

# Annual Report 2007



**“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.”**

*The consumer cooperative's business concept*



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KF's annual report for 2007 consists of a general presentation of KF's commitments and activities, as well as KF's annual accounts for 2007. It is aimed at elected representatives and members of the consumer cooperatives, employees of the KF Group, associated companies and consumer cooperative societies, as well as suppliers, customers and business partners. The annual report is also available at [www.kf.se](http://www.kf.se)

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KF's 109th General Meeting will be held at Vår Gård Saltsjöbaden on 22 April 2008.







# The KF Group

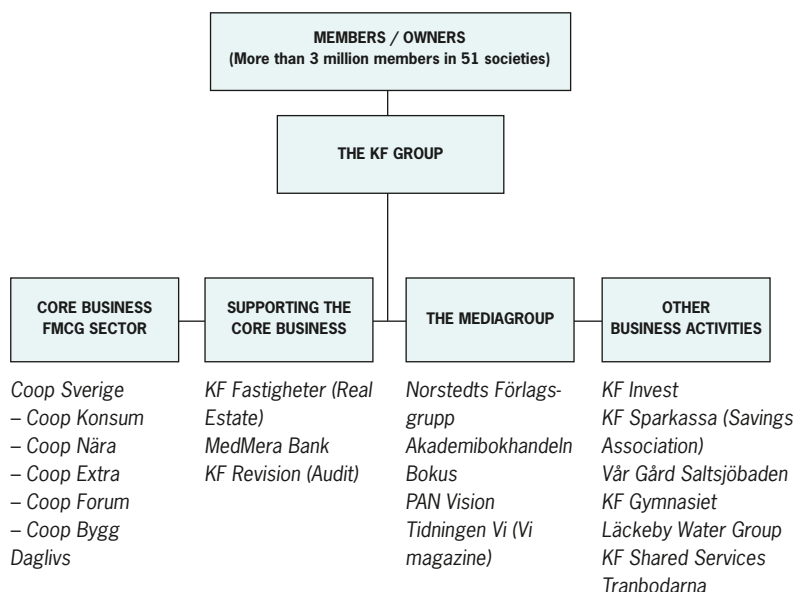
Kooperativa Förbundet, KF, (The Swedish Cooperative Union) is the union of the country's 51 consumer cooperative societies with more than three million members. It is the members who own the consumer cooperative societies, and these in turn own KF.

KF is also a retail trading group, whose core activity is the FMCG sector. The Group includes Coop Sverige, which has been a wholly-owned subsidiary of KF since the 2007/2008 year-end. Through Coop Sverige, KF carries on retail trade representing about 55% of total consumer cooperative sales. KF also own the Stockholm supermarket Daglivs since the end of December 2007.

In addition to these companies, which form the core business, there are several subsidiaries specialising in other lines of business. Directly supporting the core business is KF Fastigheter (Real Estate), one of Sweden's largest real estate companies for the retail trade, and also the MedMera Bank, whose membership card Coop MedMera is the linch-pin of the relationships with members and the extensive reward scheme.

The KF Group also includes Norstedts Förlagsgrupp (Norstedts Publishing Group), the book shop chain Akademibokhandeln, the e-book shop Bokus, and fast-growing PAN Vision, a major distributor of home entertainment (computer games and films), and the quality magazine Vi.

In early 2008, KF acquired Läckby Water Group, whose business is in environmental engineering. In the autumn of 2007 KF, the Cooperative Union, took over the Consumer Cooperative Society of Stockholm Gymnasium (upper secondary school/6th form college), and the name was changed to KF Gymnasiet. The Group also owns a conference centre, Vår Gård Saltsjöbaden, KF Sparkassa (Savings Association), as well as internal business support functions for managing financial assets, auditing and a number of other services.







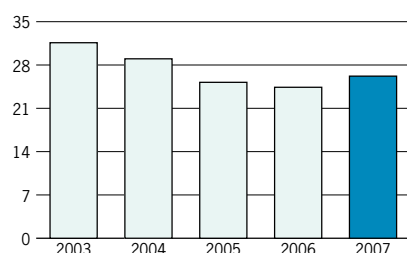
Coop Sverige accounts for about 55% of all consumer cooperative FMCG trading. The retail societies and Daglivs account for about 45%.

# The year in brief

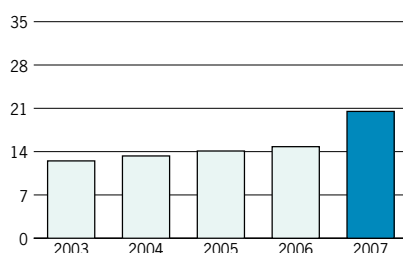
- The profit after financial income and expense totalled SEK 476 million (701). The change is principally due to lower capital gains from the sales of properties, extraordinary costs arising from the transformation of Coop Norden, and a weaker result from asset management. KF's healthy results and financial strength form the foundations for the concentrated efforts being made in the consumer cooperative retail trade, focused on Coop Sverige (Sweden).
- Coop Norden was transformed during 2007 into being a pure cooperative purchasing business for all purchases made outside each individual country of ownership, and for the purchases of own brand items. The transition to a joint purchasing company, Coop Trading, took place at the 2007/2008 year-end, coinciding with the discontinuation of the joint ownership of Coop Norden.
- As of 31 December 2007, Coop Sverige is a wholly-owned subsidiary of KF. The efforts to re-establish profitability have been intensified. Coop Sverige's operating loss before structural items improved by SEK 195 million to SEK -6 million (-201) during 2007.
- During the year, KF acquired one of Sweden's largest and most successful inner city food supermarket, Daglivs in Stockholm. Daglivs has been consolidated as of the 2007/2008 year-end. Turnover in 2007 was about SEK 480 million. As of the start of 2008, KF is also the majority owner of the environmental engineering company, Läckeby Water Group.
- During the year, most of the businesses have developed well, and have strengthened their market positions. KF Fastigheter reported a stable and positive trend, with an operating profit of SEK 205 million (205). The credit market company MedMera was upgraded to being a banking business, and changed its name to MedMera Bank. PAN Vision turned round its operating result from a loss of SEK -38 million to a profit of SEK 22 million. Norstedts Förlagsgrupp reported a very positive trend, with an increase in turnover to SEK 564 million (489) and an improved operating profit of SEK 36 million (33).
- More people joined the consumer cooperative movement during 2007, with an increase of around 47,000. At the year-end, there were 3,084,808 members in the country's 51 consumer cooperative societies. Members with the Coop MedMera membership card received 7.7 million reward vouchers with a redemption value in discounts of around SEK 465 million.

## FIVE YEAR DIAGRAM 2003-2007

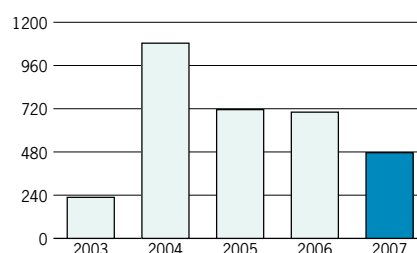
Sales (SEK billion)



Assets (SEK billion)



Profit after financial income and expense (SEK million)



# Five-year summary

## THE KF GROUP 2007

	2007	2006	2005	2004	2003
Sales excl. VAT, SEK billion	26,2	24,4	25,2	29,0	31,6
Profit after financial items, SEK million	476	701	715	1 084	228
Number of sales outlets <sup>1)</sup>	61	58	56	54	177
Average number of employees <sup>2)</sup>	1 216	1 175	1 271	1 321	3 576
Assets, SEK billion	20,5	14,8	14,1	13,3	12,5
Return on capital employed, %	5,2	7,2	7,3	11,0	4,0
Return on equity, %	5,8	9,4	9,8	18,6	9,2
Equity/assets ratio, %	31,7	42,9	42,3	40,2	36,4
Net debt/assets, SEK million	11	-146	190	68	1 813

## CONSUMER COOPERATIVE RETAIL TRADE 2007

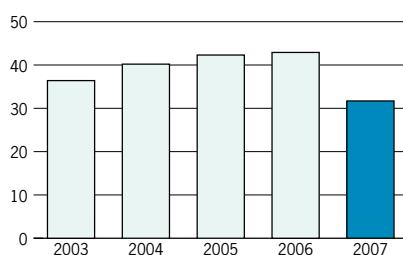
	2007	2006	2005	2004	2003
<b>COOP SVERIGE</b>					
Sales excl. VAT, SEK billion <sup>3)</sup>	29,3	25,7	25,4	–	–
Number of sales outlets	368	377	361	383	398
Average number of employees	8 318	8 570	9 007	9 866	11 591
<b>RETAIL SOCIETIES</b>					
Sales excl. VAT, SEK billion	16,2	15,9	15,7	16,0	16,2
Number of sales outlets	418	434	444	470	502
Average number of employees	6 500	7 200	7 700	8 317	8 591
Societies	51	54	58	60	63
Number of members	3 085	3 038	3 000	2 940	2 876

<sup>1)</sup> Coop Sverige with 368 sales outlets and Daglivs with a single shop have been consolidated in KF as of 31 December 2007.

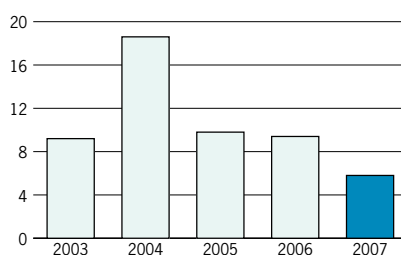
<sup>2)</sup> Coop Sverige with 8,318 employees and Daglivs with 106 employees have been consolidated in KF as of 31 December 2007. In all there are 9,640 employees in the KF Group

<sup>3)</sup> The information was not reported separately for Coop Sverige during the 2003-2004 period.

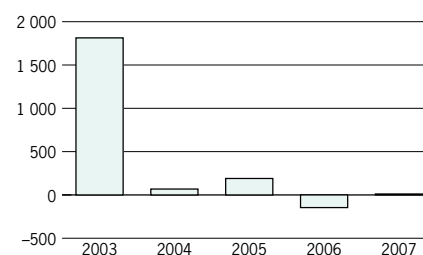
Equity/assets ratio (%)



Return on equity (%)



Net debt (SEK million)





# Message from the President

## Continuing positive trend in retail trading

2007 saw a continuing positive economic development. There are many signs of a continuing strong trend in Sweden, even though the rate of growth is expected to slow down. Employment rate is high, and the pay negotiations have resulted in real increases in wages, which together with tax cuts, had positive effects for many employees. The day-to-day economy, which is a decisive factor in the future growth of retail trading, is in general relatively healthy.

The retail trade's total turnover has increased by nearly 60% since the mid-1990s. The record year 2007 is expected to be the peak of this extremely good trend, even though 2008 is judged to remain positive, and the 12th year in a row with good growth. This trend may however be moderated by the current turbulence in the financial markets.

Despite higher food prices in the previous year, there are many signs that the price pressure in the industry will continue, as competition in the retail trade continues to increase. For example, e-commerce has definitely achieved a breakthrough, and will become increasingly common for food purchases.

In recent years, consumers' purchasing behaviour has shown a great awareness that consumer choice can make a difference. Shopping is becoming a way for consumers to make their views known on environmental, health and ethical issues. The interest in organic and Fairtrade products continues to grow. In the continuous and vital dialogue among the owners of the consumer cooperatives, namely the members, it is becoming increasingly clear that these issues matter to people when selecting shops and products. This is certainly evident from the results from the Coop Membership Panel, where 91% of respondents stated that they chose organic products out of concern for the environment, and 79% chose organic for health reasons.

## The climate issue in focus

The climate issue has dominated the public debate during the year. It has shifted from being a matter of judgement to one of destiny. It presents great global challenges, such as our energy consumption, biological diversity, the fight against poverty, forestry, fisheries and much else. To achieve real change, all companies and organisations need to work together to reduce their impact on the environment and the climate. This also demands political decisions that are both credible and farsighted.

Rapid structural transformation must take place, so that fossil fuels for transport, electric power and heating are replaced by carbon dioxide-neutral products and services. The longer we delay vigorous environmental action, the greater the challenges. In this context, the retail trade has much to do to contribute to positive developments because the industry has an impact on the climate along the entire value chain, from raw material to customer.

At KF, we are reviewing all activities in order to reduce our impact on the climate. This is a natural part of our day-to-day work.

## 2007 – a year of transformation for KF

At the 2007/2008 year end, KF took back Coop Sverige as a wholly-owned retail company, following the changes of Coop Norden. Consequently, KF now bears operational responsibility for a retail and FMCG company with an annual turnover of approx. SEK 30 billion, and 9,600 employees.

At the same time, the transformation of Coop Norden into a pure purchasing business – Coop Trading – was completed. The underlying reasons for the change can be simply summed up as too low return on invested capital, and inadequate market success for the owners of Coop Norden.

As Coop Norden's progress has been negative, particularly for the Swedish consumer cooperative movement during the six years that Coop Norden was operating, a change in strategy was essential. The change has been carried out with the full agreement and understanding of the three Nordic owners. Cooperation continues in the Nordic consumer cooperative movement, with joint purchasing and development of the movement's own brands – Coop, X-tra and Coop Änglamark. Coop Trading will continue to be the largest joint purchasing business in the Nordic countries, and is expected to generate purchasing synergies in the future as well.

## New KF and Coop Sverige – a challenging task

In recent years, Coop Sverige's finances have noticeably improved from a very weak position to a trend that gives good reason to regard the future positively. If extraordinary items and structural costs are excluded, Coop Sverige's operating result has improved by SEK 1 billion over the last three years. New shops have been opened, and existing ones modernised, on a scale not seen for decades. The joint logistics company for all the Swedish consumer cooperative movements, Cilab,



was operating during the whole of 2007. The Coop brand has been established for all consumer cooperative shops and in joint communications. We are now beginning to see positive results from this work. In 2007, Coop Sverige operated by and large at break-even. Results improved at all the chains. Particularly noteworthy were the positive trends at Coop Konsum and Coop Nära.

Retail trading will continue to be the core of KF's business in the future. However, the pace at Coop Sverige will speed up in 2008 in order to generate profits matching the market average. This will demand out of the ordinary efforts over the next few years. At the same time, a more distinct business profile must emerge, one step at a time. The Coop brand shall signify a Swedish retail business that stands for the long term and sustainable development. Coop must be the price leader in specially selected areas, while at the same time the business must reflect fresh thinking and a capacity for innovation.

### Strong basis for continuing vigour

For the fifth year in a row, the KF Group can report a strong financial position and a healthy trend in profits. During the year, most of the businesses made good progress, and strengthened their market positions. This means that KF is well equipped to face the needs of the years ahead for greater strength in the FMCG sector and in retail trading.

During the year, KF acquired the successful food shop Daglivs, demonstrating its ambition to grow particularly in Stockholm. The majority holding in the environmental engineering company Läckby Water Group should also be seen against the background of KF's readiness to expand and to develop in areas that are in line with KF's objectives, strategies and ambitions.

Another priority will be closer business cooperation with the consumer cooperative movement in general.

Most important of all will be the ability to execute. Being able to think and act along new and different lines will be essential in what we do in the future. Increased investments and a faster rate of new shop openings are key. Controlling costs and raising efficiency in all aspects of the business will initially be another key component we need to improve.

Very important is also that every visit to one of our shops should be perceived by our customers as something positive.

To sum up, our future development hinges on having

modern and attractive shops with committed employees. Priority will be given to developing managers and employees, to reinforce the fundamental values of the consumer cooperative movement. The cooperative structure, with 3 million members and owners, is the given basis for future development. The conditions needed for successful development already exist, and real change is under way. KF and Coop must stand for sustained profitability and growth, in a group that combines a business approach with sustainable development, concern for others, and human warmth.



Lars Idermark  
President and CEO









# KF's strategic direction

## KF's vision and fundamental values

### Vision

- to be the leading and most innovative retail company, and the industry's main mouthpiece and source of inspiration for durable consumption

### Overall strategy

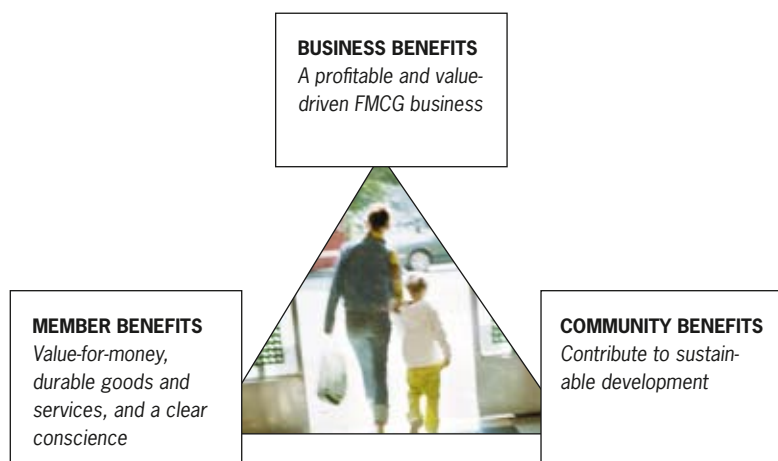
- to contribute to sustainable development by being a profitable and value-driven FMCG business; a business that provides its members and customers with value-for-money, durable goods and services, and enjoys a clear conscience

### Values

- Faith in our distinctive character
- Influence
- Concern for people and the environment
- Honesty
- Innovative thinking

The three cornerstones – Business benefits, Member benefits and Community benefits – form the foundation of KF's strategy. Business benefits are all about being a profitable and value-driven FMCG business. Member benefits means that we must satisfy our members, both in terms of offering value-for-money, durable goods and services, and creating the conditions for enjoying a clear conscience. Community benefits are primarily about contributing to sustainable development for both people and the environment.

All parts of the Group must contribute to developing these fundamental principles. In recent years, more and more emphasis has been placed on coordination among all the consumer cooperative movements in order to achieve synergies and shared objectives.





## Competitive and distinctive retail business

Our owners, who are also members and customers, must be able to purchase good products at good prices all over the country. A precondition for this is that the consumer cooperative movement's shops are competitive and profitable. At the same time, the business must stick to the fundamental cooperative values based on the vision of economically, ecologically and socially sustainable development.

The basis for creating a profitable and value-oriented FMCG business has changed and been improved by three key changes and actions last year:

- At the year-end, Coop Sverige became a wholly-owned subsidiary of KF. This clarifies the ownership requirements, and facilitates investments in shop renovation, new openings and adapting the product range.
- A new and strengthened Nordic cooperative purchasing organisation was set up in the Coop Trading framework, when Coop Norden was transformed into a pure purchasing business. The chances of holding costs down and offering competitive prices are much improved, thanks to greater synergies in purchasing.
- Co-ordination and economies of scale have increased, thanks to increased collaboration between Coop Sverige and the societies who run their own retail business now collaborating much more in several key areas. The joint purchasing company for national purchases and logistics, Coop Inköp & Logistik (Cilab), commenced operations during the year. In parallel, the Coop brand and concept was established for all shops in the consumer cooperative movement.

## Stronger relationships with customers and members

Reinforcing what we offer customers and members, and improving the dialogue with members and customers, is key to KF's future development.

In order to support the consumer cooperative movement in its dealings with customers and members, KF has, in its subsidiary MedMera Bank, a specialised function for Customer Relations Management (CRM). MedMera Bank is responsible for the membership card Coop MedMera. This is linked to a reward scheme that provides benefits in the form of vouchers, discounts and special offers.

The opportunity for members to influence directly in shops, or in new ways of exerting influence over the Internet, will be further improved. The aim is to have a greater dialogue with members, and thereby obtain quicker and more

specific guidance about how both small shops and hypermarkets should develop in order to best meet consumers' present and future wishes. The KF and Coop Internet-based surveys which are regularly carried out under the name of the Coop Membership Panel, are examples of such dialogues.

The benefits that members get from their membership, the relationships that customers have with their shops, and the range of goods on offer, are all important elements in our future strategic efforts.

## Market-leading position in sustainable development

Sustainable development must be an integral part of the day-to-day activities in all the KF subsidiaries. KF's objective is to be the leading player in the FMCG market in everything to do with sustainable development.

During 2007, KF adopted a new policy on sustainable development. This policy has a number of guiding principles and objectives defining how KF should act towards its customers, owners and employees, and also how the Group should work with other parties for the benefit of the environment and the community, both locally and internationally. One ambition is to try to increase the sales of organic foods, and to reduce carbon dioxide emissions in the FMCG sector.

KF's international development activities reach back 50 years, to the time when KF founded Kooperation Utan Gränser. Then, 25 years ago, a second international commitment was initiated – the foundation Vi Planterar Träd or Vi-Skogen The Vi Agroforestry Programme. The purpose is to combat poverty and support smallholders in the area around Lake Victoria in Africa. KF has also long played its part in promoting consumer and consumption issues vis-à-vis government agencies and other decision-makers in Sweden and internationally.

## Attractive employer

A key part of KF's strategy is to be an attractive place to work. For that reason, there has always been a special focus lies on developing managers and employees. This is achieved by greater efforts in skills development and training. KF's fundamental values form the basis for this work.

Ensuring strong and decisive leadership at all levels is a vital task in the human relations work. In order to create a tool for the strategic work on management and skills development across the whole Group, the KF Academy was set up during the year. This is an online tool and knowledge database for staff training.





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## The shops in focus

The Swedish FMCG market has undergone extensive change in recent years, as a consequence of severe price competition and the rapid rate of new shop openings. At the same time, the Swedish consumer cooperative movement has been losing market share. Over the last two years, vigorous action has been taken in the form of reorganisation, higher investment and more efficient purchasing in order to recapture market share, and to generate profitability in the business matching that of our competitors. This action has led to substantially smaller losses, and will be entering into a new phase during 2008.

Prior to 2008, KF and Coop Sverige as a wholly-owned subsidiary, launched a vigorous action programme to improve competitiveness, increase productivity, and achieve synergies in running the shops.

KF's objectives for the consumer cooperative FMCG shops are clear – they must make profits matching the market average, must be competitive, and must provide clear benefits for the members.

### Fast pace in investments and shop renovation

During 2007, as part of the ongoing action programme, KF presented a clearly-defined strategy of new shop openings and renovation. The stock of shops was surveyed, based on a complete analysis of the Swedish FMCG market carried out by KF Fastigheter. Over the next few years, investments are planned totalling SEK 3-4 billion, to upgrade the existing network of shops, to make strategic acquisitions of shops, and to open new shops in all the chains.

The shop opening strategy covers the whole of Sweden, but focuses on the areas judged to have the greatest growth potential. A number of geographic areas have been earmarked for new shops over the next few years.

Thanks to its financial strength, KF will help to speed up the pace of cost-effective new shop openings. For that reason, a special real estate fund was set up in 2007, jointly with the Royal Bank of Scotland. In order to support the retail societies and Coop Sverige's shop structure both financially and operationally, the real estate fund will be used, along with KF's collective real estate skills and its central investment capacity.

### Attractive shops with a distinctive product range

Since 2007, the consumer cooperative movement has been operating its shops in line with a shared chain strategy, under the Coop brand. The objective is that the shops should become more attractive, and easier for customers to find their way around in. This development should fit in with the requirement to create economic benefits, and at the same time enable members through their consumption to contribute to sustainable development.



## Powerful purchasing organisation

An important part of increasing the Swedish consumer cooperative movement's competitiveness is to make the purchasing organisation more efficient, and to reduce purchasing costs. During 2007, two new purchasing companies were set up.

For purchases outside the Swedish market, a new Nordic purchasing company Coop Trading, was established in Copenhagen. Coop Trading will strengthen our purchasing synergies and use of resources outside the Swedish market, by purchasing goods from Europe and the rest of the world on behalf of the whole consumer cooperative FMCG sector in Norway, Sweden and Denmark.

As of January 2007, the Cilab logistics company handles national purchasing for Coop Sverige and the retail societies. In early 2008, OKQ8 also handed over its purchasing and stock management to Cilab, who will be delivering goods to the chain's 400 convenience stores. OKQ8 will be using the same brands as Coop Sverige in order to strengthen its purchasing synergies.



## The Swedish retail market in 2007

The Swedish retail market showed continuing growth in 2007, driven partly by the rapid pace of new shop openings in the industry. However, the rate of growth was slightly slower than in 2006. The strongest trend was in consumer durables, with an increase of 7.5%. For food, the increase in sales was 4.5%.

Competition remained tough in the FMCG sector, and the total market share for the consumer cooperative movement was 21.4% (21.6%).

### SHOPS 2007\*

Chain	Number of shops	Change 07
Coop Konsum	167	-4
Coop Extra	36	6
Coop Nära	98	-1
Coop Forum	38	-2
Coop Bygg	29	-4
Daglivs	1	0

\* Indicates shops in Coop Sverige and Daglivs

*Coop Sverige accounts for about 55% of all consumer cooperative FMCG turnover. The retail societies and Daglivs account for about 45%.*



*The consumer cooperative movement will place great emphasis on the shops over the next few years. The accumulated resources will largely be concentrated on supporting and developing the shops, and the interface with customers.*



As a further development in the environmental accounting in recent years, Coop Sverige is publishing a sustainability report for the financial year 2007, with particular focus on the environment and on health. The sustainability report are more comprehensive than the environmental reports, and include a description of Coop Sverige's social responsibilities, namely how the company acts vis-à-vis employees, customers, members, suppliers, and society at large.

A key aspect for both KF and Coop Sverige is that sustainable development should be reflected in the day-to-day work, coupled with a high sense of responsibility. The objective is to be the leading player in sustainability efforts in the FMCG sector.

