160 school classes took part in this competition in 2008.

Challenge: To increase communication concerning Utan Gränser and Vi-skogen in stores

For many decades, the consumer cooperative movement has been one of the biggest contributors to international initiatives in Swedish trade and industry for combating poverty. Innovative new forms of contribution for both customers and members have been developed.

However, in KF’s opinion there are good opportunities to increase the collection of funds for Utan Gränser and Vi-skogen by means of an increase in marketing initiatives, not least in stores. There is also potential to reinforce the link with these organisations by selling products which have been developed by the projects with which Utan Gränser and Vi-skogen work.



Pressing a button to give aid

In Coop stores, customers can donate money for aid work with ease when they drop off their deposit bottles.

The cash machines in Coop stores have two buttons; an ordinary one for requesting a receipt, and an "aid button" which can be used to donate money to Kooperation Utan Gränser and the work of Vi-skogen. This money goes to various projects, and to disaster aid in specific situations. The aid button is the method of collection that generates the greatest contributions towards the consumer cooperative movement's efforts to combat poverty throughout the world.

By simply pressing a button, Coop customers can help families in poor countries to combat poverty themselves. SEK 3 will buy enough papaya seeds to grow ten fruit trees, SEK 5 will give a row of trees around 300 metres long, which in turn will provide wood for one family at Lake Victoria in Africa, and for SEK 15 a farmer in Honduras will receive a day's training on how to farm.

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