Coop Sverige's sustainability report is available on [www.coop.se](http://www.coop.se) and [www.kf.se](http://www.kf.se)

## Sustainable development – a key part of our business idea

KF has a long tradition of actively trying to influence social and community development. Enabling members to contribute through their consumption towards sustainable development for people and for the environment is a key part of the consumer cooperative movement's business idea.

During 2007, KF took the initiative to develop the existing work on sustainability. A Group-level policy on sustainable development was adopted. This policy is based on the fundamental values of the consumer cooperative movement – honesty, influence, concern for others and innovative thinking. KF defines sustainable development as:

*The long-term financial, social and environmental results of how we apply our business idea and our values in our business activities.*

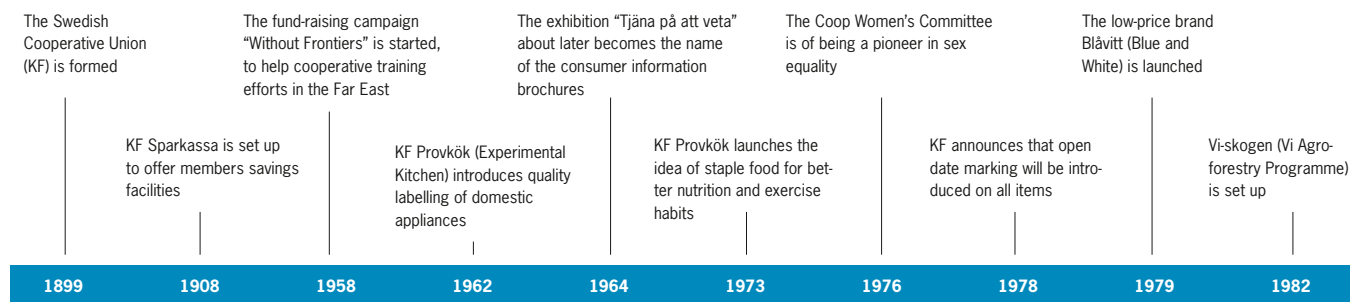
This section describes KF's stance in the areas covered by the term sustainability, focusing on the environment and social responsibility. As the work of systematically following up and reporting on sustainable development across the entire Group was only formalised in 2008, this section mainly reports on KF's ambitions in this area, with examples of how the work is being done in the various companies.

KF intends to submit its first Group-wide sustainability accounts in conjunction with the 2008 Annual Report. Coop Sverige, which from the 2007/2008 year end is a wholly-owned subsidiary of KF, has its own account of how the company is working on sustainable development.

In 2007, KF signed up for the UN initiative on responsible business practices, Global Compact. This international network of some 3,000

### THE CONSUMER COOPERATIVE MOVEMENT – A SUSTAINABLE STORY

The consumer cooperative movement has a long long tradition of commitment to people and the environment. Illustrated here are a number of key milestones for the efforts made over the years for sustainable development by KF and the consumer cooperative movement.



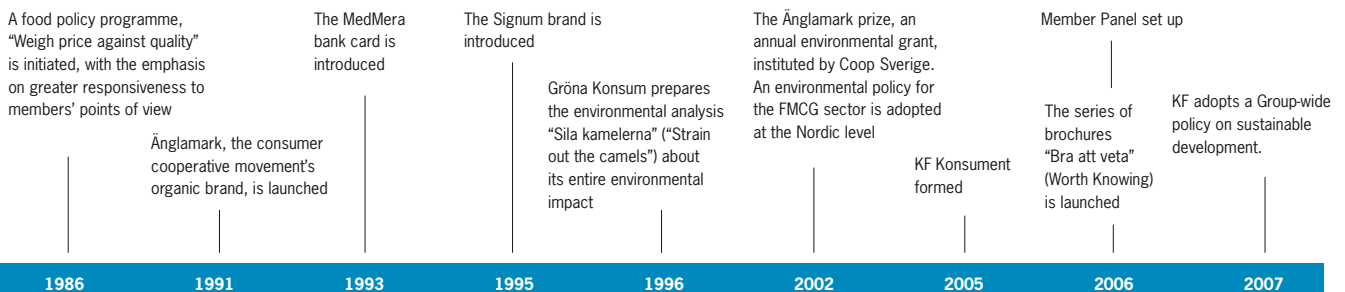
companies and organisations in more than 100 countries undertakes to support and comply with 10 principles for responsible and sustainable business. From 2008 onwards, KF will therefore report annually on activities and results linked to the 10 principles, which concern human rights, good working conditions, environmental responsibility and combating corruption.

KF and Coop Sverige have also responded to “Näringslivets klimattopp”, (Business Leaders’ Initiative on Climate Change), in which companies adopt a shared vision of climate neutrality. The first step is to reduce our own emissions by at least 30% between now and the year 2020, and by at least 50% by the year 2050, compared to 2000.

## Areas of responsibility and organising work

Sustainable development, with due acceptance of responsibility, must be an integral part of the day-to-day activities throughout the Group. In the FMCG sector, the objective is to be the leading player.

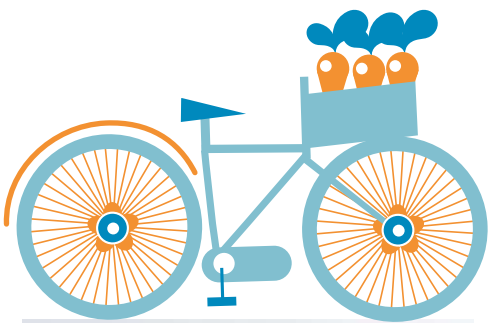
In addition to some fundamental financial requirements for efficiency and profitability, the business must also be guided by a number of principles governing environmental and social responsibility. Follow-ups of operational objectives and result indicators, adapted for each business, will be made each year starting in 2008.







At the KF conference and meeting centre, Vår Gård in Saltsjöbaden, KRAV labelled breakfast and Fairtrade coffee are served. The aim is also to qualify for Swan ecolabelling.



Coop's own environmentally adapted transportation.

KF's Board and Group management will make decisions and take responsibility for the Group-wide policy on sustainability, and the processes needed. In order to coordinate sustainability issues, each company has appointed a person to take responsibility. At the Group level, a joint working party has been set up to coordinate inter-company activities and to drive this project forward.

## The environment

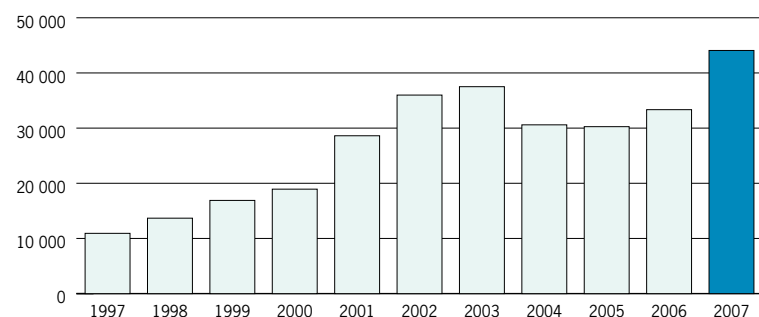
Environmental responsibility means minimising the use of energy, water and other resources in the business, and to provide an environmentally sustainable product range. KF will also ensure that goods are transported in an environmentally sustainable manner, reduce waste, and minimise the climate impact of the business.

### Organic and environmentally sound products

KF is working to increase and broaden the sale of organic products in the FMCG sector. The objective is that at least half of all such sales in Sweden should be done in the consumer cooperative movement's shops. The consumer cooperative movement has been working since the early 1990s on developing and expanding the product range under its own brand name for organic products, Coop Änglamark. It already has a strong position in the organic market. In 2007, the consumer cooperative movement accounted for 44% of the sales of organic products in Sweden. By the end of 2007, 262 shops were KRAV certified (national certification scheme for organic products). This certification program imposes demands on the choice provided, and on the information and understanding of organic goods carrying the KRAV label.

In line with KF Fastigheter's policy of environmentally-sensitive construction, initial assessments and analyses are made prior to every development and commercial project of any emissions into the soil. Analyses were made, for example, for Partille in Gothenburg and Kvarnholmen in Nacka. The risk of contamination is dealt with by preventive measures and safety procedures.

### ORGANIC SALES AT COOP SVERIGE (TON)





The Coop Ånglamark brand continues to maintain its status as the leading environmental brand in the FMCG sector in Sweden. Consumers regarded as the best brand for the environment and health.







Coop Forum Marieberg Örebro – a shop with a smart climate solution. KF Fastigheter and Coop Sverige have set up a pilot shop in the Swedish town of Örebro with smart energy solutions. This hypermarket exploits sunshine in a way that reduces the energy consumption of lamps by nearly 40%. New technical solutions for chilling and freezing cabinets mean that the waste heat is used for heating the hypermarket.



By the autumn of 2007, the “Energy Hunt” had achieved a reduction in electricity consumption at Coop Sverige's head office by about 15%. Large savings have also been made in the shops, though the results cannot yet be reported in actual figures.

## Energy consumption

One of KF's objectives is to reduce the Group's carbon dioxide emissions from electric power and heating by 10% per square metre between 2008 and 2010, and by 30% by the year 2020. KF has a Group-wide project to reduce energy consumption and carbon dioxide emissions.

KF Fastigheter and Coop Sverige have a joint project, “Energijakten” (the Energy Hunt). The project includes training staff, and following up how energy consumption can be reduced, for example in the shops' chiller and freezer cabinets, and in the premises. By the autumn of 2007, the “Energy Hunt” had achieved a reduction in electricity consumption at Coop Sverige's head office by about 15%. Large savings have also been made in the shops, though the results cannot yet be reported in actual figures.

During the year, Akademibokhandeln switched their electricity contract to renewable electric power, so-called green power, for 35 of its shops. At the Vår Gård conference centre at Saltsjöbaden, a number of energy-saving actions were carried out. Geothermal heating was installed, and with a reduction in oil consumption from 220 to 20 m<sup>3</sup>/year, running costs for heating were reduced by about 70%.

During 2008, KF Fastigheter is planning, in compliance with the “Energy Declaration Act” (SFS 2006:985), to make an energy declaration on every property, with the aim of making the buildings more energy-efficient.

## Transportation and suppliers

KF's objective is that carbon dioxide emissions from all forms of transport should be reduced, in relation to turnover, by 10% by the year 2010, and by 30% by the year 2020. The objective of limiting carbon dioxide emissions covers both the transport of goods and business travel. Several actions have already been taken, and further investments will be made in order to encourage lower emissions from our own transport operations, and those of suppliers and customers.

As of June 2007, Coop Sverige is collaborating with Procordia with the aim of shifting from truck to train transport. The traffic load on the roads is estimated to be reduced by 120,000 kilometres, and carbon dioxide emissions from transports by 125 tonnes per year. There have previously been similar joint efforts with other suppliers. Over the next few years, there will be a complete review of the logistics in the consumer cooperative movement's FMCG sector, in order to reduce the environmental impact.

During 2007, KF adopted a new company car policy, which means that environmentally classified cars will become the first choice. KF has also negotiated a new travel agency contract, in which emissions from business travel bookings will be followed up.

In the business areas involved in newspaper sales, book publishing and book sales, transport and printing are the main areas of environmental impact. E-commerce, done mainly by Bokus, involves considerable transporting of packages and letters to end consumers. Bokus is making efforts to reduce the number of dispatches. For example, multiple orders placed by the same customer are packaged together, to reduce both packaging and transportation.



All subcontractors will be required to have environmental policies, and comply with these policies. Printing of Tidningen Vi (the Vi magazine) is environmentally adapted at the printers, Sörmlands Grafiska Quebecor, who are also certified to the ISO 14001 environmental standard.

### Waste management

KF is working hard to minimise waste and to recycle as much as possible. All business sectors must have sorting of waste at source. The bulk of waste consists of plastic and corrugated cardboard/cartons. For 30 years, Coop has been one of the largest suppliers of recycled cardboard to paper mills. Towards the end of 2007, a decision was also made to launch a biodegradable carrier bag.

### Social responsibility

KF's social responsibility covers everyone who interacts with the business in any way, from production to consumption. The interested parties, or stakeholders, are above all members of associated consumer cooperative societies, but also other customers, employees, owners (consumer cooperative societies), suppliers and local communities.

### Employees

KF is an organisation with strong values. The practical application of these values must contribute towards ensuring that the KF Group is, and is perceived to be, an attractive, well-regarded employer.

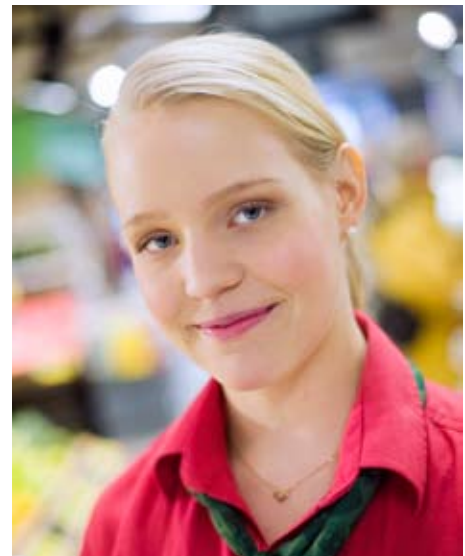
KF's objective is that the proportion of employees who are satisfied with the existing situation at work, and with what the employee's company is doing as regards sustainable development, should be not less than 70%. In order to make sure this happens, a joint employee survey will be carried out in all the companies each year. The first employee survey was carried out in 2007, and revealed that there are wide differences between the companies. Four of the companies had an employee index above 70, and therefore had a "green light". Based on the results, the top priority areas for action are staff appraisals and salary discussions, objectives and results, workloads and management. Ensuring strong and decisive leadership at all levels is a vital task. In order to encourage employees' development, and to fill any skills gaps in the Group, KF has developed the KF Academy, a joint platform for skills development.

Fostering gender equality and diversity is important at KF. An even gender split between men and women is the aspiration, by actively trying to achieve this in all work teams. In 2007, 59% of all employees were women. In management positions, 31% were women. In Group management, 30% were women and on the Board 55%.

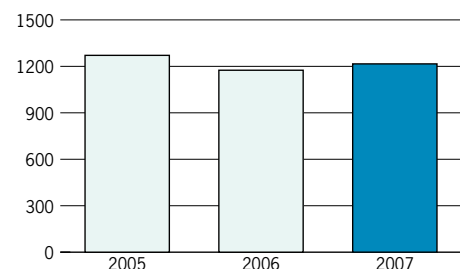
KF's keep-fit and health care policy is the foundation for keep-fit and health efforts. The starting point is that the efforts should be preventative, with a combination of activities. For example, employees are offered external occupational health care.



Towards the end of 2007, a decision was made to launch a biodegradable carrier bag. This is for Coop Konsum.



### AVERAGE NUMBER OF EMPLOYEES



In 2007, the KF Group had an average of 1,216 employees, most of them in Sweden. The average age among employees in the Group was 43. As of 2008, the KF Group will have about 9,500 employees in the whole country, of which 8,300 are employed by Coop Sverige.



During 2007, two campaigns were run, one about the environment and one about Fairtrade. In addition, the information brochures "Bra att veta" (Worth Knowing) were distributed through shops all over the country.



By providing information and training, the consumer cooperative movement guides members and consumers in health issues, and encourages people to keep on the move and take exercise. In 2007, Coop Sverige was the main sponsor for the competition Vår Ruset, Europe's largest exercise run for women. This collaboration will continue in 2008.

### The members – also owners and customers

In the consumer cooperative movement, an individual is a stakeholder in the business, as a member, owner and customer. It is important to follow up and improve how KF meets the expectations of people in these various roles. The dialogue with members is, and always has been, a central element throughout the consumer cooperative movement. The proportion of members who are satisfied with their membership in the consumer cooperative movement should be at least 70% by the end of 2010.

KF places great importance on developing structures to enable members to be easily and directly involved in the business, and to influence it. By means of things like the Coop Membership Panel, a Web-based tool for conducting Internet surveys, we maintain an ongoing dialogue with our members.

In order to make it easier for consumers to choose organic and healthy alternatives, the consumer cooperative movement provides information and training services for members and customers. In the forefront of this work is KF Konsument, whose mission includes providing consumer information and opinion-forming. During 2007, two campaigns were run, one about the environment and one about Fairtrade. In addition, the information brochures "Bra att veta" (Worth Knowing) were distributed through shops all over the country.

As owners, the members participate in voting for representatives who will lead and guide the consumer cooperative businesses. One of KF's objectives is to get more members to be aware and to appreciate that they have good opportunities to take part in electing representatives at various levels. During 2007, about 46,500 members took part in elections for representatives in the various member societies, and in all, some 3,100 members undertook representative duties in the consumer cooperative movement. This makes the consumer cooperative movement one of the largest democratic organisations in Sweden.

### Health

Health is a cornerstone of KF's social responsibilities in the FMCG sector. All the chains in Coop Sverige have health objectives that are checked and followed up. Care of customers' health is a question of offering safe and healthy goods, and also, through distributing information and influencing the community, of supporting healthy consumption and lifestyles.

Coop Sverige always tries to be in a position to offer healthy alternatives in the product range. Clearly communicated information about products and recipes marked with the Keyhole symbol have helped to increase Coop Sverige's sales of such products by nearly 4% in the last year.

Another key aspect is to ensure consumer confidence. This is all about safe goods in the shops, and giving consumers greater access to information about the goods. Coop Sverige imposes more far-reaching requirements on certain types of goods than is prescribed by law. This applies particularly to own brands, which for instance do not contain the additive glutamate.

The consumer cooperative movement has, as part of these information and training services, run a number of health campaigns in recent years, and produced brochures with tips, advice and recipes for healthy snacks and healthy children.

## Suppliers

Maintaining strict control on purchasing and suppliers is essential in order to be in a position to take responsibility for the effects of the business on people and the environment. All the business activities in the KF Group must impose tight requirements for environmental and social responsibility in the procurement of products and services, and must follow up suppliers to verify that they fulfil these requirements.

One example is KF Fastigheter, which imposes requirements on its subcontractors for energy consumption, and to some extent the materials incorporated in the finished products.

Goods that are not FMCG goods, so-called non-food, are often manufactured in Asia and purchased by Coop Sverige through Intercoop Ltd. Intercoop has a code of conduct with ethical requirements on the suppliers to do with working conditions, wages and the working environment. In all, 151 of them failed the check, but 142 suppliers were subsequently able to present an improvement plan, with the result that they were allowed to continue supplying goods. During the year, Intercoop became a member of the Business Social Compliance Initiative (BSCI), a collaboration between several European retailers who want to improve the social situation and working conditions in the countries of production by means of a joint code of conduct, and tools for follow-ups and reviews.

One specific way of getting better working conditions in the countries of production is by selling Fairtrade products. Coop Sverige is the FMCG chain in Sweden with the largest number of such products in its range. A special information campaign was run in the spring of 2007 about Fairtrade products, which resulted in a substantial increase in sales.

## The community

For some time, KF has carried on opinion-forming activities in consumer and climate-related issues. During the year, this opinion-forming work has focused mainly on climate issues. As part of the campaign to encourage the consumption and production of organic food, KF has participated in the industry trade fair Interfood and the SLU Ekokonferens (at the Swedish University for Agricultural Sciences) and is a member of the steering group for the national action plan for organic food.

Working with two closely-related organisations, Kooperation Utan Gränser (Swedish Cooperative Centre) and Vi-skogen (the VI Agroforestry Programme), KF runs aid and development programmes. Kooperation Utan Gränser is a non-profit association founded by KF in 1958. The association aims to help people in developing countries to help themselves out of poverty. Vi-skogen's ambition is to create a green belt around Lake Victoria in Africa, and to improve living conditions for smallholders in the region. In 2007, Vi-skogen initiated a process to achieve certification as a "carbon dioxide sink", a project that contributes to the binding of carbon dioxide.

Through KF's involvement in international consumer cooperative interest groups, such as Euro Coop and the International Cooperative Alliance, joint points of view and policies are prepared on issues to do with food and health. Since 2006 KF has also been working with the Tällberg Foundation and the Swedish Society for Nature Conservation, and is a member of the Fair Trade Label Association in Sweden.



Coop purchases its Fairtrade-certified and KRAV-labelled bananas from the Paso Robles banana plantation in the Dominican Republic.



Thanks to the Biståndsknappen (Development Aid Button) on the returnable bottle machines in the shops, the collection boxes at the check-outs, the SEK 0.03 charge for carrier bags, and other collection methods, the consumer cooperative movement and its customers were able to collect more than SEK 20 million for Kooperation Utan Gränser and Vi-skogen during 2007.



In the autumn of 2007, KF, Coop Sverige and the consumer cooperative societies played an active part in the collection organised by Radiohjälpen called "Världens Barn" (Children of the World), and were the single largest contributors with a total contribution of SEK 2.4 million.





## Employees – our foremost ambassadors

Committed, skilled and proud employees are obviously an essential requirement for creating good customer relationships, and good values in a business. For KF, an organisation guided by its values, it is also vital that the fundamental values of concern for others, influence, honesty and innovative thinking are reflected in our dealings with customers, suppliers and the community. This is crucial to the success of the KF Group.

Leadership and employee development take high priority in today's KF. A generation shift is taking place, and there is a great need for strong and decisive leadership at all levels. This is why we have taken vigorous action, with a number of initiatives. For example, newly-appointed managers undergo a carefully tailored management programme focusing on the dialogue between manager and employee. At the new KF Academy, the Group-wide system for courses and training, employees in the Group receive further training and skills development.

Recruiting the right people is a key aspect of this work. We need to be regarded, and be, an attractive employer with good employment terms and competitive salaries. In 2007, we acquired the KF Gymnasiet

(KF upper secondary school), in order to bring in appropriate skills by various means such as trainee positions, and to be able to utilise the school's experienced teachers for employee training.

All managers at KF must be role models, and must strive to ensure that employees can actively develop, contribute, perform and deliver results. All employees should feel the need to live up to the consumer cooperative movement's values, and that they are involved in the consumer cooperative movement, and indeed own it as members. A couple of times a year, Group managers are brought together in organised ways, for concentrated discussions about how KF's values can permeate the business more thoroughly.

With nearly 10,000 employees as ambassadors, KF's core values and attitudes to the environment, ecology, ethics and health can percolate out in day-to-day conversations and increasingly spread throughout the community.

Marie Wiksborg, KF's Personnel and HR Director







Samla dina  
inköp hos oss  
och kom ihåg  
att dra ditt  
Med Merad

Kivik  
Lätt  
2

Lätt  
18  
18





# Climate and environment in focus in the FMCG sector 2007

The FMCG sector is a market that is highly influenced by the increasingly intense debate about the climate and the environment. Because of the connection between food production and the effect on the climate, the trend towards organic food has accelerated. According to sources such as the United Nations Food and Agriculture Organisation, the food sector is responsible for 30% of greenhouse gas emissions.

In the Coop Membership Panel, 91% of members stated that they chose organic food out of concern for the environment. People's own health is also a key factor in the choice of organic food, and 79% of members stated that they chose organic food for health reasons.

## Strong sales growth of organic goods

The FMCG sector's total sales of organic food were about SEK 2.4 billion, equivalent to around 2% of total food sales.

The positive trend is clear – organically produced goods have increased over the most recent three-year period.

In 2007, the sales of organic food in Coop Sverige increased by about 25%, compared to the 7% increase in 2006. More and more customers are demanding goods that are non-toxic, organic and locally produced. In a major survey of consumption, health and the environment conducted by Coop Sverige in the spring of 2007, 87% of respondents stated that it was important or very important to purchase organic food. And according to forecasts from Handelsns Utredningsinstitut (HUI, the Swedish Retail Institute), the market in Sweden will double within five years.



## The climate and environment debate influences consumers

The major conurbations still dominate the purchase of organically produced food, but their consumption is spreading all over the country. The increase in the sales is partly because entirely new groups have started buying organic. Usually, it is the younger generation in major conurbations who start and lead new consumption trends.

A look at other countries shows that Denmark has the highest proportion of sales of organic products in the world. There has been a marked increase since 1993, when shops reduced prices on organic products by 15–20%, and launched intensive marketing campaigns for organic goods. The proportion of organic goods sold in Denmark has risen from 1–2% of total food sales to around 5%.

Altogether, consumption patterns, sales trends, and community initiatives for organic sales will form a significant part of food consumption in the near future.





## Demand exceeds supply

The growth in demand means that from time to time there are shortages of organic food, primarily of milk, eggs and meat. The production of organic milk increased marginally during 2007. Similarly for organic meat and vegetables, the increase in production was small compared to the large increase in demand. The Swedish acreage of organically cultivated cereals has not increased either over the last three years.

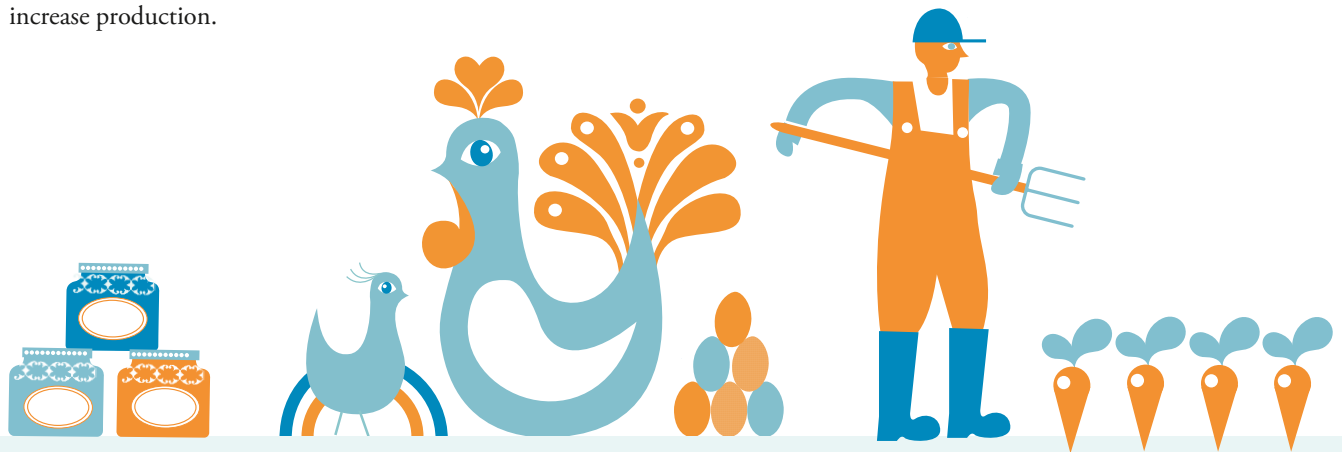
Another factor contributing to the shortage of organic food is that the volume of organic production is less predictable and less stable than for other food production, because of the ban on pesticides. It also takes time for agriculture to switch over to organic production.

The relatively low supply also contributes to a price difference between organic and other food. On average, the difference is 20%. Among people who do not buy organic food, 77% in the Coop survey said that they would eat more organic food if the price were lower.

Based on a national action plan for increased organic consumption and production, the FMCG sector in 2007 put together a joint action plan to increase production.



*The consumer cooperative movement is well positioned from an organic perspective in Sweden. The consumer cooperative movement represents about 44% of organic FMCG sales in Sweden, and the Coop shops have Sweden's largest organic product range.*



## The 2010 action plan for increased organic consumption and production

During 2007, a national action plan was prepared to show how the national objectives for organic production and consumption would be met. This work, commissioned by the government, was carried out by a joint team of companies, official bodies, and organisations in the Ekologiskt Forum inom Kungliga Skogs- och Lantbruksakademien (KSLA, the Organic Forum in the Royal Swedish Academy of Agriculture and Forestry) project. KF was a member of the steering group for the action plan. The objective is that by 2010, 20% of agricultural land should have organically certified cultivation, and that 25% of public sector consumption of food should be of organic food.

The action plan, which was presented to the government in November, takes as its starting point a consumer perspective, and focuses on a

number of strategic actions leading to a marked increase in the consumption and production of organic food. The actions include marketing initiatives, training and information, follow-ups and guidance of developments by means of things like improved statistics, and more research and development.

For the FMCG sector, the action plan means that industry leaders will prepare a sales plan with joint campaigns and other marketing initiatives designed to spur demand. In order to send clear signals to agriculture about the long-term prospects and the scale of demand for organically produced food, the major players in the food industry will also produce a specific plan for the needs over the next few years.



## KF – an organisation owned by its members

More than 3 million people in Sweden are members of a consumer cooperative society, and therefore part-owners of the consumer cooperative movement. KF is owned by all the consumer cooperative societies. It is the members who together determine the direction of the business. Members exercise control by influencing the individual FMCG shops where they buy, as well as via the Internet, and by annual democratic elections. The consumer cooperative movement has no political or religious affiliation, and membership is open to all.

### Members' opportunities to exert influence

The consumer cooperative movement maintains a continuous dialogue with individual members, in order to get guidance about how shops and hypermarkets should develop in order to best meet consumers' present and future wishes.

A good example of how this dialogue is maintained is the Coop Membership Panel, which is a web-based tool for regular surveys on food and health issues. During 2007, more than 60,000 people took part in various surveys.

Another form is getting together members, shop managers and employees in various member and shop councils at individual shops. These member and shop councils maintain a regular dialogue about the business and the direction of the development.

The opportunities for members to take part and exert an influence on the shops as part of going to the shops is becoming more and more important, particularly as time is becoming an increasingly scarce resource for many consumers. The members' corner is a particular place in the shop providing information to members, where they can easily suggest improvements or express their opinions.

Based on local customers' wishes, some shop managers have also been given greater scope to select goods from the national purchasing company Cilab's product range. The structures for influencing the shops will also be further enhanced.



*At members' initiative, KF's 2006 General Meeting made a decision to increase the range of Fairtrade products. Furthermore, Coop Sverige decided that year that all Fairtrade products did not need to carry a KRAV label. This led to a considerable increase in the sales of Fairtrade products.*

### 51 General Meetings all over the country

The fundamental principle for member control is that every member has one vote. The General Meeting is the highest decision-making organ in each society. Larger societies first have district General Meetings, which elect a representative for the society General Meeting. The General Meeting elects the Board, auditors and a Nomination Committee. Individual members may submit motions and written proposals about the shops and the business in general to the General Meeting. In 2007 about 46,500 members took part in various district and General Meetings all over Sweden.





## KF's General Meeting

The KF's General Meeting comprises 101 representatives. Of these, 94 represent the consumer cooperative societies, 5 represent OK, represents one Folksam and one for Fonus. The consumer cooperative societies elect representatives to represent them at the General Meeting. The number of members in each society determines how many representatives each society has.

KF's General Meeting is held annually, not later than 15 May. 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 President. The meeting also appoints Board members, and sets the fees and other remuneration for KF's Board based on a proposal from KF's Nomination Committee.

KF's statutes define the purpose of KF's business. In addition to the agenda set in KF's statutes, the 2007 General Meeting dealt with two motions about KF's role as an active player in the public debate, and about the training of personnel in KF's values. The meeting decided that, as part of the ongoing change processes, special emphasis should be placed on preparing analyses of the world at large and future trends, in order to play an active part in the debate. The meeting also decided that KF should further develop, and follow up, training about the consumer cooperative movement's values in KF's business activities.

To give all societies the opportunity to receive information, and to participate in discussions before the General Meeting, KF's Board has issued invitations to regional conferences. In 2007, four such conferences were held, at which the structures for increased cooperation within the consumer cooperative movement were discussed. During 2008, the regional conferences will be replaced by information conferences, at which topical issues will be discussed, with the aim of increasing transparency and expanding the cooperation within the consumer cooperative movement.

### The environmentally sustainable Coop Änglamark product range – an example of the influence members can exert through submitting motions

Coop's date marking on bread, the sorting of waste at source in the consumer cooperative movement's shops, and the environmentally sustainable Coop Änglamark product range, are just some examples of how members have contributed to change by submitting motions at meetings.

It was in the mid-1980s when members started to demand alternative food that had been grown without chemical pesticides. At first it was carrots and potatoes, then several other products. In 1991, KF brought all the organic products together under a single brand name – Änglamark.



## Internet – an increasingly important tool for the dialogue with members

The Internet is growing on all fronts – both as a sales and marketing channel, and as a means for communicating with the outside world. According to Eurostat (the EU's Statistical Office) Sweden is one of the European countries with the largest number of Internet users. Among Swedish households, 79% have Internet access, compared to 54% in Europe as a whole. And the trend is clear – Internet access in Europe grew by 5% just in the last year. Access to broadband is also becoming more common. Among Swedish households, 67% have broadband access, compared to an average of around 40% in Europe. In step with the increasing number of Internet users, and more frequent visits, e-commerce is also growing in Europe – at an average rate of 20–25% a year over the next five years, according to an international forecast.

Within a short period of time, the Coop Membership Panel on the Internet has become a key tool in the communications with members. This also laid the basis for the investment in the e-commerce, as data from various surveys showed a strong demand for purchasing food over the Internet, in order to save time and to make life easier.

Coop Sverige already offers companies and municipalities the opportunity to purchase food over the Internet in some 10 locations in Sweden. During 2007, a pilot project was initiated in places like Västerås and Malmö, where private individuals could also order FMCG goods over the Internet. In 2008, KF and Coop Sverige are jointly planning to start an additional service – a high quality food shop on the Internet, focusing on the Stockholm area, with goods delivered right to the customer's front door.

Vad tycker du  
är viktigt?

# Coop Sverige

Coop Sverige operates FMCG shops in chains like Coop Forum, Coop Extra, Coop Konsum, Coop Nära, and Coop Bygg. Together with the retail consumer cooperative societies, Coop Sverige accounts for 21.4% of the entire Swedish FMCG sector. In 2007, Coop Sverige was part of Coop Norden, but since the year end, Coop Sverige is wholly owned by KF. This has opened up a new phase in Coop Sverige's development.

## Work during 2007

During 2007, Coop Sverige's results continued to improve. Sales trends were particularly positive for the Coop Konsum and Coop Nära chains. Coop Extra has also developed well. Essential investment in major renovations and reconstruction in Coop Forum had a negative effect on sales in the short term, but will in due course increase competitiveness and sales.

In order to increase competitiveness and the product range to members and customers, work has started on improving and increasing the efficiency of day-to-day operations in shops and hypermarkets. During the year, the decision was made that the Coop Extra concept should be developed. The shops will be rearranged, becoming more rational, lighter and more spacious. The product range will be broadened, in line with customer wishes. The concept will focus on categories that add value, such as fruit and green vegetables. All the shops will have a staffed delicatessen counter. During 2007, there were major investments in new shop openings, as well as renovations and upgrades in existing units, particularly in the largest chains, Coop Forum and Coop Konsum. Ten of Coop Forum's hypermarkets were renovated and modernised. In all, 35 shops and hypermarkets in Coop Sverige were extensively rebuilt. Nine new Coop shops were opened, with more than 30,000 square metres of space, while 12 stores with a total area of 40,000 square metres were closed down.

In parallel with this, the long-term work of increasing efficiency and reducing costs has continued with undiminished vigour.

During 2007, the cooperation between Coop Sverige and the retail societies entered a new phase. The joint company Coop Inköp and Logistik AB (Cilab), which looks after the supply of goods to the Swedish consumer cooperative movement, commenced operations at the start of the year. The company coordinates the national purchasing of FMCGs and also the logistics of FMCGs including what is known as the non-food product range, thereby improving both.

The cooperation between Coop Sverige and the retail socie-

ties was also strengthened, in that all the shops decided to accept Coop as a common brand name.

## Future developments

As a wholly-owned subsidiary of KF, the pace of change at Coop Sverige will increase. KF has launched a vigorous action programme to achieve the objectives of long-term profitability and increased market share.

Crucial elements of this include intensifying the work on developing and improving the product range of shops and hypermarkets; continuing the investments in new shop openings and upgrades to existing units, as well as efficiency measures and cost savings. The greatest challenges and opportunities are to be found in the hypermarket chain Coop Forum. During 2008, Coop Sverige is planning to open 7 new Coop Extra, 7 Coop Bygg and 4 Coop Forum.

The collaboration among the joint chains, and the use of Coop as a joint brand will also be reinforced, with the emphasis on organic food and health. What members want should be clearly reflected in the product range, particularly in organic alternatives, and the growing range of "Världens mat" ("World food"), where demand from members and customers is particularly strong.

## Financial trends during the year

Coop Sverige's results improved from a loss of SEK -201 million to a loss of SEK -6 million. Sales excluding moms (VAT) increased from SEK 25.7 billion to SEK 29.3 billion.

Coop Sverige was consolidated into the KF Group as of 31 December 2007.

## Coop Sverige

**Board of Directors:** Chair: Lars Idermark, Håkan Ahlqvist, Eivor Andersson, Johnny Capor, Knut Faremo, Mats Lundquist, Jan Sundling, Elisabeth Andersson (union representative), Frank Hjort (union representative), Rose-Marie Johansson (union representative), Lennart Wallkulle (union representative)

**President:** Karl Wistrand

**Sales excl moms (VAT):** SEK 29.3 billion

**Operating loss:** SEK -6 million

**Average number of employees:** 8 318



# Coop shops

The consumer cooperative movement is well established in retail trading, with some 700 Coop shops all over Sweden. Coop Sverige accounts for about 55% of all consumer cooperative FMCG turnover.

## Coop Konsum

Coop Konsum concentrates on top quality fresh produce plus a broad range of other food. The shops also have Sweden's largest range of organic food.

The shops are mostly in urban areas.

Sales: SEK 6,157 million. 167 shops in 2007



## Coop Extra

Coop Extra shops focus on low everyday prices across the entire range.

They always have multi-buy offers, meaning that customers pay a lower price when purchasing several identical items. The shops are often located on the outskirts of urban areas.

Sales: SEK 3,061 million. 36 shops in 2007



## Coop Nära

Coop Nära's concept is speed, convenience and simplicity. They are convenience stores with long opening hours and a good range of products.

Sales: SEK 1,636 million. 98 shops in 2007



## Coop Forum

Coop Forum offers everything under one roof. Hypermarkets that offer a broad range, particularly foods, and are often located next to large shopping centres.

Sales: SEK 10,315 million 38 shops in 2007



## Coop Bygg

Coop Bygg offers a broad range of goods for home renovation and gardening.

The shops are well stocked, with low prices.

Sales: \*. 29 shops in 2007

\* Coop Forum's sales also include Coop Bygg.



## Daglivs

As part of the efforts to further reinforce the core business, namely the FMCG sector, one of Sweden's largest and most successful food supermarket, Daglivs, was acquired in Stockholm. Daglivs has an annual turnover of approx. SEK 480 million. The purpose of the acquisition was partly to strengthen the position of the FMCG sector in Stockholm with another shop alongside Coop's nationwide chain, but partly also to use Daglivs as an appropriate basis for comparison in areas like operations and purchasing.



## Purchasing and the supply of goods

### THE NORDIC MARKET

- Coop Trading
- Intercoop

#### Role:

Own brands (EVM), Nordic Other Brands (AVM) and selected Non-food categories

### THE SWEDISH MARKET

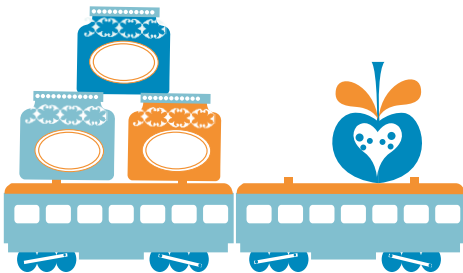
- Cilab (Coop Sverige & Retail societies)

#### Role:

Miscellaneous Other Brands (AVM) and most of the Non-food categories



As one of the largest Nordic purchasing companies, Coop Trading has taken over responsibility since the 2007/2008 year-end for the Nordic consumer cooperative movement's joint purchasing business.



# The Nordic retail cooperation

## Coop Norden

Since 2002, Coop Norden has been the Nordic consumer cooperative movement's joint retailing and purchasing business in Sweden, Denmark and Norway. KF owned 42% of it. Coop Norden was transformed during 2007 into being a pure cooperative purchasing business for all purchases made outside each individual country of ownership, and for the purchases of own brand items. The transition to a joint purchasing company, Coop Trading, took place at the 2007/2008 year-end, coinciding with the discontinuation of the joint ownership of Coop Norden. The business in each country looks after national purchasing.

The National retail trading, and the wholesale and industrial business formerly in Coop Norden, reverted to the original owners – KF in Sweden, FDB in Denmark, and Coop NKL in Norway, as of 31 December 2007. Coop Sverige's retail trading therefore became a wholly-owned subsidiary of KF.

## Coop Trading

During 2007, the owners of Coop Norden further developed and focused the joint purchasing activities to volume purchasing, with Nordic purchasing power in order to achieve purchasing synergies and increase efficiency.

As of the 2007/2008 year-end, the consumer cooperative movement's purchasing business has been run on a Nordic basis through the purchasing company Coop Trading, whose registered office is in Copenhagen. Coop Trading is one of the largest Nordic purchasing companies, handling purchasing volumes of the order of SEK 34 billion. The company is owned equally by KF, FDB and Coop NKL. Discussions are also underway with the Finnish consumer cooperative movement SOK about becoming a partner.

Coop Trading handles the purchasing of both food and non-food. Coop Trading negotiates principally with large international suppliers, and also negotiates and purchases the joint Nordic brands. Alongside Coop Trading, the purchasing company Coop Norden Bygg will handle the purchasing of garden and building products for the Swedish and Norwegian markets.

At the international level, Intercoop Limited handle the purchasing of non-food products from Asian countries. Intercoop is jointly owned with the Italian and Spanish cooperative societies. The part-ownership of Intercoop will be managed through Coop Trading.

The supply of other products and the logistics will be organised by the national purchasing businesses in each country. In Sweden, purchasing and logistics were strengthened early in 2007, when Cilab was set up. The Swedish purchasing and logistics companies put special emphasis on locally produced products and Swedish brands.





The consumer cooperative movement's own brand, Coop, has a particular focus on organics and health. Members' wishes for things like organic alternatives and the growing "World Food" range will become very visible in the shops.





## KF Fastigheter (Real Estate)

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

**President:** Bernt-Olof Gustavsson

**Rental income (gross):**  
SEK 508.1 million (excl. rented)

**Service revenue, external:** SEK 46.6 million

**Total turnover:** SEK 580 million

**Net operating profit:** SEK 330.3 million (excl. rented)

**Profit from property sales:** SEK 221 million

**Operating profit:** SEK 426 million (incl. capital gains)

**Number of properties:** 50 wholly and partly owned

**Properties' book value:**  
SEK 4.3 billion, of which part-owned SEK 340 million

**Market value approx:**  
SEK 6.7 billion, of which part-owned SEK 650 million

**Lettable space:** 510,000 sq m wholly owned

**Direct yield:** 7.7% on identical stock

**Total yield:** 19.5% on identical stock

**Average number of employees:** 87

### KF Fastigheter >



*In Nacka Municipality, just outside Stockholm, Kvarnholmen is being developed with a view to making it Stockholm's most attractive district, with a combination of housing and offices. Kvarnholmen has been owned by KF for more than 80 years.*

## KF Fastigheter (Real Estate)

KF Fastigheter is one of Sweden's largest real estate companies for the retail trade. The company manages KF's real estate portfolio and offers real estate-related services to Coop and the retail societies.

KF Fastigheter's expertise in the fields of market analysis, real estate development, construction project management, real estate and portfolio management, and rental-related services, with a special focus on the retail trade, is an important factor for the continued development of the Swedish consumer cooperative retail trade. In 2007 KF Fastigheter carried out about 150 assignments for the major retail societies.

### Work during 2007

From spring 2007, KF Fastigheter has been operating in a new organisation for dealing with the growing number of improvement and development assignments. The new organisation has built-in flexibility, with shorter decision paths and defined roles, to meet the need for ever faster conversions, mostly in retail trading.

The new units consist of:

- Projekt & Teknik (Projects and Technology), focusing on real estate development, and in particular on technology-related questions, with the aim of improving the stock of real estate in the consumer cooperative movement.
- Handel & Centrum which deals with commercial developments, and looks after the day-to-day management of the retail properties.
- Butik & Etablering, which identifies and initiates the development of attractive trading locations for the consumer cooperative movement's retail shops.

During the year, work on what is known as the "Fastighetsfonden" (Property Fund) intensified. The aim is to create a simple and transparent financing solution for opening new shops. In addition to pure financing, the Fund has focused on a broader collaborative platform, in order to speed up the rate of new shop openings by the more effective exploitation of the unique skills to be found in the cooperative movement.

### The real estate portfolio

KF Fastigheter is an active player on the market, continually modifying the portfolio by sales, acquisitions and development. Focus lies on the major conurbations.

The real estate portfolio consists of about 50 wholly or partly owned properties with a market value of around SEK 6.7 billion, of which the partly-owned properties are valued at around SEK 650 million. Retail properties account for 88% of the value of the portfolio. During the year a total of SEK 563 million was invested in wholly-owned real estate, while at the same time the company disposed of properties to a value of SEK 308 million. During the second half of 2007, the real estate market



showed distinct signs of weakening, and it was taking more and more time to complete real estate sales.

## Development projects

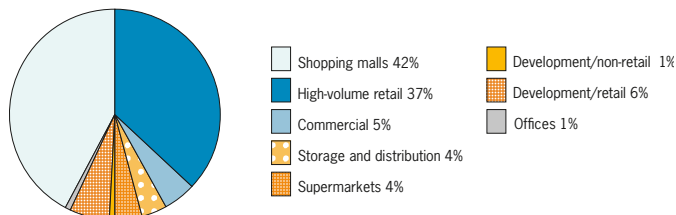
KF Fastigheter is one of Sweden's largest development companies for retail properties. The trend is increasingly towards municipalities wishing to create a broader concepts, in which shopping centres are integrated with housing, schools and services. As KF Fastigheter's core skills are in the retail trade, KF Fastigheter needs to broaden its skills in other areas, such as housing, in order to achieve a competitive advantage as a player, particularly in attractive city-centre locations.

In total, the real estate portfolio contains some 30 development projects of varying sizes. In recent years, the company has been managing a number of projects more of an urban planning nature. These include Backaplan in Gothenburg, where a new city district is being developed at Hisingen jointly with the municipal development company Älvstranden Utveckling AB and the City Planning Authority. The idea is to create an urban mix of housing, trade, businesses and municipal services. At the Kvarnholmen project in Nacka, KF Fastigheter is working with Nacka municipality and some leading Nordic architects to produce detailed plans for the various parts of Kvarnholmen.

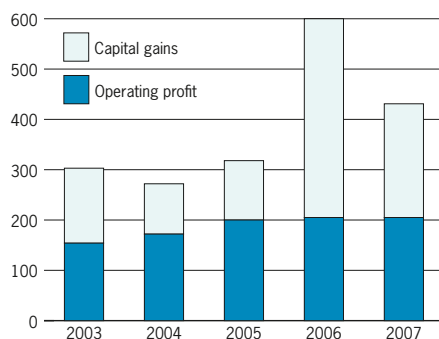
## Financial trends during the year

KF Fastigheter's operating profit for 2007 totalled SEK 431 million (600) including capital gains. Of that, capital gains were SEK 226 million (395).

### REAL ESTATE PORTFOLIO 2007 (%)



### OPERATING PROFIT (SEK MILLION)



## Bromma Center

In one of Sweden's most affluent catchment areas, with an annual purchasing power of SEK 15 billion, KF Fastigheter is developing the Bromma Center to be one of Europe's leading shopping centres. Bromma Center is being developed and designed to create a modern interior and exterior, while the aircraft hangars, designed by the architect Paul Hedqvist in 1936, and of great cultural and historic interest, are preserved and given a new life.

The development of the Bromma Center started as a straightforward volume retailing project. The project gradually changed character towards being what is called an "experience centre", providing leisure and adventure activities as well as shopping and services. This provides opportunities to involve more players in areas such as sports, health, hotels, conferences, culture and municipal services.

The first stage of the project was completed in the autumn of 2007, including the completion of a new Coop Forum and a new Systembolaget. Additional parts of the area are undergoing renovation. The shopping centre is due to be ready in 2011, having grown to about 100,000 square metres.



Exterior



Café

## MedMera Bank

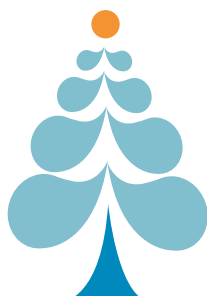
**Board of Directors:** Chair: Lars Idermark, Johnny Capor, Jan Johnsson, Laszlo Kriss, Håkan Smith, Karl Wistrand, Jeanette Franzén (union representative), Anne-Marie Rydergren (union representative)

**President:** Ivar Fransson

**Turnover excl moms (VAT):** SEK 243 million

**Profit after net financial income/expense:** SEK 5.5 million

**Average number of employees:** 55



### Coop MedMera Visa

Since 2007, there has been a charge and credit card, Coop MedMera Visa, which enables customers to pay using their Coop MedMera card and collect points world-wide. Coop MedMera Visa is a charge and credit card, with a credit facility of up to SEK 100,000. The annual fee is SEK 95 per card. Regardless of where the purchase is made, one point is earned for each Swedish krona of the purchase price. At 5,000 points, the cardholder receives a reward voucher that gives discounts at 1,200 shops, or when purchasing things like travel or overnight stays at hotels.

## MedMera Bank

The MedMera Bank manages the Coop MedMera reward scheme, the purpose of which is to provide member benefits in the form of discounts, vouchers and special offers. The company also issues and manages the consumer cooperatives' 3.5 million Coop MedMera cards.

In 2007, MedMera Bank applied to upgrade its licence as a credit market company, and has been conducting banking business since 1 July 2007. The bank is regulated by Finansinspektionen (the Swedish Financial Supervisory Authority). As a consequence of this, the company changed its name to MedMera Bank AB. The licence means that MedMera Bank can offer a broad spectrum of financial services to the consumer cooperative movement, to its shops and to its members.

MedMera also supports the retail trade with information and advertising services, for example the production of in-store materials and the production and distribution of a monthly package including the magazine "Coop Mersmak", account and reward points statements, reward vouchers and targeted special offers.

### Work during 2007

During the year, the MedMera Bank broadened its product portfolio and further enhanced existing products. In September, Coop MedMera Visa, the new charge and credit card, was launched. Since the launch, more than 30,000 members have applied for a Coop MedMera Visa card.

Work has continued on developing the reward scheme by adding more partners to the scheme, and by increasing the use of the reward vouchers by existing partners. During the autumn, collaboration started with the Apollo travel company. The MedMera Bank also expanded its collaboration with Expert to cover all the 230 shops in the chain all over the country.

The success with hotel nights at discount prices when using reward vouchers has continued. During the year, nearly 500,000 overnight stays were sold in the Nordic countries. Overnight hotel stays were also sold in London, Paris and Amsterdam.

In the autumn, the MedMera Bank initiated an extensive marketing and sales initiative for the Coop MedMera card. The aim was to increase the volume of Coop MedMera card purchases and payments for which points are registered, and to acquire new members. The initiatives involve things like new sales training and competitions, new in-store materials and advertising.

### Future developments

The focus in 2008 will be on further initiatives for selling and marketing the Coop MedMera card. In parallel with this, there are plans for further developments in financial services, and further searching for new partners in the reward scheme.

### Financial trends during the year

The 2007 profit after net financial income/expense at the MedMera Bank was SEK 5.5 million, compared to SEK 2.7 million the previous year.





## Coop MedMera card

The Coop MedMera card is a membership card that serves as proof of membership of the local consumer cooperative society. The card also provides access to the reward scheme and to other services and special offers from the consumer cooperative societies, KF and Coop Sverige, as well as other participating companies: Akademi-bokhandeln, Bokus, KappAhl, Expert and OKQ8, and Apollo. More than 1,200 shops and hypermarkets are linked to the reward scheme.

There are around 3.5 million Coop MedMera cards among the cooperative's three million or so members. There is a special card for organisations and companies, KF Inköpskort (Purchasing Card).

Members can use the Coop MedMera card to register their purchases and earn points, which are then converted into reward vouchers. Besides reward vouchers, members earn benefits and discounts for items such as hotels, travel and various events. In early 2007, the terms and conditions for the Coop MedMera Reward Scheme were improved. A reward voucher is now earned for every 5,000 points scored. This means that reward vouchers are issued to customers more often, while the rules have been simplified.

The "Coop Mersmak" newspaper is delivered to more than one million households who spend more than SEK 1,200 per month on shopping, or visit a shop 12 or more times a month.

**Number of Coop MedMera cards:**  
3.5 million

**Number of purchases for which points were registered:** 140 million

**Total purchases for which points were registered:** SEK 34.7 billion

**Number of sales outlets:**  
approx. 1,200 shops and hypermarkets and 800 OKQ8 petrol stations

**Number of reward vouchers issued:**  
7.7 million

**Redemption value in discounts equivalent to:** SEK 465 million

**Number of users of Coop MedMera Accounts:**  
approx 400,000

**Interest rate for Coop MedMera Accounts:**  
3.50% (Jan 2008 for amounts up to SEK 50,000)

## KF Invest

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

**President:** Johnny Capor

**Market value of financial assets managed:** SEK 4.9 billion

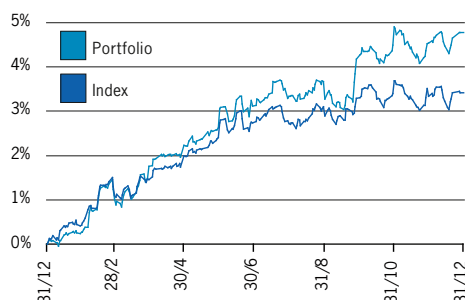
**Book value of financial assets managed:** SEK 4.8 billion

**Total yield:** 4,78%

**Profit after net financial income/expense:** SEK 135.7 million

**Average number of employees:** 4

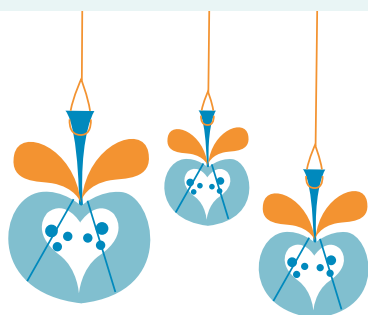
### ACCUMULATED YIELD



KF Invest exceeded established comparative indices by a wide margin. The total yield, including unrealised value increases, was 4.78% in 2007, compared to 3.42% for the company's comparative index.

## KF Sparkassa (Savings Association)

**Manager:** Håkan Öhrn



## KF Invest

It is KF Invest's task to manage the Group's financial assets of around SEK 5 billion. In its role as shareholder of KF Invest, KF demands a competitive market return at least on a par with relevant comparative indices for each kind of asset.

### Asset management

The portfolio is managed primarily in-house, and the main emphasis is on interest-bearing securities. KF's share investments comprise Swedish and foreign publicly listed companies with a good spread of risk. The remaining part of the portfolio comprises alternative investments such as hedge funds and private equity funds. Asset management is guided by a number of ethical guidelines, with a number of implications: KF must always take ethical considerations into account when investing in listed shares; KF must not invest in companies that breach UN conventions on human rights; when negotiating mandates for discretionary asset management, KF must seek investment guidelines that adhere to KF's ethical rules. During 2008, a new Asset/Liability Modelling analysis (an assets/liabilities analysis) will be put in place throughout the KF Group. The analysis and the chosen level of risk are used to adjust the portfolio's long-term asset distribution.

Early in 2008, KF Invest acquired 75% of the shares in the environmental engineering company, the Läckby Water Group. At the 2007 year-end, KF Invest managed financial assets to a value of SEK 4.9 billion. The profit after net financial income/expense exceeded expectations, mainly due to good results from investments in private equity and listed shares, and totalled SEK 135.7 million.

## KF Sparkassa (Savings Association)

KF set up KF Sparkassa (Savings Association) back in 1908. The Savings Association is a part of the parent company, the KF Cooperative Society. Through the Savings Association, members of the consumer cooperative movement have access to saving at competitive rates of interest. Around 90,000 members currently make use of the savings facilities in the Savings Association. At the end of the year, borrowings totalled approx. SEK 4 billion. The majority save in the capital account, through which the Savings Association offers one of the highest savings interest rates on the market (4.10% as at 31 December 2007). Withdrawals from the capital account are unlimited and free of charge. There is also a facility to save in the longer term in the form of a fixed 5-year loan with variable interest rates. Savings Association transactions can be handled at around 300 consumer cooperative shops all over Sweden, most of which have the same hours of business as the retail operations. Savings Association transactions can also be managed remotely by phone, Autogiro, Plusgiro and the Savings Association's own Customer Services. KF's strong financial position guarantees deposits in the Savings Association, which are not covered by the State deposit guarantee.



# Norstedts Förlagsgrupp

Norstedts Förlagsgrupp publishes a wide range of fiction, specialist books, books for children and young people, dictionaries, audio books and games. The publishing group includes many of the best-known book publishing houses in Sweden, such as Norstedts, Rabén & Sjögren, Prisma, Tiden and Norstedts Akademiska Förlag. The publishing group, which publishes a total of around 500 new titles each year, has a consistent profile of high quality and a high proportion of Swedish authors.

Norstedts Förlagsgrupp has a market share of around 20% of the general market, and is the second largest in the country. Norstedts Förlagsgrupp leads the market in children's books. Book publishing has been a part of the Swedish Cooperative Union since the 1920s.

## Work during 2007

The year 2007 was a successful year for Norstedts Förlagsgrupp. Sales increased by 15.3% compared to 2006. The increase in sales was partly due to a number of bestsellers, including Stieg Larsson's Millennium trilogy, which was published by Norstedts. Sales of the three books reached nearly 2.4 million copies in Sweden, and the books are now internationally successful. The publication of the Millennium trilogy and the seventh and final Harry Potter book by the publishing house Tiden contributed substantially to the year's sales growth.

At the Rabénförlagen business unit, work continued to improve the results and generate fresh sources of income. A new business segment was set up with accessories such as calendars and painting books based on various characters in children's books. In parallel with this, an office was opened in Poland as part of a move towards making the business more international.

The consolidation of the businesses acquired during 2006 continued successfully during the year.

The Norstedts Akademiska Förlag business unit acquired Engströms Tekniska Ordböcker (technical dictionaries).

## Future developments

The focus in 2008 for Norstedts Förlagsgrupp will be on organic growth while the Norstedts brands will be streamlined, with a clearer division between fiction and non-fiction.

The work on rationalising the business, especially production and purchasing, will be top priority during 2008. The intention is also to introduce a new business system.

## Financial trends during the year

Norstedts Förlagsgrupp's sales grew from SEK 489 million to SEK 564 million. Most of this increase can be attributed to particular best-sellers. The operating profit was SEK 36 million, compared with the previous year's SEK 33 million.

## Norstedts Förlagsgrupp

**Board of Directors:** Chair: Lars Idermark, Johnny Capor, Sune Dahlqvist, Maj-Britt Johansson Lindfors, Lennart Foss, Anita Dahlberg (union representative), Eva Josefsson (union representative), Pia Lindström (union representative), Maria Sjödin (union representative)

**President:** Maria Hamrefors

**Turnover:** SEK 564 million

**Operating profit:** SEK 36 million

**Average number of employees:** 149



*Stieg Larsson's Millennium trilogy, published by Norstedts, is a best-seller in Sweden, and the books are now achieving international success.*



## Akademibokhandeln

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

**President:** Gunnar Ahlström

**Turnover:** SEK 1,132 million

**Operating profit:** SEK 18 million

**Average number of employees:** 489



## Akademibokhandeln

Akademibokhandeln has 61 shops all over Sweden, and accounts for around 35% of the bookshop market and around 13% of the book market as a whole. The bookstore business has a long tradition in the cooperative movement, where Akademibokhandeln has been involved since 1987. Akademibokhandeln is one of Sweden's strongest brands in the retail trade.

### Work during 2007

Akademibokhandeln's sales increased by 5% during 2007, primarily the result of newly acquired businesses. Excluding acquisitions, sales to private customers increased by 4%.

The focus on opening new attractive bookshops continued during 2007. Two new shops were opened during the year in the new shopping mall Skrapan on Södermalm in Stockholm, and in Gränby in Uppsala. At the same time, the campus bookshops at Kristianstad and Södertörn were closed down.

During 2008, the new business system will be implemented throughout the chain, in order to improve the efficiency of running the shops and of logistics, and also to improve management and follow-ups. All the shops will then be covered by the central logistics function, currently used by about 40% of the chain's shops. During the year, further action was taken to reduce cost levels. One action was to bring transport in-house from an external contractor, resulting in significant cost reductions.

### Future developments

As in previous years, growth will be sought by further acquisitions and new shop openings in a stagnating market for books. At the same time, we will continue to develop the concepts both of the existing format, and a format with modern smaller bookshops in good business locations.

An Internet platform for implementing a multi-channel strategy is being planned, in which the shop channel and the Internet channel will together offer an expanded and market-leading level of customer service.

Marketing communications and campaigns will be further developed in 2008, together with a new incentive scheme for bookshop employees. In conjunction with the implementation of the new business system, work procedures will be modified in order to reduce administrative costs.

### Financial trends during the year

Akademibokhandeln's sales increased to SEK 1,132 million (1,082) during 2007. The operating profit was SEK 18 million (26).



# Bokus

Bokus sells books and audio books at competitive prices via the Internet. It has a broad product range, covering around 3.5 million titles published in countries like Sweden, the UK, the US, Germany and Denmark. The number of Coop MedMera cardholders who buy from Bokus is constantly rising, and of the 1.3 million registered customers, around 30% use their Coop MedMera card.

In recent years Bokus has won several awards, including the prize for best e-shop in 2006. It also won the 2005 and 2003 Web Service Awards, and was also nominated for 2007.

The market for book sales over the Internet continues to grow strongly. Bokus' market share is over 30%, and the objective is to become the market leader within the next few years.

## Work during 2007

During 2007, Bokus' sales increased by about 20%. This is less than the previous year's exceptional sales growth, which was boosted by one-off marketing initiatives, including a lowest-price guarantee for university students. On the other hand, the market for set textbooks declined during the year, because of fewer people applying to colleges and universities, while at the same time sales to corporate customers also declined.

The private customer segment continued to grow strongly during the year, partly thanks to a new scheme called "Dagens Bok" ("Book of the Day"). The scheme involves a steeply discounted price for a selected book for one day. During the autumn, a new search engine was put into operation on the website, and the product range was expanded into games and films.

In order to improve profitability, a wide-ranging efficiency programme was initiated in the second half of 2007. The entire value chain was investigated, and a number of actions to improve the results were identified. These are now continuing as a project and include shifting the logistics side to more efficient and fit-for-purpose premises. The actions are expected to produce results during the first half of 2008.

## Future developments

The focus in 2008 will remain on generating profitability in the business. The efficiency programme will continue, including a number of improvements actions in the logistics area. Another priority will be to improve the website.

## Financial trends during the year

Sales increased to SEK 394 million (330), mainly because of the rise in sales to the private customer segment. The operating loss was SEK -28 million (-27).

## Bokus

**Board of Directors:** Chair: Lars Idermark, Gunnar Bergvall, Johnny Capor, Mathias Hedlund, Ulf Ivarsson

**President:** Anders Ringnér

**Turnover:** SEK 394 million

**Operating loss:** SEK -28 million

**Average number of employees:** 67



## The book market

The market for book publishing and book sales continued to grow during 2007, with 4-5% coming from Internet sales growth.

Hypermarket sales of books continue to grow slightly, but book clubs show a constant decline of 5-10% a year. The proportion of total book sales by book retailers is in decline, but at the same time with strong sales to private customers. However, a limited number of books represent an ever larger proportion of sales to private customers.



## PAN Vision Group

**Board of Directors:** Chair: Lars Idermark, Per Almgren, Gunnar Bergvall, Johnny Capor, Stefan Lambert, Jonas Mårtensson, Johan Åhländer

**President:** Per Almgren

**Turnover:** SEK 1,249 million

**Operating profit:** SEK 22 million

**Average number of employees:** 160



PAN VISION

### The film and computer games market

The companies who distribute home entertainment are local and international publishers, as well as distributors like PAN Vision. Several international publishing houses handle the actual distribution to major customers themselves, and use local distributors like PAN Vision for the distribution to other groups of customers.

Since the year 2000, the film market has been characterised by tough price pressure. At the same time volumes have increased, so overall the market value has grown. Digital distribution methods are expected to provide increasing competition within a year or two, and to lead to a realignment of the players in the market.

The growth in the computer games market is cyclical. Both prices and volumes of computer games are controlled by the development and launch of new games consoles. In the last couple of years, what are known as 3rd generation consoles have been launched, which have contributed to a sharp growth in the market, particularly in the latter part of 2007. The growth in 2007 was 30%. New types of games, such as what is known as "social gaming" played in a group, grew strongly, and are expected to contribute to the growth of the market in the future as well.



## PAN Vision Group

PAN Vision Group is one of the leading Nordic distributors in the home entertainment market. With distribution as its primary focus, PAN Vision has three main product groups: the distribution of computer games, the distribution of computer game accessories, and the distribution and releasing of films (DVDs). PAN Vision operates in all the Nordic countries, with around 66% of its revenue outside Sweden. Finland is currently by far its biggest market.

### Work during 2007

The recovery programme for PAN Vision, initiated in 2005, was concluded at the end of 2007. The programme involved a far-reaching investigation of both the games and the film businesses. Significant progress has been made, and efficiency has increased in internal processes such as handling returns, logistics and stock follow-ups.

PAN Vision strengthened its market position by expanding and enhancing its collaboration with customers and suppliers. With its expertise in the computer games market, the company has taken on a more consultative role, helping customers in selecting product ranges and in price setting.

The distribution and releasing of films has developed well. The focus continued to be on ensuring rights for digital distribution, while the product range was successfully enhanced by new titles from existing collaborations.

During the year, a business offshoot was started in Estonia. Decisions have been taken about the further internationalisation of the sales organisation to other Baltic states.

### Future developments

PAN Vision will continue to focus on developing and improving internal procedures, in parallel with enhancing what is offered to customers. There will be a strong focus on developing the sales organisation, with an in-depth awareness of local market trends and product groups.

The market for computer games is expected to continue to grow, and in 2008 to be driven by the new third-generation consoles. The film market, which is influenced by progress in digital distribution and by the introduction of new DVD formats, is predicted to have an unchanged market value in 2008.

### Financial trends during the year

The successful recovery programme is reflected in the financial outturn for the year. The business reported an operating profit of SEK 22 million, compared with the previous year's operating loss of SEK -38 million. Sales increased to SEK 1,254 million (995). The growth in sales is mainly attributable to computer games and accessories, but films also showed a positive trend.

# Vår Gård Saltsjöbaden

Vår Gård Saltsjöbaden is a conference and meeting centre, whose business concept is to be the professional meeting place for companies, official bodies and organisations in the Mälardalen region. Since 2007, Vår Gård has also been available to private individuals. It is also a frequently used meeting place for companies and societies in the consumer cooperative movement. KF has been running Vår Gård since 1924.

The investments to make Vår Gård an attractive meeting place and conference centre for target groups outside the circle of cooperative societies produced a healthy increase in sales during 2007. Intensified marketing and sales initiatives led to an increased number of conferences, while initiatives aimed at new target groups for weddings and parties increased the occupancy rate at weekends. In parallel, the renovation of some 15 hotel rooms was completed during the year, and all rooms have now been renovated and refurbished.

For 2008, there are plans for a unique concept and special offer for the single rooms that should further improve occupancy rates at weekends.

Turnover in 2007 grew to SEK 42 million (39), and the operating loss was SEK -0.3 million (profit 0.4).

## Tidningen Vi (Vi magazine)

The Vi magazine, which has been around since 1913, is Sweden's only broad-based, monthly news magazine geared to community issues and culture. Its fundamental values are shared with the cooperative movement.

During the year, the magazine achieved several major journalistic successes. The Vi magazine was named Årets Tidskrift (Swedish Magazine of the Year), was awarded the Stora Publishingpriset (Sweden's prestigious Publishing Prize) and a nomination for the Stora Journalistpriset 2007 (Sweden's prestigious Journalist Prize).

Work on the recovery programme continued during the year, and a long-term initiative to increase the subscriber base was initiated. Against that background, the workforce was reinforced ahead of 2008, including a Marketing Manager. The business was further broadened by expanding into the mail-order business, and into the production of a number of TV programmes. Like the magazine, the TV programmes focus on community issues and culture. They were shown during the autumn of 2007 on channel TV8, with an average of 130,000 viewers per programme.

The magazine's income totalled SEK 23 million (24), a reduction due to lower subscription income. The magazine's operating loss was SEK -0.7 million (profit 0.1).

## Vår Gård Saltsjöbaden

**Board of Directors:** Chair: Lars Idermark, Inger Holmström, Christina Möller, Jan Stenberg, Marie Wiksborg, Milada Jerabek (union representative)

**President:** Katarina Romell



*In order to further increase the occupancy rate and fill the single rooms during weekends, and on public holidays with low occupancy rates, Vår Gård launched a new idea in the spring of 2008 – Singles weekends. The idea is to create a meeting place for single people, and provide packaged special offers at the hotel with various activities. This would be done in conjunction with other organisation such as the Swedish Royal Opera, Dagens Nyheter (daily newspaper) and various networking websites.*

## Tidningen Vi (Vi magazine)

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

**MD and Editor in Chief:** Anneli Rogeman

**Circulation:** 37,100 (TS 2007)

**Number of readers:** 166,000 (Orvesto 2007)





## KF Gymnasiet

**Board of Directors:** Chair: Marie Wiksborg, Elsa Brodin, Johnny Capor, Annika Hellman, Laszlo Kriss, Alice Bah Kuhnke, Kajsa Sandberg, Klara Knapp (pupil representative)

**President:** Anne-Catherine Lignell-Zak, Principal



*Entrepreneurship is given high priority, and during 2007, the KF Gymnasiet ran a successful collaboration with the Ung Företagsamhet (Young Enterprise) organisation. In this, all the pupils in the final year course started and ran their own business. Faced with strong competition from nearly 300 upper secondary schools in the whole Stockholm region, the pupils' companies were rewarded with prizes in the competition "Våga vara egen" (Dare to be yourself) at the Trade Fair for Young Entrepreneurs at the Älvsjö Trade Fair in Stockholm.*

## Läckeby Water Group

**Board of Directors:** Chair: Stefan Lambert, Gösta Wiking, Anders Wahrolén, Kjell Axelsson, Hans Malm, Mattias Ericsson, Lars-Erik Persson (union representative), Christer Lindblad (union representative), Ulva Ervenius (union representative), Josef Bukur (union representative)

**President:** Martin Hagbyhn



## KF Gymnasiet

The KF Gymnasiet (upper secondary school) was founded in 1994 as one of the first independent secondary schools in Sweden. The school's business idea is to provide education at an upper secondary level on a cooperative foundation. It offers a broad commercial education, with the emphasis on business, finance and management, together with close links between theory and practice. The school reflects the cooperative ideals of working together and shared responsibilities.

KF acquired the school in 2007 from the Stockholm Consumer Cooperative Society. KF's vision for the school is that it should meet future needs for a skilled workforce, and to secure future recruitment in the Group. At the same time, the pupils have access to qualified trainee posts in various work areas during their education.

As well as the general objectives and guidelines laid down in the curriculum for Swedish gymnasiums (upper secondary schools), pupils at the KF Gymnasiet also receive workplace training. During 2007, the 250 or so pupils at the school spent more than 1,300 weeks in workplace training, mainly in cooperative societies in Sweden, England, Germany, Spain, France and Zambia.

The KF Gymnasiet was consolidated into the KF Group on 31 December 2007. In order to further enhance the school's attractiveness, and to meet the requirement for future employees in the KG Group, the current programmes will be developed more towards management training during 2008.

Working together with Coop Sverige, apprenticeship training in commerce will be added to the school's syllabus.

For the KF Group's employees, the school with its teachers in commerce, finance, management and IT will also be used as a training centre.

## Läckeby Water Group

The Läckeby Water Group is one of Sweden's leading companies in water and effluent treatment, and also in the production of biogas from organic waste. In 2007, the environmental engineering group's turnover was more than SEK 500 million. The Läckeby Water Group has built treatment plants in 70-odd countries around the world, with the most important markets in Asia and Scandinavia. In Asia, many projects are financed in collaboration with aid organisations such as SIDA and Danida. The opportunities for growth are considered to be good, and the Läckeby Water Group will grow both organically and through acquisitions.

Early in 2008, KF Invest acquired 75% of the shares in the Läckeby Water Group. The acquisition is expected to generate good returns to KF Invest. It is also in line with KF's strategy to increase the focus on sustainable development in all the subsidiaries.

# Message from the Chair

The pace of change in Sweden's FMCG sector has for some years been very fast, driven by competition and new shop openings, changing patterns of consumption, and shifts in the values and priorities of consumers. For the consumer cooperative movement, the previous year meant major and significant changes that have created better opportunities for us to fulfil our task.

The Cooperative Union stands for attitudes and values that are more relevant than ever before. There is a great demand among consumers, particularly the younger ones, to live up to the values on which the cooperative movement was founded – to make conscious choices in consumption for the benefit of the environment and health. But price is also an important factor for many consumers when a choice has to be made.

During 2007, KF adopted new statutes and a new business idea. "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. "The new business idea has two separate elements, both equally important: To create economic benefits, and to contribute to sustainable development. Our task is to bring these values to life through all our business activities, and above all in the FMCG sector. We must be prepared continually to re-examine the business we are running in the light of our business idea – and be prepared to invest or divest. I detect a strong sense of pride throughout the Swedish consumer cooperative movement in the values we stand for. This also becomes an engine for the changes we now face. We must now complete this implementation, so that our values stand out clearly in every encounter with customers and members in our shops, with fellow employees, in our communications and in our opinion-forming efforts.

Everywhere in the world, as in Sweden, 2007 was the year when the climate issue came to the forefront both in the public debate, and across many private kitchen tables. Many people strive to make good choices when shopping, and our job is to be organised and enable individuals and families to make the choices they wish to make. This involves offering the right products in our shops, and providing clear facts and information. What is becoming ever more important is being able to choose not only environmentally acceptable food, but also locally produced food with the country of origin clearly marked. Our efforts for sustainable development have long been high priority. Ahead of 2008, we took a further step with the clear objective of being a leader in sustainable development in the FMCG sector.

In 2007, Coop Sverige reverted fully to the Swedish consumer cooperative movement. The change in Coop Norden that we initiated at the beginning of the year has been completed. We are continuing to cooperate in Nordic purchasing. It is clearly in purchasing that the Nordic cooperation works best, while the day-to-day activities in the shops and hypermarkets needs to be managed much closer to the market. We now have such an organisation.

The Swedish consumer cooperative movement has made many important decisions in order to reinforce cooperation and coordination, not only in purchasing but also in marketing and communications. All over Sweden, the consumer cooperative societies' representatives and employees are working hard to meet the needs among a new generation of consumers. In Coop Sverige, rapid steps have been taken towards renewal. The results have improved considerably, even though much remains to be done.

Our joint task – in these societies and in KF as a union – is to focus on our members' interests in everything we do. We exist in order to create economic benefits, and we will press on and further develop the consumer cooperative issues, so that members can, through their consumption, contribute towards sustainable development for people and the environment.



Nina Jarlbäck  
Chair of the Board



## Presence at Board meetings in 2007

### Number of Board meetings

Nina Jarlbäck	9
Göran Lindblå	9
Sune Dahlqvist	8
Hans Eklund	8
Jon Eskedal <sup>1</sup>	
Doris Forsell Gustafsson <sup>2</sup>	
Curt Johansson <sup>3</sup>	
Maj-Britt Johansson Lindfors	7
Ingrid Karlsson	7
Mats Lundquist	9
Anders Stake	8
Jeanette Franzén	8
Eva Calderon	8
Rose-Marie Johansson	8

1) Resigned in October 2007

2) Board member since October 2007

3) Resigned at the April 2007 General Meeting



## The Board's activities

The Cooperative Union is a cooperative society whose registered office is in Stockholm, Sweden. The management and control of business in the KF Group is based on Swedish legislation, primarily the "Cooperative Associations Act". KF follows developments in the area of Corporate Governance, and continuously adapts its Corporate Governance principles in order to create value for its owners and other stakeholders, by the proper dissemination of information, together with effective work by the management and the Board.

### The Board of Directors

The KF Board shall consist of not fewer than nine and not more than thirteen members, elected by KF's General Meeting. As of 2007, KF's President is no longer a member of the Board. In 2007 the Board consisted of nine members who were elected by the General Meeting. The Swedish Commercial Employees' Union appointed two employee representatives and one deputy.

### Work during 2007

KF's General Meeting in April 2007 adopted the Board's proposals for new statutes and a new business idea. The changes involve adapting to the Swedish Code for Corporate Governance, and that a cooperative society can conduct its cooperative business in a part-owned company. The changes also mean that the terms and conditions of membership are changing, to strengthen KF's support for consumer cooperative societies in difficult financial circumstances. The implementation of the new membership terms and conditions was initiated during the year, with changes to the statutes for each consumer cooperative society.

During the year the Board held 9 meetings at which minutes were kept. Strategic issues were discussed at all the meetings. Also discussed were the transformation of Coop Norden into a pure purchasing organisation, and the return of the retail chains to their original owners. Other matters discussed included the issue of greater coordination between consumer cooperative societies, acquisition issues and real estate issues.

The regular situation analysis that was introduced at every Board meeting in 2006 was expanded during the year to cover not only macro economic developments, and trends in the financial and FMCG markets, but also media monitoring/analysis, plus analyses of relevant social issues and consumer trends.

The Board also made a study visit to the successful FMCG chain Coop Italia, in order to gather relevant comparisons. This was arranged in the form of a joint Nordic conference, with Coop NKL and FDB Denmark, in order to expand the continuing cooperation, mainly in purchasing. At the conference, there were discussions on consumer trends and consumer cooperative business activities in Europe, focusing particularly on the various purchasing collaborations.

In 2007 fees were paid to the Board totalling SEK 1,329,900 (1,111,600), of which SEK 350,000 (333,158) was paid to the Chair of the Board. In addition to the fees, compensation for loss of earnings was paid to Board



members, and by special decision, fixed remuneration was paid to the Chair of SEK 408 804 (391 200). The Chair of the Board also receives a pension contribution of 35% of total remuneration during the year.

## The Board's work procedures

KF's statutes define and regulate principles for the Board's tasks and decision-making competence. The Board defines an annual meeting plan and agenda for the Board. The Board appoints the President and every year lays down a set of instructions for the President. The work allocation between the President and the Board is specified in KF's statutes. These 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 President's management of the business.

The President is in turn responsible for day-to-day management of KF. The President takes the initiative in the development and rationalisation of the business and makes sure that KF exercises an active owner's role in subsidiaries and associated companies. Every year the Board must perform an evaluation of the Board's work, and this took place during the year.

## KF's Election Committee

KF's General Meeting appoints members of an Election Committee based on proposals from the Board. The proposal is based on nominations received from the societies' constituency meetings. At the 2007 General Meeting the following people were elected as members of KF's Election Committee:

*Ulla Hultén (Chair), Consumer Cooperative Society Väst*

*Bo Kärreskog, Consumer Cooperative Society Göta*

*Carina Lundberg, Consumer Cooperative Society Stockholm*

*Sune Grahn, Konsum Nord*

*Kent Ryberg, Consumer Cooperative Society Svea*

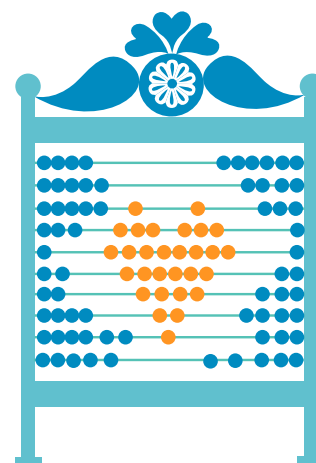
In 2007, KF's General Meeting adopted a new instruction for the Election Committee, in line with the Code of Corporate Governance. The procedure involves an earlier time for nominating Board members, for justifying the nominations, and presenting proposals to the Board on KF's website. The aim is to increase the transparency of the election process.

The Election Committee is responsible for drawing up proposals for members of KF's Board, to be put before the General Meeting for decision. They also suggest the fees and other remuneration for the Board's activities. The Board's fees and other remuneration are decided every year by KF's General Meeting. The President's remuneration is decided by the Board on the basis of a defined managerial policy. As for other senior executives, the President decides on salary and other terms of employment on the basis of a policy defined by the Board. Every year the President informs the Board of the conditions.

The evaluation of the year's work by the Board is submitted as documentation to the Election Committee ahead of the election of the Board at the 2008 General Meeting.

## Auditors

KF's statutes also define principles for the election of auditors. The General Meeting appoints one registered firm of auditors and two elected auditors. The Board takes charge of the procurement of audit services. The auditors are appointed for a two-year period, but are assessed annually. The auditors are responsible for the annual audit review at the meeting about KF's year-end accounts. At the 2006 meeting KPMG was elected to be the registered firm of auditors for two years. The elected auditors are Bertil Hammarstedt, Konsum Nord and Bo Wibäck, Stockholm Consumer Cooperative Society. Deputies are Björn Johansson, Bohuslän-Älvsborg Consumer Cooperative Society and Martin Hansen, Värmland Consumer Cooperative Society.



# Directors' Report

The Board and the President hereby submit the following annual report on the activities of the Kooperativa förbundet (KF), ekonomisk förening (The Swedish Cooperative Union).

## The KF Group

KF is the union of Sweden's consumer cooperative societies, and also a retail trading group. As of 31 December 2007, KF owns the country 2nd largest FMCG chain, Coop Sverige. The union's main task is to work together with the 51 (31/12 2007) societies to ensure that members can buy good products at competitive prices in attractive shops. KF performs this task partly by owning Coop Sverige, partly by supporting the other consumer cooperative FMCG shops by real estate investments, analyses of possible new shops, financing solutions and advice. Through Coop Sverige, KF accounts for 55% of sales in the consumer cooperative FMCG sector, while the retail societies account for 45%. The shops run by Coop Sverige and the retail societies carry the brand names Coop Forum, Coop Konsum, Coop Extra, Coop Nära and Coop Bygg. A small number of shops are run under other brand names, for example Daglivs.

KF's vision is to be the leading and most innovative retail company, and the industry's main mouthpiece and source of inspiration for sustainable consumption. The overall strategy is to contribute to sustainable development by being a profitable and value-driven FMCG business; a business that provides its members and customers with good value, durable goods and services, and enjoys a clear conscience.

The Union and the societies have a shared responsibility for skills development, lobbying and the democratic membership process. KF represents the consumer cooperative's shared interests when dealing with various public bodies, and also conducts ongoing development work to create added value for members and to increase the attractiveness of membership.

The KF cooperative Society is the parent company of the KF Group. Its core activity is the FMCG sector, managed through Coop Sverige and the Daglivs shop. Other directly supporting businesses include MedMera Bank, KF Fastigheter and KF Revision. Other subsidiaries and businesses in the group include Akademibokhandeln, Bokus, Norstedts Förlagsgrupp, PAN Vision, Tidningen Vi, KF Invest, KF Shared Services, KF Försäkring, KF Gymnasiet and Vår Gård Saltsjöbaden, and the Läckby Water Group. The parent company also includes KF Sparkassa (Savings Association).

## Membership of the consumer cooperative

The number of members in the consumer cooperative movement grew by around 47,000 in 2007. In total the Swedish consumer cooperative movement had 3,084,808 members throughout the country at the year-end.

During the year members made 140 million purchases registered for reward entitlement using the Coop MedMera credit card, and for these they received reward points giving 7.8 million reward vouchers. In total, members redeemed vouchers during the year to a value of SEK 465 million. The Coop MedMera card can be used in Coop Sverige's shops, in most of the retail societies' shops and in Daglivs, Akademibokhandeln, Bokus, OKQ8, the Expert chain and KappAhl – a total of around 1,000 shops and 800 petrol stations – as well as in shops run by a number of our cooperating partners' shops.

## Important events during the year

- KF's healthy profit after financial income and expense of SEK 476 million was lower than the 2006 figure of SEK 701 million. This is principally due to lower capital gains from the sales of properties in KF Fastigheter, extraordinary costs arising from the transformation of Coop Norden, and somewhat weaker results from asset management in KF

Invest. Net indebtedness at the end of 2007 was SEK 11 million, compared with net assets of SEK 146 million in 2006. This means that net indebtedness has considerably decreased from the figure of SEK 4,814 million at the end of 2001. KF is now financially strong, and this will be of great value for developing and improving Coop Sverige.

- During 2007, Coop Norden was transformed into being a pure cooperative purchasing business for all purchases made outside each individual country of ownership, and for the purchases of own brand items. The transition to a joint purchasing company, Coop Trading A/S, took place at the 2007/2008 year-end, coinciding with the discontinuation of the joint ownership of Coop Norden. The national retail trading, and the wholesale and industrial business formerly in Coop Norden, reverted to the original owners; KF in Sweden, FDB in Denmark and Coop NKL in Norway
- Coop Sverige's results improved during the year by SEK 195 million. The operating loss for the full year was SEK -6 million (-201), based on results before structural items, but is still far from the financial objectives set for the company. The efforts to re-establish profitability have been intensified, once it became definite that the business is wholly owned by KF as of 31 December 2007.
- KF Fastigheter continues to report a stable and positive trend, with an operating profit in line with the previous year's outturn of SEK million (205). Capital gains declined from SEK 395 million to SEK 221 million. This was because the 2006 result included a capital gain of SEK 273 million, attributable to the sale of 50% of Kvarnholmen.
- The recovery programme at PAN Vision, which was started in 2006, has proceeded according to plan, and the company has turned round a negative result of SEK -38 million in 2006 to a profit of SEK 22 million for 2007. The company will continue to work towards further strengthening the operating profit.
- Norstedts Förlagsgrupp has enjoyed a very positive trend during the year, boosted by the fantastic sales of the Stieg Larsson trilogy, and the last book in the Harry Potter series. In total, turnover grew to SEK 564 million (489), and the operating profit to SEK 36 million (33).
- During the year, KF acquired Daglivs in Stockholm, one of Sweden's largest inner city food supermarkets. The shop has been consolidated as of the 2007/2008 year-end. Turnover in 2007 was about SEK 480 million.

## The Group's profit figures and sales

KF's profit after financial income and expense totalled SEK 476 million (701). The operating profit was SEK 357 million (469). The change in operating profit was primarily because a capital gain of SEK 273 million, relating to 50% of Kvarnholmen, was included in the previous year's result, plus a SEK 60 million profit improvement at PAN Vision. The results after financial income and expense also include a lower figure for asset management at KF Invest, a consequence of the weaker trend in the autumn on the financial markets. The results were also affected by extraordinary costs following the transformation of Coop Norden.

Sales during the year totalled SEK 26,208 million, compared with SEK 24,434 million in the previous year. Of the Group's sales in 2007, SEK 4,106 million comprises sales from KF's subsidiaries (3,637); an increase of 13%, and the rest comprises primarily trade with the consumer cooperative societies and their members.

## KF ekonomisk förening (KF Cooperative Society)

The parent company, the KF Cooperative Society, had the following functions: President, Secretariat, Retail Development, Public Relations and Consumer Affairs, Accounts, Finance & IT, Human Resources, and the KF Savings Association.

## KF Finans (Finance)

KF Finans acts as an internal bank and works with both societies and

subsidiaries. KF Finans is responsible for overall liquidity planning and for ensuring that the Group's financial assets are being managed professionally. KF Finans acts as an advisor to subsidiaries and societies on financial matters. KF Finans is responsible for handling accounts and transactions, banking relationships, currency management and financial risk control.

### KF Sparkassa (Savings Association)

KF Sparkassa manages deposits from members at competitive interest rates in capital accounts and 5-year loans. Borrowings remains at about the same level as in the previous year, at around SEK 4.0 billion. Most of the deposits are made via the Savings Association's capital account, which without fixed interest, offers one of the best rates in the market (4.10% at the year-end), and a small element, about SEK 400 million, via 5-year deposits (interest rate at the year-end 4.35%).

### Coop Sverige (Coop Norden)

Since 2002, Coop Norden has been the Nordic consumer cooperative movement's joint retailing and purchasing business in Sweden, Denmark and Norway. KF owned 42% of it. Coop Norden was transformed during 2007 into being a pure cooperative purchasing business for all purchases made outside each individual country of ownership, and for the purchasing of own brand items. The transition to a joint purchasing company, Coop Trading A/S, took place at the 2007/2008 year-end, coinciding with the discontinuation of the joint ownership of Coop Norden. The business in each country looks after national purchasing.

The national retail trading, and the wholesale and industrial business formerly in Coop Norden, reverted as of 31 December 2007 to the original owners; KF in Sweden, FDB in Denmark and Coop NKL in Norway. Coop Sverige's retail trading therefore became a wholly owned subsidiary of KF. In Norway, the Coop shops will now be owned and run by the consumer cooperative societies.

Coop Sverige's has made progress during the year, but the improvements have happened far too slowly. Operating results improved from a loss of SEK -201 million to a loss of SEK -6 million. The results in KF's 2007 income statement include SEK 100 million from the business deal completed with the other owners of Coop Norden.

The wide-ranging recovery programme that has been underway at Coop Sverige for some years increased in intensity and scope from the autumn of 2007, since the deal on re-integrating the company was completed. Some of this work is expected to have an effect during 2008, but many measures are not expected to achieve their full effect until 2009 and 2010.

### KF Invest AB

KF Invest's task is to manage KF's liquidity. KF Invest's task is to manage and dispose of assets, which means that capital gains are a natural part of the results. At the end of the year KF Invest was managing a portfolio with a market value of SEK 4.9 billion. Of the capital, 70.2% was invested in interest-bearing assets with short fixed-interest terms, in order to safeguard members' deposits. A further 10.0% was invested in quoted shares, 15.1% in alternative investments with absolute yield targets, and 4.7% in unquoted shares and venture capital funds. Early in 2008, KF Invest acquired 75% of the shares in the environmental engineering company Läckby Water Group.

### KF Fastigheter AB (Real Estate)

KF Fastigheter's task is to improve, manage and sell properties, with a focus on the consumer cooperative retail trade. KF Fastigheter focuses on shopping malls located outside city centres in regional urban areas. The real estate portfolio consists of 50 properties with an estimated market value of SEK 6.7 billion (5.7), including the company's share of part-owned properties. During the year a total of SEK 563 million was invested, while at the same time the company disposed of properties to a value of SEK 329 million. KF Fastigheter's operating result declined during the year to SEK 426 million (600), because of lower capital gains totalling SEK

221 million (395). The operating result totalled SEK 205 million (205). The direct yield was 7.7% (6.7).

In total, the real estate portfolio contains over thirty development projects of varying sizes, of which three are very large. These include Backaplan in Gothenburg, where a new city district is being developed at Hisingen. The project is being run jointly with the municipal development company Älvstranden Utveckling AB and the City Planning Authority. At the Kvarnholmen project in Nacka, KF Fastigheter is working with Nacka municipality and some leading Nordic architects to produce detailed plans for the various parts of Kvarnholmen. The third major development project is at Bromma, one of Sweden's most affluent catchment areas, where KF Fastigheter is developing the Bromma Center to be one of Europe's leading shopping centres.

### MedMera Bank AB

MedMera issues and manages the consumer cooperative's 3.5 million Coop MedMera cards, and is responsible for the Coop MedMera Reward Scheme, the purpose of which is to provide members with benefits in the form of discounts, vouchers and special offers.

In 2007, MedMera Bank applied to upgrade its licence as a credit market company, and has been conducting banking business since 1 July 2007. The bank is regulated by Finansinspektionen (the Swedish Financial Supervisory Authority). As a consequence of this, the company changed its name to MedMera Bank. The licence means that MedMera Bank can offer a broad spectrum of financial services to the consumer cooperative movement, to its shops and to its members.

During the year, the MedMera Bank broadened its product portfolio and further enhanced existing products. In September, Coop MedMera Visa, the new charge and credit card, was launched. Since the launch, more than 30,000 members have applied for a Coop MedMera Visa card.

During the year MedMera's turnover was SEK 243 million (222). The company's financial objective is to achieve cost coverage and a profit margin that provides for ongoing business development.

### Akademibokhandelsgruppen AB

Akademibokhandeln accounts for nearly 35% of the Swedish book market. The chain has 61 bookshops throughout the country, mainly in larger towns and cities with institutes of higher education, but also in smaller places where the development potential is considered to be good. During 2007, four shops were acquired, two were opened and two small units were closed. Sales increased to SEK 1,132 million (1,082) through the acquisition of units, but competition from Internet book sales mean that the underlying growth is weak, particularly in set textbooks and non-fiction. Akademibokhandeln's operating profit decreased to SEK 18 million (26). During 2008, the new business system will be implemented throughout the chain, in order to improve the efficiency of running the shops and of logistics, and also to improve management and follow-ups. All the shops will then be covered by the central logistics function, currently used by about 40% of the chain's shops.

### Bokus AB

Bokus' sales increased in 2007 by just under 20% to SEK 394 million (330). This is somewhat less than the previous year's exceptional sales growth, which was boosted by one-off marketing initiatives, including a lowest-price guarantee for university students.

Bokus' operating result in 2007 remained weak, with a loss of SEK -28 million (-27). In order to improve profitability, a wide-ranging efficiency programme was initiated in the second half of 2007. The entire value chain was investigated, and a number of actions to improve the results were identified. These are now continuing as a project and includes shifting the logistics side to more efficient and fit-for-purpose premises. The actions are expected to produce results during the first half of 2008.



## Norstedts Förlagsgrupp AB

With a 20% market share, Norstedts Förlagsgrupp is the second biggest in the market for general literature in Sweden. The Group is organised into three business areas: adult books, dictionaries and children's books. These areas include some of Sweden's best-known publishing houses, such as Norstedts, Rabén & Sjögren, Prisma, Tiden and Norstedts Akademiska Förlag. During the year Eriksson & Lindgren Bokförlag and Talande Böcker (Talking Books) were also integrated into Norstedts Förlagsgrupp. In 2007 there will continue to be a focus on consolidating the new organisation and integrating the acquisitions.

Norstedts sales increased during the year by about 15%, from SEK 489 million to SEK 564 million, thanks to the exceptionally successful Millennium trilogy by Stieg Larsson, as well as the last book in the Harry Potter series.

The focus in 2008 for Norstedts Förlagsgrupp will be on organic growth while the Norstedts brands in Norstedts Förlag will be streamlined, with a clearer division between fiction and non-fiction. The work on rationalising the business, especially production and purchasing, will be top priority during 2008. Norstedts will continue to focus on consolidating the new organisation and integrating the acquisitions.

## PAN Vision Group

PAN Vision Group is one of the leading Nordic distributors in the home entertainment market. With distribution as its primary focus, PAN Vision has three main product groups: the distribution of computer games, the distribution of computer game accessories, and the distribution and re-leasing of films (DVDs). PAN Vision operates in all the Nordic countries, with around 66% of its revenue outside Sweden.

The recovery programme for PAN Vision, initiated in 2006, was concluded at the end of 2007. The programme involved a far-reaching investigation of both the games and the film businesses. Significant progress has been made, and efficiency has increased in internal processes such as handling returns, logistics and stock follow-ups. The operating profit was SEK 22 million, against a loss of SEK -38 million in 2006. Sales grew by 26% from SEK 995 million to SEK 1,249 million.

## Other operations/subsidiaries

Vår Gård Saltsjöbaden offers conference solutions for companies, public bodies and organisations. What distinguishes the Vår Gård conference centre include its easily accessible location, the art collection and the setting close to the archipelago.

The task of KF Revision (Auditing) is to check the consumer cooperative societies' annual accounts and bookkeeping, as well as the Board's and the President's management. This task also includes checking the societies' management and reporting to the society's management body.

KF Shared Services provides administrative services to companies in the KF Group. Tranbodarna AB is included as a subsidiary of the business and primarily offers services in the field of accounting, HR and member administration to Coop Norden, Konsum entrepreneurs, the retail societies and the societies promoting members' interests.

## Significant risks and uncertainty factors

Through its real estate portfolio in KF Fastigheter, KF has a significant exposure to the Swedish real estate market. The financial risks are further discussed in note 24. KF's major risk is considered to be related to the increased exposure to Coop Sverige. However, the switch to full ownership has also substantially increased the opportunities to deal with the problems in the company.

## The environment

KF's business must be guided by a number of principles governing environmental and social responsibility in addition to the fundamental financial requirements for efficiency and profitability. In 2007, KF adopted a Group-wide policy for sustainable development, which included guiding principles for the Group's environmental and social responsibilities. Each subsidiary is charged with introducing this policy into its business, and with setting up the necessary areas of responsibilities and procedures. Follow-ups of operational objectives and results indicators will be done annually. KF intends to submit Group-wide sustainability accounts for the 2008 financial year. In addition, Coop Sverige will provide a sustainability report for 2007, with particular focus on the environment and on health.

Among KF's businesses, it is primarily Coop Sverige and KF Fastigheter that have any direct environmental impact. The transportation of goods, and the use of energy in our own properties, are the individual areas with the largest impacts on the environment, mostly in the form of carbon dioxide emissions. Business activities in the the companies are considered to have only limited effects.

During the year, KF subscribed to Näringslivets klimatupprop (Business Leaders Initiative on Climate Change), and the objectives for KF's environmental responsibility therefore include reducing the direct emission of greenhouse gases in relation to the scale of the business by 10% by the year 2010 and by 30% by 2020.

No licensable or notifiable activity under the Environmental Code is conducted by KF.

## Human Resources

The KF Group employed 1,216 people (1,175), of which 36 (36) were in the parent company, expressed in terms of the average number of employees in 2007. About 90% of these are employed in Sweden. Coop Sverige had 8,327 employees (4,737 women, 3,590 men). The total number of employees in Coop Sverige and KF was 9,543 (9,917).

During the year KF introduced a central HR function and staff policy. Management and employee development are priority areas in KF. In order to create a tool for the strategic work on management and skills development, the KF Academy was set up during the year. This is a Group-wide online tool and knowledge database for staff training. With this, the Group's employees are regularly given further training and skills development.

Fostering gender equality and diversity are important at KF. An even gender split between men and women is actively sought. The split among the average number of employees in 2007 was 59% women and 41% men.

KF's keep-fit and health care policy is the foundation for keep-fit and health efforts. The starting point is that the efforts should be preventative, with a combination of activities. Absence through illness in the parent company was 1.4% (1.6%), of which 0.6% (0.2%) lasted 60 days or more.

## Proposed allocation of unrestricted reserves

Unrestricted equity in the Group at the year-end was SEK 2,512 million. According to the parent association's balance sheet, SEK 1,841,510,240.20 is at the disposal of the Union's General Meeting.

The Board and the President propose that these funds be allocated as follows:

Statutory reserve	11 670 798,75
Interest on contributed capital	91 782 431,21
Interest on debenture contributions	68 862 969,05
Carried forward	1 669 194 041,19
	1 841 510 240,20

# Income Statement for the KF Group

(SEK million)	Note	2007	2006
Net sales	1	26 208	24 434
Cost of goods sold		-24 590	-22 959
<b>Gross profit</b>		<b>1 618</b>	<b>1 475</b>
Selling expenses		-1 000	-943
Administrative expenses		-628	-529
Other operating income	3	269	408
Other operating expenses		-14	-10
Share of profit of associated companies	4	8	9
Share of profit of joint ventures	5	103	59
<b>Operating profit</b>	2, 6, 26, 28	<b>357</b>	<b>469</b>
Financial income and expense	7	119	232
<b>Profit after financial income and expense</b>		<b>476</b>	<b>701</b>
Tax	8	-107	-129
Less minority shares		0	1
<b>Profit for the year</b>	9	<b>369</b>	<b>573</b>

# Balance Sheet for the KF Group

(SEK million)	Note	2007-12-31	2006-12-31
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Capitalised development expenditure		71	40
Patents, licences, trademarks and similar rights		76	57
Tenancy rights and similar rights		9	1
Goodwill		396	102
Advance payments on intangible non-current assets		66	0
Other intangible non-current assets		3	11
<b>Intangible non-current assets</b>	<b>10</b>	<b>621</b>	<b>211</b>
Buildings and land		3 682	3 215
Refurbishment expenses on properties owned by others		16	0
Machinery and other technical equipment		46	0
Equipment, tools, fixtures and fittings		1 407	260
Construction in progress		291	284
Financial leasing		22	0
Other tangible non-current assets		4	0
<b>Tangible non-current assets</b>	<b>11</b>	<b>5 468</b>	<b>3 759</b>
Participating interests in associated companies	29	190	109
Receivables from associated companies, interest-bearing		9	9
Participating interests in joint ventures	29	66	2 249
Receivables from joint ventures, interest-bearing		7	7
Receivables from joint ventures, non interest-bearing		0	16
Other long-term holdings of securities	29	185	138
Deferred tax assets	8	780	13
Other long-term receivables, interest-bearing	19	236	219
Other long-term receivables, non interest-bearing		40	49
<b>Financial non-current assets</b>	<b>12</b>	<b>1 513</b>	<b>2 809</b>
<b>Total non-current assets</b>		<b>7 602</b>	<b>6 779</b>
<b>CURRENT ASSETS</b>			
Raw materials and consumables		4	5
Work in progress		14	16
Finished goods and goods for resale		2 640	457
Advance payments to suppliers		15	5
<b>Inventories</b>		<b>2 673</b>	<b>483</b>
Trade and other receivables		1 333	702
Receivables from associated companies, interest-bearing		0	2
Receivables from joint ventures, non interest-bearing		50	96
Other current receivables, interest-bearing		355	223
Other current receivables, non interest-bearing		683	501
Prepayments and accrued income		509	284
<b>Current receivables</b>	<b>13, 14</b>	<b>2 930</b>	<b>1 808</b>
<b>Short-term investments</b>	<b>15</b>	<b>4 590</b>	<b>5 388</b>
<b>Cash and bank balances</b>		<b>2 725</b>	<b>372</b>
<b>Total current assets</b>		<b>12 918</b>	<b>8 051</b>
<b>Total assets</b>	<b>24</b>	<b>20 520</b>	<b>14 830</b>



# Balance Sheet for the KF Group

(SEK million)	Note	2007-12-31	2006-12-31
<b>EQUITY, PROVISIONS AND LIABILITIES</b>			
<b>Equity</b>			
Contributed capital		1 835	1 779
Debenture contributions		965	1 051
Restricted reserves		1 158	1 045
<b>Restricted equity</b>		<b>3 958</b>	<b>3 875</b>
Unrestricted reserves		2 142	1 892
Profit for the year		369	573
<b>Unrestricted equity</b>		<b>2 511</b>	<b>2 465</b>
<b>TOTAL EQUITY</b>	16	<b>6 469</b>	<b>6 340</b>
<b>Minority interests</b>		<b>25</b>	<b>0</b>
<b>Guarantee capital</b>	18	<b>20</b>	<b>20</b>
Provisions for pensions and similar commitments, interest-bearing	19	31	1
Other provisions, non interest-bearing		340	64
<b>Provisions</b>	20	<b>371</b>	<b>65</b>
Long-term liabilities, interest-bearing		245	195
<b>Long-term liabilities</b>	22	<b>245</b>	<b>195</b>
Liabilities to credit institutions		14	0
Advance payments from customers		29	36
Trade and other payables		3 040	582
Liabilities to joint ventures, interest-bearing		0	8
Liabilities to joint ventures, non interest-bearing		0	462
Tax liabilities		6	4
Other current liabilities, interest-bearing		7 626	5 850
Other current liabilities, non interest-bearing		881	523
Accruals and deferred income		1 794	745
<b>Current liabilities</b>	14, 23	<b>13 390</b>	<b>8 210</b>
<b>Total equity, provisions and liabilities</b>	24	<b>20 520</b>	<b>14 830</b>
<b>Memorandum items</b>			
<b>Assets pledged and contingent liabilities</b>			
Assets pledged	21	203	247
Contingent liabilities	25	60	119

# Changes in equity for the KF Group

(SEK million)	Member capital	Debenture investments	Restricted reserves	Unrestr. equity	Total
<b>Closing balance, 31 Dec 2005</b>	1 725	1 051	1 038	2 108	5 921
Effect of applying IFRS to Coop Norden				-6	-6
Exchange rate difference <sup>1)</sup>			-3	-79	-82
<i>Total of changes not posted in the income statement</i>	0	0	-3	-86	-88
Interest on capital and debenture contributions				-99	-99
Funding of contributed capital	57			-57	0
Reduction of contributed capital	-3			0	-3
Deferred tax on interest				35	35
Profit for the year				573	573
Transfer between unrestricted and restricted reserves			10	-10	0
<b>Closing balance, 31 Dec 2006</b>	<b>1 779</b>	<b>1 051</b>	<b>1 045</b>	<b>2 465</b>	<b>6 340</b>
Effect of change in accounting policies				-11	-11
<b>Adjusted opening balance, 2007</b>	1 779	1 051	1 045	2 454	6 329
Effect of dissolution of Coop Norden				-95	-95
Exchange rate differences			1	20	21
<i>Total of changes not posted in the income statement</i>	0	0	1	-75	-74
Interest on capital and debenture contributions				-99	-99
Funding of contributed capital	59			-59	0
Reduction of contributed capital	-3			0	-3
Reduction in 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
<b>Closing balance, 31 Dec 2007</b>	<b>1 835</b>	<b>965</b>	<b>1 158</b>	<b>2 511</b>	<b>6 469</b>

<sup>1)</sup> The opening accumulated exchange rate difference as of 1 January 2006, which was posted directly to equity, totalled SEK 86 million.

# Cash Flow Statement for the KF Group

SEK million	Note	2007	2006
<b>OPERATING ACTIVITIES</b>			
Profit after financial income and expense	27	476	701
Adjustments for items not included in cash flow	27	-182	-243
		294	458
Tax paid			-1
<b>Cash flow from operating activities before change in working capital</b>		294	457
<b>Cash flow from changes in working capital</b>			
Increase (-)/Decrease (+) in inventories		18	-38
Increase(-)/Decrease(+) in operating receivables		318	-181
Increase(+)/Decrease(-) in operating liabilities		-555	361
<b>Cash flow from operating activities</b>		75	599
<b>Investing activities</b>			
Acquisition of subsidiaries <sup>1)</sup>	27	1 688	-36
Sale of subsidiaries	27	27	347
Acquisition of business segment	27	-16	
Acquisition of intangible non-current assets		-76	-70
Acquisition of tangible non-current assets		-620	-612
Sale of tangible non-current assets		440	260
Investments in financial assets			-315
Divestment/reduction of financial assets		-70	109
<b>Cash flow from investment activities</b>		1 373	-317
<b>Financing activities</b>			
Reduction of contributed capital		-3	-3
Reduction in debenture contributions		-86	
Change in deposits in KF Sparkassa (Savings Association)/MedMera	14	220	-6
Other change in loans		155	-46
Interest on capital and debenture contributions		-99	-98
<b>Cash flow from financing activities</b>		187	-153
<b>Cash flow for the year</b>		1 635	129
<b>Cash and cash equivalents at beginning of year</b>		4 642	4 517
<b>Exchange rate difference in cash and cash equivalents</b>		2	-3
<b>Cash and cash equivalents at year-end</b>	27	<b>6 279</b>	<b>4 642</b>

<sup>1)</sup> Includes effect in conjunction with dissolution of Coop Norden.

# Income Statement for the KF Cooperative Society

(SEK million)	Note	2007	2006
Net sales	1	22 166	20 872
Cost of goods sold		-22 146	-20 840
<b>Gross profit</b>		<b>20</b>	<b>32</b>
Selling expenses		0	0
Administrative expenses		-224	-142
Other operating income	3	93	4
Other operating expenses		-95	-43
<b>Operating profit</b>	2, 26, 28	<b>-206</b>	<b>-149</b>
Financial income and expense	7	266	116
<b>Profit after financial income and expense</b>		<b>60</b>	<b>-33</b>
Appropriations	17	3	0
Tax	8	15	31
<b>Profit for the year</b>		<b>78</b>	<b>-2</b>



# Balance Sheet for KF Cooperative Society

(SEK million)	Note	2007-12-31	2006-12-31
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Capitalised development expenditure		0	1
Patents, licences, trademarks and similar rights		1	1
Goodwill		0	0
Advance payments on intangible non-current assets		3	0
<b>Intangible non-current assets</b>	10	<b>4</b>	<b>2</b>
Buildings and land		68	190
Equipment, tools, fixtures and fittings		14	29
Construction in progress		1	3
<b>Tangible non-current assets</b>	11	<b>83</b>	<b>222</b>
Participating interests in Group companies	29	12 379	2 798
Participating interests in associated companies	29	3	3
Receivables from associated companies, interest-bearing		9	9
Participating interests in joint ventures	29	0	2 279
Other long-term holdings of securities	29	17	17
Deferred tax assets	8	112	100
Other long-term receivables, interest-bearing		38	41
<b>Financial non-current assets</b>	12	<b>12 558</b>	<b>5 247</b>
<b>Total non-current assets</b>		<b>12 645</b>	<b>5 471</b>
<b>CURRENT ASSETS</b>			
Advance payments to suppliers		4	4
<b>Inventories</b>		<b>4</b>	<b>4</b>
Trade and other receivables		2	288
Receivables from Group companies, interest-bearing		6 122	6 121
Receivables from Group companies, non interest-bearing		74	15
Receivables from associated companies, interest-bearing		0	2
Receivables from joint ventures, non interest-bearing		0	1
Other current receivables, interest-bearing		111	7
Other current receivables, non interest-bearing		16	8
Prepayments and accrued income		3	12
<b>Current receivables</b>	13	<b>6 328</b>	<b>6 454</b>
<b>Cash and bank balances</b>		<b>614</b>	<b>222</b>
<b>Total current assets</b>		<b>6 946</b>	<b>6 680</b>
<b>Total assets</b>	24	<b>19 591</b>	<b>12 151</b>

# Balance Sheet for KF Cooperative Society

(SEK million)	Note	2007-12-31	2006-12-31
<b>EQUITY, PROVISIONS AND LIABILITIES</b>			
<b>Equity</b>			
Contributed capital		1 835	1 779
Debenture contributions		965	1 051
Statutory reserve		947	947
<b>Restricted equity</b>		<b>3 747</b>	<b>3 777</b>
Retained earnings		1 764	1 799
Profit for the year		78	-2
<b>Unrestricted equity</b>		<b>1 842</b>	<b>1 797</b>
<b>TOTAL EQUITY</b>	16	<b>5 589</b>	<b>5 574</b>
<b>Untaxed reserves</b>	17	<b>4</b>	<b>8</b>
<b>Guarantee capital</b>	18	<b>20</b>	<b>20</b>
Other provisions, non interest-bearing		12	12
<b>Provisions</b>	20	12	12
Long-term liabilities, interest-bearing		225	185
<b>Long-term liabilities</b>	22	<b>225</b>	<b>185</b>
Advance payments from customers		2	2
Trade and other payables		22	130
Liabilities to Group companies, interest-bearing		2 143	1 239
Liabilities to Group companies, non interest-bearing		48	38
Liabilities to joint ventures, interest-bearing		0	8
Liabilities to joint ventures, non interest-bearing		0	207
Other current liabilities, interest-bearing		11 327	4 497
Other current liabilities, non interest-bearing		147	184
Accruals and deferred income		52	47
<b>Current liabilities</b>	23	<b>13 741</b>	<b>6 352</b>
<b>Total equity, provisions and liabilities</b>	24	<b>19 591</b>	<b>12 151</b>
<b>Memorandum items</b>			
<b>Assets pledged and contingent liabilities</b>			
Assets pledged	21	0	0
Contingent liabilities	25	55	53

# Changes in equity for the KF Cooperative Society

(SEK million)	Member capital	Debenture investments	Statutory reserve	Retained earnings	Year's result	Total
<b>Closing balance, 31 Dec 2005</b>	<b>1 725</b>	<b>1 051</b>	<b>947</b>	<b>1 859</b>	<b>-257</b>	<b>5 325</b>
Interest on capital and debenture contributions				-99		-99
Funding of contributed capital	57			-57		0
Other allocation of previous year's result				-257	257	0
Reduction of contributed capital	-3					-3
Group contribution				442		442
Tax effect on Group contribution				-124		-124
Deferred tax on interest				35		35
Profit for the year					-2	-2
<b>Closing balance, 31 Dec 2006</b>	<b>1 779</b>	<b>1 051</b>	<b>947</b>	<b>1 799</b>	<b>-2</b>	<b>5 574</b>
Interest on capital and debenture contributions				-99		-99
Funding of contributed capital	59			-59		0
Other allocation of previous year's result				-2	2	0
Reduction of contributed capital	-3					-3
Reduction in debenture contributions		-86				-86
Group contribution				128		128
Tax effect on Group contribution				-36		-36
Deferred tax on interest				33		33
Profit for the year					78	78
<b>Closing balance, 31 Dec 2007</b>	<b>1 835</b>	<b>965</b>	<b>947</b>	<b>1 764</b>	<b>78</b>	<b>5 589</b>

# Cash flow statement for KF Cooperative Society

SEK million	Note	2007	2006
<b>OPERATING ACTIVITIES</b>			
Profit after financial income and expense	27	59	-33
Adjustments for items not included in cash flow	27	-222	74
		-163	41
Tax paid			
<b>Cash flow from operating activities before changes in working capital</b>		-163	41
<b>Cash flow from changes in working capital</b>			
Increase(-)/Decrease(+) in operating receivables		447	436
Increase(+)/Decrease(-) in operating liabilities		-336	44
<b>Cash flow from operating activities</b>		-52	521
<b>Investing activities</b>			
Acquisition of subsidiaries	27	-755	
Acquisition of intangible non-current assets		-4	-1
Acquisition of tangible non-current assets		-80	-14
Sale of tangible non-current assets		223	
Investments in financial assets		-6 938	-167
<b>Cash flow from investment activities</b>		-7 554	-182
<b>Financing activities</b>			
Reduction of contributed capital		-3	-3
Reduction in debenture contributions		-86	
Change in deposits in KF Sparkassa (Savings Association)/MedMera	14	220	-6
Other change in loans		7 522	-620
Interest on capital and debenture contributions		-99	-98
Group contributions received		442	328
<b>Cash flow from financing activities</b>		7 996	-399
<b>Cash flow for the year</b>			
<b>Cash and cash equivalents at beginning of year</b>		392	-60
<b>Exchange rate difference in cash and cash equivalents</b>		222	282
<b>Cash and cash equivalents at year-end</b>	27	<b>614</b>	<b>222</b>



# Accounting policies

The Annual Report of the KF Cooperative Society and the KF Group was prepared in accordance with the Swedish Annual Accounts Act and recommendations RR1 – RR29 of the Swedish Financial Accounting Standards Council, including the associated statements from the task force.

## Consolidated accounting

The Group's year-end accounts include the parent company and all subsidiaries in which the parent company holds more than 50% of the voting rights or otherwise exerts a controlling influence.

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 value, these market values constitute the Group's acquisition value. If the acquisition value of shares in a subsidiary exceeds the calculated value upon acquisition, the value of the net assets 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 unrealised 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 a proportion of the reported profit before tax adjusted for minority interest, if 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 unre-

stricted 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 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.

Unrealised 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/amortisation 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 fixed 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 amortised 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 and in accordance with the "FIFO" method (first in, first out). 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 rate 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 costs. A provision for a future onerous contract is reported when the expected benefits that the group hopes 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. The 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% 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 write-downs.

### Comparability with previous years

In order to maintain probability between the years, certain monetary reallocations have been made to the 2006 figures.

### Adoption of the income statement and the balance sheet

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

## Changes to the Group structure during 2007

- During the autumn, a contract was signed between KF and the other owners of Coop Norden AB about the dissolution of Coop Norden, the substance of which was to dissolve the joint ownership of the company, and to return the national subsidiaries to their original owners, who would subsequently continue to run each subsidiary independently. For accounting purposes, the transaction was carried out as at 31 December 2007, whereby the 2007 result at Coop Norden is handled in its entirety as shares in the joint venture's result. At the year-end, KF owned all the shares in Coop Norden AB. The previous ownership was 42%. The holding is therefore being reclassified as shares in a Group company.
- The KF Cooperative Society has acquired all the shares in Daglivs AB, one of the country's largest food shops. The shop is located in the Kungsholmen district in central Stockholm.
- During the autumn of 2007, KF Utbildning AB (KF Education AB) acquired the Consumer Cooperative Society of Stockholm Gymnasium (upper secondary school) business in Stockholm. This is now being run under the name KF Gymnasiet.
- Akademibokhandelsgruppen AB has acquired all the shares in Wennbergs Bokhandel AB.



# Notes

## Note 1. Net sales

(SEK million)	Group	
	2007	2006
KF Cooperative Society	22 102	20 797
KF Fastigheter <sup>1)</sup>	580	541
Akademibokhandelsgruppen	1 132	1 082
Norstedts Förlagsgrupp	564	489
PAN Vision	1 249	995
Bokus	394	330
Other subsidiaries	394	371
Eliminations	-207	-171
<b>Total net sales KF Group</b>	<b>26 208</b>	<b>24 434</b>

<sup>1)</sup> Relates mainly to rentals. The amount includes SEK 64 million (75) 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.

Sales to overseas buyers are included at SEK 934 (702) million.

## Note 2. Depreciation and impairment losses

Depreciation and impairment losses of tangible and intangible fixed assets are included at the following values:

(SEK million)	Group		Parent Company	
	2007	2006	2007	2006
Cost of goods sold	-102	-87	-5	-6
Selling expenses	-44	-43	0	0
Administrative expenses	-30	-19	-3	-4
Other operating expenses	-2	-3	0	0
<b>Total</b>	<b>-178</b>	<b>-152</b>	<b>-8</b>	<b>-10</b>

### Operational leasing

The rental cost of assets financed through leasing for 2007 and the following four years amounts to:

(SEK million)	2007	2008	2009	2010	2011
<b>The KF Group</b>	<b>12</b>	<b>31</b>	<b>25</b>	<b>21</b>	<b>16</b>

The Group's cost of rented premises in 2007 totalled SEK 121 million (118). The corresponding cost in the KF Cooperative Society is SEK 10 million (9). Most of the rental contracts in the retail trade are revenue-related with varying terms and periods of notice. Rental contracts are renegotiated on an ongoing basis. As rentals for premises cannot therefore be forecast with sufficient accuracy, these are not included in leasing costs.

## Note 3. Other operating income

(SEK million)	Group		Parent Company	
	2007	2006	2007	2006
Capital gain from sale of properties	221	395	58	
Other	48	13	35	4
<b>Total of other operating income</b>	<b>269</b>	<b>408</b>	<b>93</b>	<b>4</b>

## Note 4. Participations in the earnings of associated companies

(SEK million)	Profit before taxation	
	2007	2006
Barnens Bokklubb AB	1	3
Månadens Bok HB	5	5
Other associated companies	2	1
<b>Total participations in the earnings of associated companies</b>	<b>8</b>	<b>9</b>

## Note 5. Participations in the earnings of joint ventures

(SEK million)	Profit before taxation	
	2007	2006
Coop Norden AB	100	57
Other joint ventures	3	2
<b>Total participations in the earnings of joint ventures</b>	<b>103</b>	<b>59</b>

## Note 6. Operating profit

The profit in the Group is distributed as follows:

(SEK million)	2007	2006
KF Fastigheter, operations <sup>1)</sup>	205	205
KF Fastigheter, capital gain <sup>1)</sup>	221	395
Akademibokhandelsgruppen	18	26
Norstedts Förlagsgrupp	36	33
PAN Vision	22	-38
Bokus	-28	-27
MedMera Bank	-24	-19
Shares in Coop Norden's profit	100	57
Other incl. eliminations	-193	-163
<b>Total operating profit</b>	<b>357</b>	<b>469</b>

<sup>1)</sup> The amount includes the operating profit from the agreement properties in the KF Cooperative Society.

## Note 7. Financial income and expense

(SEK million)	Group		Parent Company	
	2007	2006	2007	2006
<b>Profit from participations in group companies:</b>				
Dividends			220	0
<b>Total</b>			<b>220</b>	<b>0</b>
<b>Profit from participations in joint ventures:</b>				
Dividends			0	63
<b>Total</b>			<b>0</b>	<b>63</b>
<b>Profit from other financial non-current assets:</b>				
Dividends	58	117	1	5
Interest	3	3	2	2
Capital gains	10	37	0	0
Impairment losses	-1	-4	0	0
<b>Total</b>	<b>70</b>	<b>153</b>	<b>3</b>	<b>7</b>
<b>Other interest income and similar profit items:</b>				
Dividends	13	19	0	0
Interest	188	130	309	217
Capital gains from sale of financial current assets	68	111	0	0
<b>Total</b>	<b>269</b>	<b>260</b>	<b>309</b>	<b>217</b>
<b>Interest expenses and similar profit items:</b>				
Group companies			-88	-53
Other companies	-220	-181	-178	-118
<b>Total</b>	<b>-220</b>	<b>-181</b>	<b>-266</b>	<b>-171</b>
<b>Total financial income and expenses</b>	<b>119</b>	<b>232</b>	<b>266</b>	<b>116</b>
<b>of which profit from Group companies are included with the following:</b>				
Other interest income and similar profit items			295	213
<b>Total</b>			<b>295</b>	<b>213</b>

## Note 8. Tax

### Tax on profit for the year

(SEK million)	Group		Parent Company	
	2007	2006	2007	2006
Current tax	4	1		
Deferred tax	-60	-81	15	31
Share of taxes in joint ventures and associated companies	-52	-49		
<b>Total</b>	<b>-107</b>	<b>-129</b>	<b>15</b>	<b>31</b>

### Correlation between tax for the period and reported profit before tax

(SEK million)	Group		Parent Company	
	2007	2006	2007	2006
Reported profit before tax	476	701	60	-33
Tax at prevailing tax rate, 28% <sup>1)</sup>	-133	-196	-17	10
<i>Tax effect of non-deductible expenses:</i>				
Depreciation/impairment loss on Group goodwill	-2	-4		
Impairment losses on shares and properties	0	-1	0	0
Allocation/provision, non-deductible	-18	-7	-18	
Other non-deductible costs	-33	-6	-3	-3
<i>Tax effect of non-taxable income:</i>				
Utilisation of allocation/provision, non-deductible	16	6	8	2
Dividend on shares and participations	0		62	18
Other non-taxable income	58	9	14	1
<i>Sale of shares, properties and tenant-owner's rights:</i>				
Tax effect of sale of shares	0	87		
Tax effect of sale of properties and tenant-owner's rights	-16	-10	-17	
<i>Tax loss carry forwards utilised:</i>				
Utilisation of tax loss carryforwards not previously capitalised	78	15		
Deficit for which tax loss carryforwards have been revalued/not reported	-15	28		12
Adjustment of current tax for previous periods	-5	0		
Adjustment of deferred tax for previous periods	-12	-9	-14	-9
Adjustment for tax in associated companies and joint ventures	-22	-32		
Other, net	-3	-9		
<b>Total tax reported</b>	<b>-107</b>	<b>-129</b>	<b>15</b>	<b>31</b>

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

## Note 8. cont. Tax

### Deductible temporary difference/tax loss carryforwards that have not led to reporting of deferred tax assets

(SEK million)	Group		Parent Company	
	2007	2006	2007	2006
Tax loss carryforwards	275	486		
<b>Total</b>	<b>275</b>	<b>486</b>	<b>0</b>	<b>0</b>

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

(SEK million)	Group		Parent Company	
	2007	2006	2007	2006
<i>Deferred tax liability</i> <sup>1)</sup>				
Financial non-current assets	33	33		
Other non-current assets (incl. any untaxed reserves)	133	77		
<b>Total</b>	<b>166</b>	<b>110</b>	<b>0</b>	<b>0</b>
<i>Deferred tax asset</i>				
Other non-current assets		8		
Provisions and long-term liabilities	12			
Current assets and current liabilities		23		13
Tax loss carryforwards	934	92	112	87
<b>Total</b>	<b>946</b>	<b>123</b>	<b>112</b>	<b>100</b>
<b>Deferred tax assets, net</b>	<b>780</b>	<b>13</b>	<b>112</b>	<b>100</b>

<sup>1)</sup> 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 9. Transactions with associated parties

### Total net sales to associated companies and joint ventures

(SEK million)	Group	
	2007	2006
Associated companies	1	0
Joint ventures	395	388
<b>Total net sales to associated companies and joint ventures</b>	<b>396</b>	<b>388</b>

KF Fastigheter provides services in the field of real estate management to Coop Norden. These services comprise, for example, accounting, technical and financial management, office services, heating agreements, tenant representation and set-up support. Services are also provided in connection with major construction projects. In 2007 the provision of such services totalled SEK 19 million (19). Invoiced rentals amounted to SEK 234 million (214).

In the Media area, in 2007 Norstedts sold books to Coop Norden to the value of SEK 16 million (20). PAN Vision sold films and interactive media to Coop Norden to the value of SEK 2 million (34).

MedMera Bank provides services comprising administration and marketing in respect of the MedMera card (reward points) and card clearance transactions relating to bank cards and charge/credit cards. In 2007 the provision of such services to Coop Norden totalled SEK million 118 (100).



## Note 10. Intangible non-current assets

GROUP (SEK million)	Capitalised development expenditure	Patents, licences, trademarks and similar rights	Tenancy rights and similar rights	Goodwill	Advance payments for intangible non-current assets	Other intangible non-current assets	Total intangible non-current assets
<b>Accumulated acquisition values:</b>							
At beginning of year	392	140	1	247	0	11	791
New acquisitions	23	35	0	325	45	0	428
Divestments, scrapping, closures	-292	-4	0	-44	0	-1	-341
Reclassifications/acquired companies	210	43	24	47	22	-2	345
Exchange rate differences	0	0	0	3	0	0	3
<b>Total acquisition value</b>	<b>333</b>	<b>214</b>	<b>25</b>	<b>580</b>	<b>67</b>	<b>8</b>	<b>1 226</b>
<b>Accumulated depreciation according to plan</b>							
At beginning of year	-303	-81	0	-137	0	0	-522
Divestments, scrapping, closures	231	3	0	0	0	0	234
Reclassifications/acquired companies	-128	-32	-15	-4	0	0	-179
Depreciation for the year according to plan	-18	-27	-1	-17	0	-4	-65
Exchange rate differences	0	0	0	-1	0	0	-1
<b>Total depreciation according to plan</b>	<b>-218</b>	<b>-137</b>	<b>-16</b>	<b>-159</b>	<b>0</b>	<b>-4</b>	<b>-533</b>
<b>Accumulated impairment losses:</b>							
At beginning of year	-49	-2	0	-7	0	0	-58
Divestments, scrapping, closures	49	1	0	0	0	0	50
Reclassifications/acquired companies	-41	0	0	-16	-1	0	-58
Impairment losses <sup>1)</sup>	-3	0	0	0	0	-1	-4
Exchange rate differences	0	0	0	-2	0	0	-2
<b>Total impairment losses</b>	<b>-44</b>	<b>-1</b>	<b>0</b>	<b>-25</b>	<b>-1</b>	<b>-1</b>	<b>-72</b>
<b>Carrying amount at year-end</b>	<b>71</b>	<b>76</b>	<b>9</b>	<b>396</b>	<b>66</b>	<b>3</b>	<b>621</b>
<b>Carrying amount at beginning of year</b>	<b>40</b>	<b>57</b>	<b>1</b>	<b>102</b>	<b>0</b>	<b>11</b>	<b>211</b>

<sup>1)</sup> Of impairment losses for the year, impairment losses of -SEK 4 million are reported under administrative costs, and losses of SEK -1 million under cost of goods sold. In the previous year, SEK -4 million was reported under cost of goods sold, and reversed impairment losses of SEK 6 million under other operating expense.

PARENT COMPANY (SEK million)	Capitalised development expenditure	Advance payments for intangible non-current assets	Patents, licences, trademarks and similar rights	Total intangible non-current assets
<b>Accumulated acquisition values:</b>				
At beginning of year	5	0	2	7
Reclassifications	0	3	0	3
<b>Total acquisition value</b>	<b>5</b>	<b>3</b>	<b>2</b>	<b>10</b>
<b>Accumulated depreciation according to plan</b>				
At beginning of year	-4	0	-1	-5
Depreciation for the year according to plan	-1	0	0	-1
<b>Total depreciation according to plan</b>	<b>-5</b>	<b>0</b>	<b>-1</b>	<b>-6</b>
<b>Carrying amount at year-end</b>	<b>0</b>	<b>3</b>	<b>1</b>	<b>4</b>
<b>Carrying amount at beginning of year</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>2</b>

## Note 11. Tangible non-current assets

GROUP (SEK million)	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 con- struction in progress	Other tangible non-current assets	Total tangible non-current assets
<b>Accumulated acquisition values:</b>									
At beginning of year	2 995	573	0	0	540	0	284	0	4 392
New acquisitions, capitalised expenditure	102	92	0	0	34	0	461	0	689
Divestments, scrapping	-168	-56	0	0	-84	0	0	0	-308
Reclassifications/acquired companies	445	101	32	111	3 769	82	-454	7	4 093
<b>Total acquisition value</b>	<b>3 374</b>	<b>710</b>	<b>32</b>	<b>111</b>	<b>4 259</b>	<b>82</b>	<b>291</b>	<b>7</b>	<b>8 866</b>
<b>Accumulated depreciation according to plan:</b>									
At beginning of year	-279	-29	0	0	-280	0	0	0	-588
Divestments and scrapping	39	3	0	0	78	0	0	0	120
Reclassifications/acquired companies	-24	-6	-16	-65	-2 544	-60	0	-3	-2 718
Depreciation for the year according to plan	-34	-10	0	0	-64	0	0	0	-108
<b>Total depreciation according to plan</b>	<b>-298</b>	<b>-42</b>	<b>-16</b>	<b>-65</b>	<b>-2 810</b>	<b>-60</b>	<b>0</b>	<b>-3</b>	<b>-3 294</b>
<b>Accumulated impairment losses:</b>									
At beginning of year	-42	-3	0	0	0	0	0	0	-45
Divestments and scrapping	3	0	0	0	0	0	0	0	3
Reclassifications/acquired companies	-19	0	0	0	-42	0	0	0	-61
<b>Total impairment losses</b>	<b>-58</b>	<b>-3</b>	<b>0</b>	<b>0</b>	<b>-42</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-103</b>
<b>Carrying amount at year-end</b>	<b>3 018</b>	<b>665</b>	<b>16</b>	<b>46</b>	<b>1 407</b>	<b>22</b>	<b>291</b>	<b>4</b>	<b>5 469</b>
<b>Carrying amount at beginning of year</b>	<b>2 674</b>	<b>541</b>	<b>0</b>	<b>0</b>	<b>260</b>	<b>0</b>	<b>284</b>	<b>0</b>	<b>3 759</b>

PARENT COMPANY (SEK million)	Buildings	Land and land improvements	Equipment, tools and fixtures and fittings	New construction in progress	Total tangible non-current assets
<b>Accumulated acquisition values:</b>					
At beginning of year	250	45	75	3	373
New acquisitions, capitalised expenditure	0	0	0	6	6
Divestments, scrapping	-170	-27	-48	0	-245
Reclassifications	1	0	4	-8	-3
<b>Total acquisition value</b>	<b>81</b>	<b>18</b>	<b>31</b>	<b>1</b>	<b>131</b>
<b>Accumulated depreciation according to plan:</b>					
At beginning of year	-98	-7	-46	0	-151
Divestments and scrapping	69	7	34	0	110
Depreciation for the year according to plan	-2	0	-5	0	-7
<b>Total depreciation according to plan</b>	<b>-31</b>	<b>0</b>	<b>-17</b>	<b>0</b>	<b>-48</b>
<b>Carrying amount at year-end</b>	<b>50</b>	<b>18</b>	<b>14</b>	<b>1</b>	<b>83</b>
<b>Carrying amount at beginning of year</b>	<b>152</b>	<b>38</b>	<b>29</b>	<b>3</b>	<b>222</b>

Tax assessment values (SEK million)	Group		Parent Company	
	2007	2006	2007	2006
Buildings	1 709	1 250	51	115
Land and land improvements	802	453	36	47
<b>Total</b>	<b>2 511</b>	<b>1 703</b>	<b>87</b>	<b>162</b>

## Note 11, cont **Tangible non-current assets**

### Investment properties – fair values and changes in fair values<sup>1)</sup>

	Group		Parent Company	
(SEK million)	2007	2006	2007	2006
At beginning of year	5 135	4 897	508	454
New acquisitions	119	30		
Investments in properties	441	423	2	11
Divestments	-276	-540	-316	
Change in value	611	326	-3	43
<b>At year-end</b>	<b>6 030</b>	<b>5 135</b>	<b>191</b>	<b>508</b>

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 primarily through cash flow calculations, in which the property's future net operating profit and estimated residual values are assessed at current value.

– In some cases the location price method was used, where sales of equivalent properties on the market are used as a basis for the value assessment.

### Effect of investment properties on profit for the period<sup>1)</sup>

GROUP	Rental income		Net operating profit		Direct yield	
(SEK million)	2007	2006	2007	2006	2007	2006
Malls	420	363	269	234	6,5%	6,6%
Supermarkets	16	14	13	12	7,1%	7,9%
Storage and distribution	27	44	25	36	14,9%	13,8%
Development/retail	15	11	7	7	3,1%	4,0%
Development/non-retail	1	1	-2	-2	-3,0%	-3,1%
Other	11	12	8	7	9,5%	4,4%
<b>Total</b>	<b>490</b>	<b>445</b>	<b>320</b>	<b>294</b>	<b>7,7%</b>	<b>6,7%</b>

PARENT COMPANY	Rental income		Net operating profit		Direct yield	
(SEK million)	2007	2006	2007	2006	2007	2006
Storage and distribution		37		32		14,8%
Development/retail	3	7	1	5	0,5%	4,6%
Other	9	10	7	6	9,8%	5,1%
<b>Total</b>	<b>12</b>	<b>54</b>	<b>8</b>	<b>43</b>	<b>4,1%</b>	<b>9,6%</b>

Direct costs of unlet floor space in the Group amount to SEK 16.3 million (14.5), most of which pertains to floor space in properties for shopping malls and development/retail properties under construction. For the KF Cooperative Society, the direct costs for unlet floor space total SEK 1.6 million (0.5). This cost relates to development/retail properties

<sup>1)</sup>Certain properties, hitherto classified as investment properties, will be reclassified from the start of 2008 as owner-occupied properties. This applies to the properties where Coop Sverige carries on business.

### Financial leasing

Coop Sverige, as of 31 Dec 2007 a subsidiary of KF, has financial leasing contracts for trucks and trailers, and also for a small proportion of shop inventories. The leasing 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 9-6 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 (excl. moms (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.

	Group				Parent Company			
Maturity dates for future lease charges	Minimum lease charges		Present value of minimum lease charges		Minimum lease charges		Present value of minimum lease charges	
(SEK million)	2007	2006	2007	2006	2007	2006	2007	2006
Maturity dates within one year	7		6		0		0	
Maturity dates for years 2-5	2		2		0		0	



## Note 12. Financial non-current assets

GROUP (SEK million)	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
<b>Accumulated acquisition values:</b>								
At beginning of year	110	9	2 249	23	253	13	270	2 927
Additional assets/receivables during the year	0	0	65	0	103	-26	-8	134
Less assets/ receivables settled	0	0	0	-16	-67	-16	-53	-152
Reclassifications/acquired companies	81	0	-2 257	0	11	809	69	-1 287
Effect of change in accounting policies			-11					-11
Exchange rate differences	0	0	20	0	0	0	1	21
<b>Total acquisition value</b>	<b>191</b>	<b>9</b>	<b>66</b>	<b>7</b>	<b>300</b>	<b>780</b>	<b>277</b>	<b>1 632</b>
<b>Accumulated impairment losses:</b>								
At beginning of year	-1	0	0	0	-115	0	-2	-118
Reclassifications/acquired companies	0	0	0	0	0	0	2	2
Impairment losses for the year	0	0	0	0	0	0	-1	-1
<b>Total impairment losses</b>	<b>-1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-115</b>	<b>0</b>	<b>-1</b>	<b>-119</b>
<b>Carrying amount at year-end</b>	<b>190</b>	<b>9</b>	<b>66</b>	<b>7</b>	<b>185</b>	<b>780</b>	<b>276</b>	<b>1513</b>
<b>Carrying amount at beginning of year</b>	<b>109</b>	<b>9</b>	<b>2249</b>	<b>23</b>	<b>138</b>	<b>13</b>	<b>268</b>	<b>2809</b>

PARENT COMPANY (SEK million)	Participating interests in Group companies	Participating interests in associated companies	Receivables from Associated companies	Participating interests in Joint ventures	Other long- term holdings of securities	Deferred tax receivables	Other long- term receivables	Total financial non-current assets
<b>Accumulated acquisition values:</b>								
At beginning of year	3 456	6	9	2 615	17	100	41	6 244
Additional assets/receivables during the year	7 302	0	0	0	0	12	0	7 313
Less assets/ receivables settled	0	0	0	0	0	0	-3	-3
Reclassifications	2 615	0	0	-2 615	0	0	0	0
<b>Total acquisition value</b>	<b>13 373</b>	<b>6</b>	<b>9</b>	<b>0</b>	<b>17</b>	<b>112</b>	<b>38</b>	<b>13 555</b>
<b>Accumulated impairment losses:</b>								
At beginning of year	-658	-3	0	-336	0	0	0	-997
Reclassifications	-336	0	0	336	0	0	0	0
<b>Total impairment losses</b>	<b>-994</b>	<b>-3</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-997</b>
<b>Carrying amount at year-end</b>	<b>12 379</b>	<b>3</b>	<b>9</b>	<b>0</b>	<b>17</b>	<b>112</b>	<b>38</b>	<b>12 558</b>
<b>Carrying amount at beginning of year</b>	<b>2 798</b>	<b>3</b>	<b>9</b>	<b>2 279</b>	<b>17</b>	<b>100</b>	<b>41</b>	<b>5 247</b>

## Note 13. Current receivables

(SEK million)	Group		Parent Company	
	2007	2006	2007	2006
Trade and other receivables	1 333	702	2	288
Lending, MedMera	170	143		
Other receivables	862	574	121	8
Prepayments and accrued income	509	284	3	12
Current account receivables, external	6	7	6	7
Receivables from associated companies	0	2	0	2
Receivables from joint ventures	50	96	0	1
Receivables from Group companies			3 455	3 583
Current account receivables, Group companies			2 741	2 553
<b>Total current receivables</b>	<b>2 930</b>	<b>1 808</b>	<b>6 328</b>	<b>6 454</b>
<i>Prepayments and accrued income comprise:</i>				
Prepaid rentals	77	38	0	9
Other	432	246	3	3
<b>Total</b>	<b>509</b>	<b>284</b>	<b>3</b>	<b>12</b>

## Note 14. Deposits from and lending to Coop MedMera card holders

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 15. Short-term investments

(SEK million)	Group		Parent Company	
	2007	2006	2007	2006
Bank investments		734		
Bonds and certificates	3 553	3 536		
Shares and participations	1 037	1 118		
<b>Total short-term investments</b>	<b>4 590</b>	<b>5 388</b>	<b>0</b>	<b>0</b>

## Note 16. Equity

KF's statutes state that each member must pay a minimum contribution of SEK 10,000. When a surplus is reported, 2/3 of this is transferred to the member's contribution account as a return. 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 17. Untaxed reserves

PARENT COMPANY (SEK million)	At year- year	Balance sheet appropriations	At year- end
Accumulated additional depreciation, properties	8	-3	4

## Note 18. 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 19. 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 million)	2007	2006
Expenses relating to service during current period	-18	-23
Interest expense	-27	-25
Expected return on managed assets	33	32
Actuarial profits/losses, net		-2
<b>Total</b>	<b>-12</b>	<b>-18</b>

The actual return on managed assets during the year was 4.0% (7.5).

### Provision for pensions

GROUP (SEK million)	2007	2006
Funded pension plans are reported as long-term receivables	151	94
<b>Total</b>	<b>151</b>	<b>94</b>

### Reconciliation of balance sheet

GROUP SEK million	2007	2006
Net debt at beginning of year	94	100
Net expense posted in the income statement	-12	-18
Fees paid in	16	12
Divestments/re-classifications	53	
<b>Net interest-bearing receivables/liabilities at year-end<sup>1)</sup></b>	<b>151</b>	<b>94</b>

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

### Commitments

GROUP (SEK million)	2007	2006
Current value of wholly or partly funded obligations	-3 250	-792
Fair value of managed assets	3 187	825
Net value	-63	33
Unreported actuarial profits and obligations	214	61
<b>Net debt at end of year</b>	<b>151</b>	<b>94</b>

### Significant actuarial assumptions

GROUP (%)	Sweden 2007	Sweden 2006
Discount rate	4,4%	3,7%
Expected return on managed assets <sup>1)</sup>	4,8%	4,1%
Expected pay increase	3,0%	3,0%
Expected inflation	2,0%	2,0%

<sup>1)</sup> 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 20. Provisions

GROUP (SEK million)	Pensions <sup>1)</sup>	Warranty commitments	MedMera rewards <sup>2)</sup>	Restructuring costs <sup>3)</sup>	Other provisions	Total provisions
<b>At beginning of year</b>	<b>1</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>62</b>	<b>65</b>
Provisions for the year	0	0	0	0	3	3
Acquired companies	0	0	0	0	6	6
Provisions released	0	0	0	0	-10	-10
Divestments/re-classifications	30	8	69	225	0	332
Provisions reversed	0	0	0	0	-25	-25
<b>At year-end</b>	<b>31</b>	<b>8</b>	<b>71</b>	<b>225</b>	<b>36</b>	<b>371</b>

PARENT COMPANY (SEK million)	Other provisions	Total provisions
<b>At beginning of year</b>	<b>12</b>	<b>12</b>
<b>At year-end</b>	<b>12</b>	<b>12</b>

<sup>1)</sup> See also Note 19 regarding benefit-based pension plans.

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

<sup>3)</sup> Relates to provisions made in Coop Norden, particularly for staff cutbacks as well as restructuring and closing down shops.

## Note 21. Pledged assets

(SEK million)	Group		Parent Company	
	2007	2006	2007	2006
<b>For own benefit:</b>				
<i>Collateral pledged for liabilities</i>				
Property mortgages	12	12		
<i>Total collateral pledged for liabilities</i>	12	12		
<i>Collateral pledged for unutilised bank overdraft facilities:</i>				
Corporate mortgages	16	23		
<i>Collateral pledged for purposes other than debt:</i>				
Corporate mortgages	74	78		
Other collateral pledged	101	134	0	0
<i>Total collateral pledged for purposes other than debt</i>	175	212	0	0
<b>Total collateral pledged</b>	<b>203</b>	<b>247</b>	<b>0</b>	<b>0</b>

KF Invest Förvaltning AB has lodged a custody account, containing interest-bearing instruments to a value of SEK 1,738 million (1,523), as security for a guarantee of SEK 1,700 million that was issued by Swedbank in favour of MedMera Bank AB.

## Note 22. Long-term liabilities

(SEK million)	Group		Parent Company	
	2007	2006	2007	2006
<i>Deposits from members:</i>				
5-year loan <sup>1)</sup>	225	185	225	185
<i>Total deposits from members</i>	225	185	225	185
<i>Other long-term liabilities: <sup>2)</sup></i>				
Liabilities to credit institutions	20	10	0	0
<b>Total long-term liabilities</b>	<b>245</b>	<b>195</b>	<b>225</b>	<b>185</b>

<sup>1)</sup> The portion of KF's 5-year loans that falls due after more than one year. See also Note 23 for information regarding members' deposits.

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

## Note 23. Current liabilities

(SEK million)	Group		Parent Company	
	2007	2006	2007	2006
<i>Deposits from members:</i> <sup>1)</sup>				
Sparkassa (Savings Association)	3 728	3 556	3 728	3 556
5-year loans	212	222	212	222
<b>Total deposits from members</b>	<b>3 940</b>	<b>3 778</b>	<b>3 940</b>	<b>3 778</b>
<i>Other current liabilities:</i>				
Deposits, MedMera	1 400	1 354	0	0
Liabilities to credit institutions	14	0	0	0
Advance payments from customers	29	36	2	2
Trade and other payables	3 040	582	22	130
Liabilities to Group companies			333	105
Liabilities to joint ventures	0	470	0	215
Current account liabilities, external	863	720	863	720
Tax liabilities	6	4	0	0
Other liabilities	2 304	521	6 671	184
Accruals and deferred income	1 794	745	52	47
Current account liabilities, Group companies			1 858	1 171
<b>Total other current liabilities</b>	<b>9 450</b>	<b>4 432</b>	<b>9 801</b>	<b>2 574</b>
<b>Total current liabilities</b>	<b>13 390</b>	<b>8 210</b>	<b>13 741</b>	<b>6 352</b>
<i>Accruals and deferred income comprise:</i>				
Personnel-related costs	843	141	5	5
Premium reserve in insurance activities	212	174		
Goods delivered but not yet invoiced	152	3	3	0
Other	587	427	44	42
<b>Total</b>	<b>1 794</b>	<b>745</b>	<b>52</b>	<b>47</b>

<sup>1)</sup> 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 24. 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 the year-end was SEK 4,878 million (5,645).

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 million)	Book value <sup>1)</sup>		Fair value <sup>2)</sup>	
	2007	2006	2007	2006
<b>Assets:</b>				
Unquoted shares	30	19	30	19
Holding in venture capital companies	179	131	179	131
Shares and share funds	474	529		
Bonds	3 101	3 074		
Financial assets with absolute yield targets	563	590		
Certificates	452	462		
Investments in banks and other short-term, interest-bearing instruments	0	734		
<b>Total</b>	<b>4 590</b>	<b>5 389</b>	<b>4 699</b>	<b>5 514</b>
Lending, MedMera	170	143	170	143
Cash and bank balances	2 725	372	2 725	372
Other interest-bearing assets	263	210	263	210
<b>Total assets</b>	<b>7 957</b>	<b>6 264</b>	<b>8 066</b>	<b>6 389</b>
<b>Liabilities:</b>				
Sparkassa (Savings Association)	4 165	3 963	4 165	3 963
Deposits, MedMera	1 400	1 354	1 400	1 354
Other interest-bearing liabilities	2 340	757	2 340	757
<b>Total liabilities</b>	<b>7 905</b>	<b>6 074</b>	<b>7 905</b>	<b>6 074</b>

<sup>1)</sup> Book values includes accrued interest.

<sup>2)</sup> 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.

### Off-balance sheet financial instruments:

(SEK million)	Fair value	
	2007	2006
Currency futures	-0,6	-0,7
Interest rate swaps	-1,1	-0,4
<b>Total</b>	<b>-1,7</b>	<b>-1,1</b>

### 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, on behalf of KF's Finance Department (KF Finans). KF Finans 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% of the value of the asset portfolio, i.e. SEK 488 million. At the year-end, KF Finans had a short position in EUR against SEK, and a long position in JPY against GBP, giving a net exposure of SEK 69 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 Finans by means of internal Group transactions, which KF Finans in turn hedges against external counterparties.

## Note 24, cont. Financial instruments and financial 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.

### Outstanding currency contracts as at 31 December 2007:

(SEK million)		2008	2009	Subsequent years
Sell	EUR	207		
Sell	GBP	23		
Sell	USD	517		
<b>Sell total</b>		<b>747</b>	<b>0</b>	<b>0</b>
Buy	EUR	24		
Buy	JPY	2 512		
<b>Buy total</b>		<b>2 536</b>	<b>0</b>	<b>0</b>
<b>Net</b>		<b>-1 789</b>	<b>0</b>	<b>0</b>

### Translation exposure

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 the year-end the duration was 1.99 years (1.79), which corresponds to an interest rate risk relative to the benchmark of SEK 6.3 million (0.6), (calculated as a 1% 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 that the value of financial instruments varies due to changed market prices. In KF's asset management activities, at the year-end KF held quoted shares and shares in funds with absolute yield targets with a market value of SEK 1,037 million (1,276). The shares are managed partly by external managers, partly by KF Finans. KF also had SEK 209 million (150) in venture capital companies and unquoted shares, of which SEK 179 million (131) 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 2007 the Group's liquid assets totalled SEK 6,279 million (4,642). Liquidity is managed as part of asset management.

A liquidity shortage may arise within KF due to unforeseen withdrawals from KF Sparkassa, MedMera 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 the year-end KF had bank credits of SEK 150 million (100), which were only used to a limited extent during the year. In addition, as a temporary solution at the year-end, there were bank credits in the Coop Norden group of SEK 1,200 million.

### 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 2007 was with Statshypotek AB. The market value totalled SEK 1,146 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 only conducted 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 25. Contingent liabilities

(SEK million)	Group 2007	2006	Parent Company 2007	2006
<i>For own benefit:</i>				
Guarantees	11	0	0	0
Other	22	20	20	20
<i>For the benefit of subsidiaries:</i>				
Other			8	6
<i>For the benefit of associated companies:</i>				
Other	27	27	27	27
<i>For the benefit of joint ventures:</i>				
Guarantees	0	72	0	0
<b>Total</b>	<b>60</b>	<b>119</b>	<b>55</b>	<b>53</b>

In some cases KF has provided guarantees for delivery and rental commitments in subsidiaries. To guarantee a small number of pension commitments, endowment policies have been taken out and pledged to the benefit of pension holders.

## Note 26. Fees and remuneration to auditors

(SEK million)	Group 2007	2006	Parent Company 2007	2006
Audit assignments, KPMG	5	4	1	1
Other assignments, KPMG	2	2	1	1
<b>Total</b>	<b>7</b>	<b>6</b>	<b>2</b>	<b>2</b>



## Note 27. Cash flow information

### Interest paid and dividends received

	Group		Parent Company	
(SEK million)	2007	2006	2007	2006
Dividends received	73	203	221	68
Interest received	191	133	311	219
Interest paid	-223	-142	-261	-169
<b>Net</b>	<b>41</b>	<b>194</b>	<b>271</b>	<b>118</b>

### Adjustments for items not included in cash flow

	Group		Parent Company	
(SEK million)	2007	2006	2007	2006
Less participations in earnings in associated companies/joint ventures <sup>1)</sup>	-111	-69		
Dividends received from associated companies/joint ventures	1	67		63
Expected dividends from subsidiaries			-220	
Depreciation and impairment losses of assets	179	156	8	11
Capital losses from sale of non-current assets	-204	-133	-10	
Capital losses on sale of operations/subsidiaries	-27	-299		
Other provisions	-20	35	0	0
<b>Total</b>	<b>-182</b>	<b>-243</b>	<b>-222</b>	<b>74</b>

<sup>1)</sup> Excluding capital gains/losses from divestments of associated companies/joint ventures.

### Acquisition of subsidiaries and other business units <sup>2)</sup>

	Group		Parent Company	
(SEK million)	2007	2006	2007	2006
<i>Acquired assets and liabilities:</i>				
Intangible non-current assets	403	39		
Tangible non-current assets	1 355	5		
Financial instruments	152			
Inventories	2 195	19		
Operating assets	1 356	5		
Cash and cash equivalents	2 044	2		
<b>Total assets</b>	<b>7 505</b>	<b>70</b>	<b>0</b>	<b>0</b>
Minorities	25			
Provisions	331	1		
Loans	25			
Operating liabilities	3 942	30		
<b>Total minorities, liabilities and provisions</b>	<b>4 323</b>	<b>31</b>	<b>0</b>	<b>0</b>
Purchase price	1 795	38	755	
Less: Vendor's mortgages	-1 424			
Purchase price paid	372	38	755	0
Less: Cash and cash equivalents in the acquired operation	-2 044	-2	0	0
<b>Effect on cash and cash equivalents</b>	<b>-1 672</b>	<b>36</b>	<b>755</b>	<b>0</b>

<sup>2)</sup> The acquisition of subsidiaries includes effects that has arisen in conjunction with the dissolution of Coop Norden, which was previously reported as a holding in a joint venture. This also includes the acquisition of Daglvis AB and Wennbergs Bokhandel AB.

### Disposal of subsidiaries and other business units <sup>1)</sup>

	Group		Parent Company	
(SEK million)	2007	2006	2007	2006
<i>Divested assets and liabilities:</i>				
Tangible non-current assets		96		
Cash and cash equivalents	1			
<b>Total assets</b>	<b>1</b>	<b>96</b>	<b>0</b>	<b>0</b>
<b>Total liabilities and provisions</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Sales price	28	347		
Purchase price received	28	347	0	0
Less: Cash and cash equivalents in the operation disposed of	-1	0	0	0
<b>Effect on cash and cash equivalents</b>	<b>27</b>	<b>347</b>	<b>0</b>	<b>0</b>

### Cash and cash equivalents

	Group		Parent Company	
(SEK million)	2007	2006	2007	2006
<i>The following components are included in cash and cash equivalents:</i>				
Cash and bank balances	2 725	372	614	222
Short-term investments, equivalent to liquid assets <sup>3)</sup>	3 554	4 270		
<b>Total</b>	<b>6 279</b>	<b>4 642</b>	<b>614</b>	<b>222</b>

<sup>3)</sup> Excluding shares and participations, which are included under short-term investments reported in the consolidated balance sheet.

### Transactions that do not involve payments

	Group		Parent Company	
(SEK million)	2007	2006	2007	2006
Vendor's mortgage issued on the acquisition of shares in Coop Norden AB	1 424			

### Change in net debt

	Group		Parent Company	
(SEK million)	2007	2006	2007	2006
Net debt at beginning of year	-146	190	-457	-115
Taking on new interest-bearing liabilities	374		7 743	
Amortisation of interest-bearing liabilities		-52		-626
Other changes in interest-bearing liabilities	1 456	-5	23	
Changes in provisions for pensions	30	0		
Investments in new interest-bearing assets		-150	341	-104
Divestment/reduction of interest-bearing assets	-195			
Other changes in interest-bearing assets	129	-3	-442	328
Change in cash and cash equivalents	-1 637	-126	-392	60
<b>Net debt at end of year</b>	<b>11</b>	<b>-146</b>	<b>6 816</b>	<b>-457</b>

## Note 28. Employees and salaries

Average number of employees	Group		Parent Company	
	2007	2006	2007	2006
Women	717	694	18	18
Men	499	481	18	18
<b>Total</b>	<b>1 216</b>	<b>1 175</b>	<b>36</b>	<b>36</b>
<i>Of which working abroad:</i>				
Europe:				
Women	41	27		
Men	87	82		
<b>Total Europe</b>	<b>128</b>	<b>109</b>		
<i>Total abroad:</i>				
Women	41	27		
Men	87	82		
<b>Total abroad</b>	<b>128</b>	<b>109</b>		

Salaries and remuneration (SEK million)	Group		Parent Company	
	2007	2006	2007	2006
Group Board and President	29	23	7	6
Other	444	370	28	25
<b>Total</b>	<b>473</b>	<b>393</b>	<b>35</b>	<b>31</b>
<i>Of which working abroad:</i>				
Europe:				
Group Board and President	4	4		
Other	39	31		
<b>Total Europe</b>	<b>43</b>	<b>35</b>		
<i>Total abroad:</i>				
Group Board and President	4	4		
Other	39	31		
<b>Total abroad</b>	<b>43</b>	<b>35</b>		

Social costs (SEK million)	Group		Parent Company	
	2007	2006	2007	2006
Social costs	221	203	24	35
<i>Of which pension costs for:</i>				
Group Board and President	9	7	3	1
Other	66	59	10	13

Gender distribution in executive management	Group		Parent Company	
	2007	2006	2007	2006
Proportion of women:				
The Board of Directors	29%	30%	55%	36%
Other senior executives	31%	44%	30%	20%

Absence due to illness, parent company		
%	2007	2006
Absence due to illness as a proportion of normal hours worked	1,4%	1,6%
Absence due to illness, 60 days or more	0,6%	0,2%
<i>Absence due to illness, by gender:</i>		
Men	0,5%	0,5%
Women	2,3%	2,7%
<i>Absence due to illness, by age category:</i>		
Aged 29 or under	3,7%	0,0%
30–49	0,7%	0,7%
50 or over	2,2%	2,5%

The Board was paid a total fee, in accordance with the General Meeting's decision, of SEK 1,330 thousand (1,112), of which the Chair, in accordance with the Board's decision, received SEK 350 thousand (333). In addition to this, in accordance with a special decision, the Chair received fixed remuneration of SEK 409 thousand (391). An annual pension provision is made for the Chair of 35% of total remuneration.

The President, Lars Idermark, was paid a salary of SEK 4,287 thousand (4,106). The retirement age is 62. An annual pension provision is made of 35% 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.

## Note 29. Shares and participations<sup>1)</sup>

Company (SEK 000s)	Corporate registration number	Registered office	Holding, %	Number of shares participations	Book value
<b>Shares and participations in subsidiaries/ second tier subsidiaries</b>					
<b>KF Cooperative Society</b>					
Coop Norden AB	556585-8585	Stockholm	100	612 500	8 802 912
Coop Sverige AB	556030-5921	Stockholm	100		
KF Fastigheter AB (Real Estate)	556033-2446	Stockholm	100	100 000	1 112 219
Bopec Progress AB	556189-4592	Stockholm	100		
Fastighets AB Kvarnholmen	556001-2477	Stockholm	100		
Fastighets AB Partille 11	556518-4354	Stockholm	100		
KF Centrumfastigheter AB	556405-6405	Stockholm	100		
KF Stormarknadsfastigheter AB	556409-2533	Stockholm	100		
KF Supermarktfastigheter AB	556090-0366	Uppsala	100		
Kvarn AB Juvel	556024-4815	Gothenburg	100		
Stockholms Dykeri AB	556001-9092	Stockholm	100		
Holmenkvarnen 2 AB	556710-3212	Stockholm	100		
KF Invest AB	556027-5488	Stockholm	100	800 000	1 194 372
KF Invest Förvaltning AB	556174-7717	Stockholm	100		
Daglivs AB	556274-7773	Stockholm	100	1 000	338 271
MedMera Bank AB	556091-5018	Stockholm	100	3 000 000	312 240
Akademibokhandelsgruppen AB	556046-8448	Stockholm	100	15 000	178 068
Norstedts Förlagsgrupp AB	556045-7748	Stockholm	100	17 000	120 291
PAN Vision Holding AB	556531-8879	Stockholm	100	100	94 391
PAN Vision Publishing AB	556592-2480	Stockholm	100		
PAN Vision Distribution AB	556571-8219	Stockholm	79		
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
Bokus AB	556538-6389	Lund	100	707 000	10 494
AB Tidningen Vi	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 Föreningsrevision AB (Society Audit)	556198-2330	Stockholm	100	1 000	100
Other and dormant companies					151 383

### Total subsidiaries, KF Cooperative Society

**12 378 962**

Company (SEK 000s)	Corporate registration number	Registered office	Holding, %	Number of shares participations	Book value Parent Company	Share of equity in Group
<b>Associated companies</b>						
<b>KF Cooperative Society</b>						
<i>Direct ownership</i>						
Kooperativa Institutet (Cooperative Institute), Cooperative Society	716421-4186	Stockholm	49	21	450	450
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 direct ownership

**2 672**
**2 423**

### *Indirect ownership*

Coop Norden Trading A/S	20 406 194		33			81 056
Stenungstorgs Fastighets AB	556462-9854	Stenungsund	30			89 000
Månadens Bok HB	902003-8106		30			5 475
Böckernas Klubb med journalen AB	556317-0629	Stockholm	43	7 658		3 952
Barnens Bokklubb AB	556103-0445	Stockholm	50	1 525		4 619
Other associated companies						3 084

### Total indirect ownership

**187 186**

### Total associated companies, KF Group

**189 609**

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

## Note 29, cont. **Shares and participations**

Company (SEK 000s)	Corporate registration number	Registered office	Holding, %	Number of shares participations	Book value Parent Company	Share of equity in Group
<b>Joint ventures</b>						
<i>Indirect ownership</i>						
Kvarnholmen utveckling AB	556710-5514		50			65 471
Other joint ventures						210
<b>Total indirect ownership</b>						<b>65 681</b>
<b>Total joint ventures, KF Group</b>						<b>65 681</b>

Company (SEK 000s)	Corporate registration number	Registered office	Holding, %	Number of shares participations	Book value
<b>Other companies</b>					
<i>Holding in KF Cooperative Society:</i>					
Riksbyggen ekonomisk förening (Cooperative Society)	702001-7781	Stockholm	3	30 140	15 070
Bilda Förlag F&D, ekonomisk förening	702000-2601	Stockholm	11	5 250	1 028
Other holdings					1 236
<b>Total other companies in KF Cooperative Society</b>					<b>17 334</b>
<i>Holdings by subsidiaries</i>					
Baltic Rim Fund		Jersey	24	20 000	152
Litorina kapital 1998 KB	969653-7555	Stockholm	22		3 894
Other holdings					163 422
<b>Total holdings of subsidiaries<sup>1)</sup></b>					<b>167 468</b>
<b>Total other companies in KF Group</b>					<b>184 802</b>

<sup>1)</sup> Additional investment commitments in venture capital funds total SEK 209 million (295).

Stockholm, 7 March 2008

Nina Jarlbäck <i>Chair</i>	Maj-Britt Johansson Lindfors	Eva Calderon
Hans Eklund	Sune Dahlqvist	Doris Forsell Gustafsson
Ingrid Karlsson	Göran Lindblå	Mats Lundquist
Anders Stake	Jeanette Franzén	
	Lars Idermark <i>President</i>	



# 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 and the President of the Swedish Cooperative Union (KF) Cooperative Society for the year 2007. The Board and the President are responsible for the accounting documents and administration, and for ensuring that the Swedish Annual Accounts Act is applied in drawing up the annual accounts and the consolidated accounts. It is our responsibility to express an opinion on the annual accounts, the consolidated accounts and the administration on the basis of our audit.

The audit was conducted in accordance with accepted auditing practice in Sweden. This means that we planned and conducted the audit with the aim of assuring ourselves to a high but not absolute level of certainty that the annual accounts and the consolidated accounts do not contain any material errors. An audit involves inspecting a selection of sources of underlying information relating to amounts and other information in the accounting documents. An audit also involves checking the accounting policies used and their application by the Board of Directors and the President, as well as assessing the significant estimates made by the Board of

Directors and the President when drawing up the annual accounts and the consolidated accounts, and evaluating all the information in the annual accounts and the consolidated accounts. As a basis for our statement on discharge from liability we have reviewed material decisions, measures and relationships in the society so that we could determine whether any member of the Board or the President is liable for compensation to the Union. We have also checked whether any member of the Board or the President has in any other way acted in breach of the Swedish Associations Act, the Swedish Annual Accounts Act or the Union's statutes. We believe that our audit has provided a reasonable basis to make our statements as expressed below.

The annual accounts and the consolidated accounts have been produced pursuant to Swedish Annual Accounts Act, and provide a true and fair view of the Union's and the Group's financial results and status in accordance with accepted accounting practice in Sweden. The Directors' Report is consistent with the other sections of the annual accounts and the consolidated accounts.

We recommend that the General Meeting adopt the income statement and the balance sheet for the Union and for the Group, deal with the profit as proposed in the Directors' Report, and approve the Board's and the President's discharge from liability for the financial year.

Our auditor's report was submitted on 7 March 2008.

Bertil Hammarstedt

Bo Wibäck

KPMG Bohlins 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:*

- ☐ THE EQUITY/ASSETS RATIO is calculated as the sum of reported equity, guarantee capital, debenture loans and minority equity as a percentage of total assets.
- ☐ THE 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 net profit before interest expense and exchange rate differences on financial liabilities as a percentage of average capital employed.
- ☐ THE 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 net profit after tax as a percentage of average reported equity.

		2007	2006	2005	2004	2003
Equity/assets ratio	%	<b>31,7</b>	42,9	42,3	40,2	36,4
Debt/equity ratio	multiple	<b>0,00</b>	-0,02	0,03	0,01	0,40
Return on capital employed	%	<b>5,2</b>	7,2	7,3	11,0	4,0
Interest coverage ratio	multiple	<b>3,2</b>	4,9	6,0	8,9	2,4
Return on equity after tax	%	<b>5,8</b>	9,4	9,8	18,6	9,2

## *Definitions of other key ratios that are calculated for KF Fastigheter (Real Estate).*

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

# The Board of Directors



*Nina Jarlbäck*



*Göran Lindblå*



*Eva Calderon*



*Sune Dahlqvist*



*Hans Eklund*



*Doris Forsell Gustafsson*

## Nina Jarlbäck 1946

Chair of KF's Board since 2002, Board member since 1995.  
Chair of the Board at Konsumentföreningen Svea, Chair 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, and Chair of Coop Norden AB.

## Göran Lindblå 1954

Deputy Chair of KF's Board since 2007, Board member since 1999.  
President and CEO of OK Cooperative Society.  
Journalist.  
Former Chair of the Board of KP Pension & Försäkring, executive Chair of the Board of OKQ8 AB, Deputy Chair of the Board of KFO, Board member at the Cooperative Institute and Deputy Chair of Folksam Sak.

## Eva Calderon 1944

Board member since autumn 2005.  
Employees' representative, Commercial Employees' Union.  
Senior Board member of Commercial Employees' Union.  
Board member at Liseberg AB.

## Sune Dahlqvist 1948

Board member since 2006.  
Chair of the Board of the Stockholm Consumer Cooperative Society.  
Negotiation Consultant for Tenants' Association, Stockholm Region (former Head of Negotiations 1996-2005).

## Hans Eklund 1954

Board member since 1997.  
Deputy Chair of the Board of 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.

## Doris Forsell Gustafsson 1951

Board member since September 2007.  
Chair of the Board of the Kristianstad-Blekinge Consumer Cooperative Society.  
Electronics engineer and internal auditor at Orbit One in Ronneby AB.



Jeanette Franzén



Rose-Marie Johansson



Ingrid Karlsson



Maj-Britt Johansson Lindfors



Mats Lundquist



Anders Stake

Chair in Metall at Orbit One i Ronneby AB, Board member at Orbit One AB, IF Metall avd.45 Östra Blekinge och Bromölla Möbelaffär AB and lay assessor at Hovrätten (Court of Appeal) over Skåne and Blekinge.

#### Jeanette Franzén 1972

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

#### Rose-Marie Johansson 1959

Deputy member since autumn 2005.  
Employees' representative, Commercial Employees' Union.  
Sales assistant, Coop Konsum Nora.

#### Ingrid Karlsson 1959

Board member since 2004.  
Board member at Väst Consumer Cooperative Society.  
Cleaning Manager, Sahlgrenska University Hospital, Gothenburg.

#### Maj-Britt Johansson Lindfors 1950

Board member since 2006.  
Chair of the Board of 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.  
Deputy Chair of the Board of the Stockholm Consumer Cooperative Society.  
M.Sc. (Econ).  
Senior Consultant at Ipsos Sweden AB.

#### Anders Stake 1956

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



# Group Management

## Lars Idermark 1957

President and CEO.

Employed at KF since 2005.

Qualified as agronomist, with university studies in Business Economics, Economics and Law. Former President and CEO at LRF Holding AB, Deputy MD at Föreningsbanken, Acting President and CEO at FöreningsSparbanken, Deputy MD of Capio AB and MD of Andra AP-fonden.



## Gunnar Ahlström 1957

MD, Akademibokhandelsgruppen AB.

Employed at KF since 1997.

M.Sc. (Econ).

Former Director of Marketing at Norstedts Förlag, MD of Norstedts Förlag and Deputy MD of KF Media.



## Maria Hamrefors 1956

MD, Norstedts Förlagsgrupp AB.

Employed at KF since 2007.

Studies in International Economics at Göteborg University.

Previously senior executive posts in the Thomson Group, MD, Thomson Fakta, business sector manager at Sweet & Maxwell Ltd, London, and MD and Group Chief Executive at Liber AB.



## Johnny G. Capor 1966

CFO

Employed at KF since 2006.

MBA Corporate Finance, B.Sc. Innovation Engineering & Economics.

Formerly at Price Waterhouse Corporate Finance, Stockholm and London, MD of Possio AB, Head of Nordic Region and Corporate Finance at Libertas Capital in London.



## Ivar Fransson 1957

MD, MedMera Bank AB.

Employed at KF since 2000.

University studies in Economics and Law.

Former advisor on new cooperation at KOOP, Head of KoopService Föreningsbanken, Business and Market Development manager at Föreningsbanken, and Marketing Manager at FöreningsSparbanken.



## Bernt-Olof Gustavsson 1960

MD, KF Fastigheter AB.

Employed at KF since 2000.

M.Sc. (Engineering).

Formerly Property Manager at Fastighets AB Viggen and Business Area Manager at Fastighets AB Förvaltaren.



### Pär Jansson 1957

Head of KF Detaljhandelsutveckling (Retail Trade Development).

Employed at KF since 2006.

Commercial qualification and studies in Economics and Management.

Formerly Sales Manager at KF Stormarknader (Hypermarkets), MD of Konsumentföreningen Bohuslän-Älvsborg, Nordic CEO of American Express Business Travel AB and MD of Swebus Express AB.



### Leif Linde 1955

Director, KF Förbundskansli (Secretariat).

Employed at KF since 2006.

Secondary school education.

Formerly Union Secretary at ABF, Party Secretary, Director General of the Swedish National Board for Youth Affairs and MD and Society Manager of the Svea Consumer Cooperative Society.



### Ulla Sandén 1964

Director of Communications (left in March 2008)

Employed at KF since 2006.

M.Sc. (Econ), degree in Economics and Business Administration.

Formerly researcher in marketing communication at the Stockholm School of Economics, Media Advisor at Initiative Universal, Head of Marketing Communication (Asia) at Caltex International Pte Ltd, Project Manager at Garbergs Reklambyrå.



### Marie Wiksberg 1965

HR Director.

Employed at KF since 2006.

M.Sc. (Econ).

Formerly Training Manager and Director of Human Resources at Sheraton Hotel & Towers, Head of Business Support at KF Fastigheter.



## New Group management 2008

As of January 2008, the Cooperative Union has a new Group management and business management. KF's Group management consists of Lars Idermark, President and CEO, Karl Wistrand, President, Coop Sverige, Johnny Capor, CFO, Marie Wiksberg, HR Director, and Leif Linde, Union Director and pro tem. Director of Communications. KF's business management includes all the Presidents of KF subsidiaries and other key personnel.



### Karl Wistrand 1957

President, Coop Sverige AB

Employed at KF since 2007.

Graduate in Law (LL B),

MSc business and public law.

Formerly CFO and Deputy

MD at Ica.



# The societies

The consumer cooperative societies are the owners of KF. At the end of the year there were 51 societies in Sweden with around three million members in total. There are two different kinds of societies – retail societies, and member interest societies.

## Retail societies

The retail societies run the Union's shops on the Coop chain profiles. At the year-end, there were 46 such societies.

As well as operating the shops, the societies look after the contact with members, opinion-forming work, and training in retail and consumption-related issues.

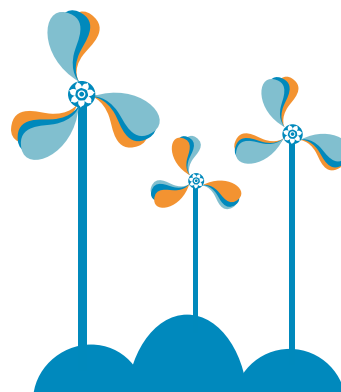
Combined sales (excluding VAT) for the retail societies totalled SEK 16.2 billion. The number of members at the year-end was 1,171,284.

## Member interest societies

Activity in the member interest societies focuses mainly on membership and consumer issues. Coop Sverige is responsible for running the shops in the region's 5 consumer cooperative societies Stockholm, Svea, Solidar, Väst and Norrort.

These five societies represent 60% of the consumer cooperative movement's members. Through various consultative councils, they promote the members' influence on local shops and hypermarkets. The councils act as forums for consultations between the societies, Coop Sverige and KF on matters that affect the business operations and also serve to communicate a better understanding of local conditions.

The number of members at the year-end was 1,913,524.



## Consumer cooperative societies

At the end of 2007, 51 organisations were members of KF. The total number of members increased by 1.5% net during the year, and at the end of 2007 totalled 3,084,808.

Society	Location	Number of members
1. Svea, Ktf	Uppsala	590 092
2. Stockholm, Ktf	Stockholm	588 885
3. Väst, Ktf	Gothenburg	336 875
4. Solidar, Ktf	Malmö	335 412
5. Nord, Konsum	Umeå	262 398
6. Göta, Ktf	Växjö	199 018
7. Värmland, Ktf	Karlstad	130 779
8. Kristianstad-Blekinge, Ktf	Kristianstad	123 929
9. Gävleborg, Ktf	Gävle	101 027
10. Norrbotten, Konsum	Luleå	89 714
11. Bohuslän-Älvsborg, Ktf	Uddevalla	85 969
12. Norrort, Konsum	Upplands Väsby	62 260
13. Oskarshamn, Ktf	Oskarshamn	29 665
14. Gotland, Ktf	Visby	28 209
15. Malmöfälten, Ktf	Gällivare	27 994
16. Norra Östergötland, K	Finspång	23 506
17. Karlshamnss Ktf	Karlshamn	11 429
18. Varbergs Ktf	Varberg	9 376
19. Mellersta Nissadalens Ktf	Hyltebruk	4 819
20. Tabergsdalens Ktf	Norrahammar	4 679
21. Norra Dalarna Ktf	Älvdalen	3 892
22. Färingsö, Ktf	Stenhamra	3 241
23. Veberöds Kf	Veberöd	3 011
24. Mellersta Dals Kf	Mellerud	2 753
25. Mörrum, Ktf	Mörrum	2 699
26. Dalsjöfors Ktf	Dalsjöfors	2 306
27. Bjursås, Ktf	Bjursås	1 849
28. Långsele Kf	Långsele	1 754
29. Forsbacka, Kf	Forsbacka	1 509
30. Skärplinge, Konsum	Skärplinge	1 397
31. Lönsboda Kp Hf	Lönsboda	1 357
32. Lenhovda Kf	Lenhovda	1 278
33. Orrefors M O, Kf	Älgshult	1 242
34. Svängsta Konsumentförening	Svängsta	1 183
35. Knäred M O, Kf	Knäred	1 182
36. Frillesås, Ktf	Frillesås	1 120
37. Getinge Kp Hf	Getinge	1 007
38. Kågeröds Hf	Kågeröd	867
39. Sollerö Ktf	Sollerö	830
40. Möja Kf	Möja	683
41. Morups Handelsförening	Glommen	658
42. Fågelmara Konsumentförening	Fågelmara	481
43. Hajoms Koop Handelsförening	Hajom	473
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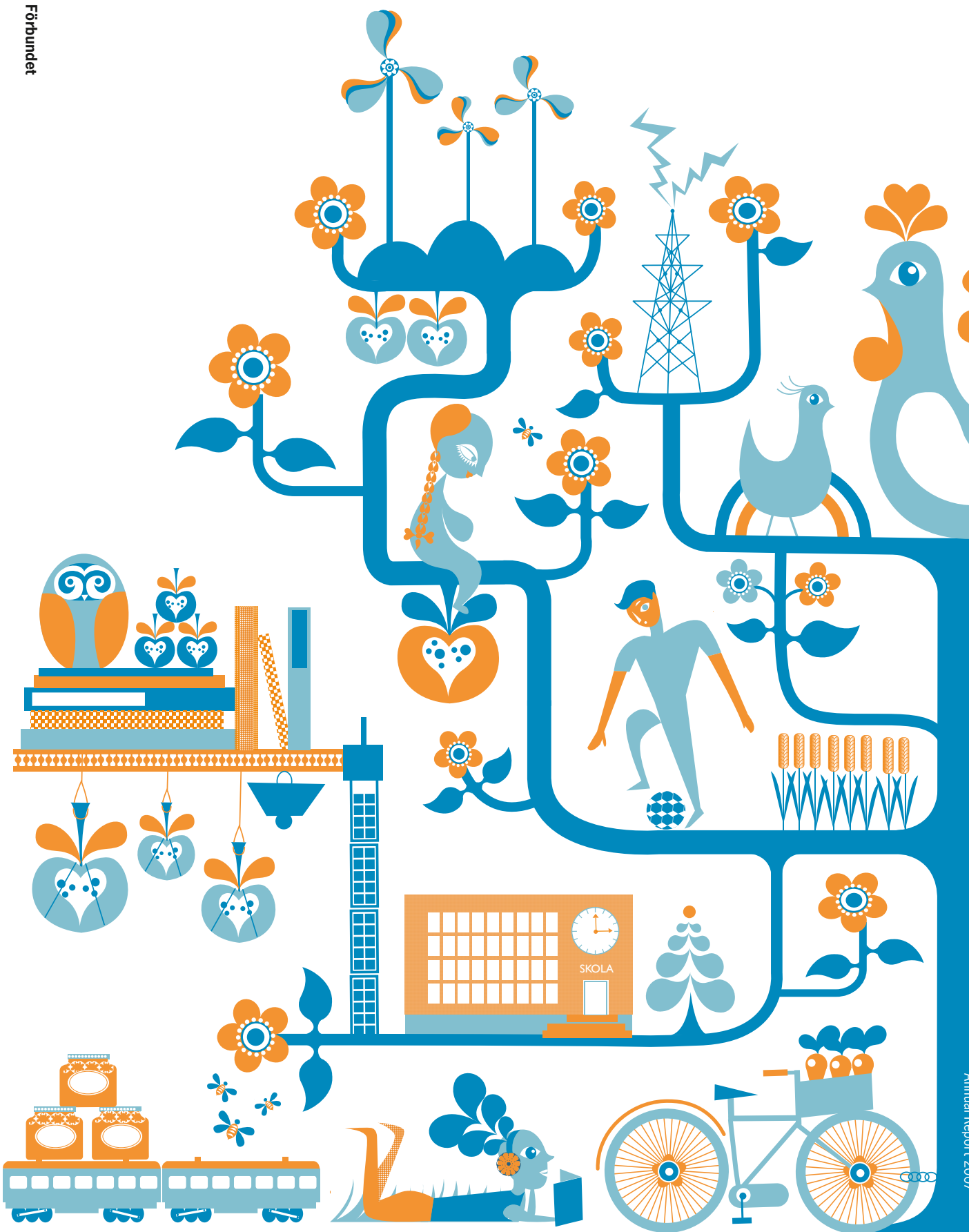
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