



**KF in brief**  
2004

# The Swedish Co-operative Union

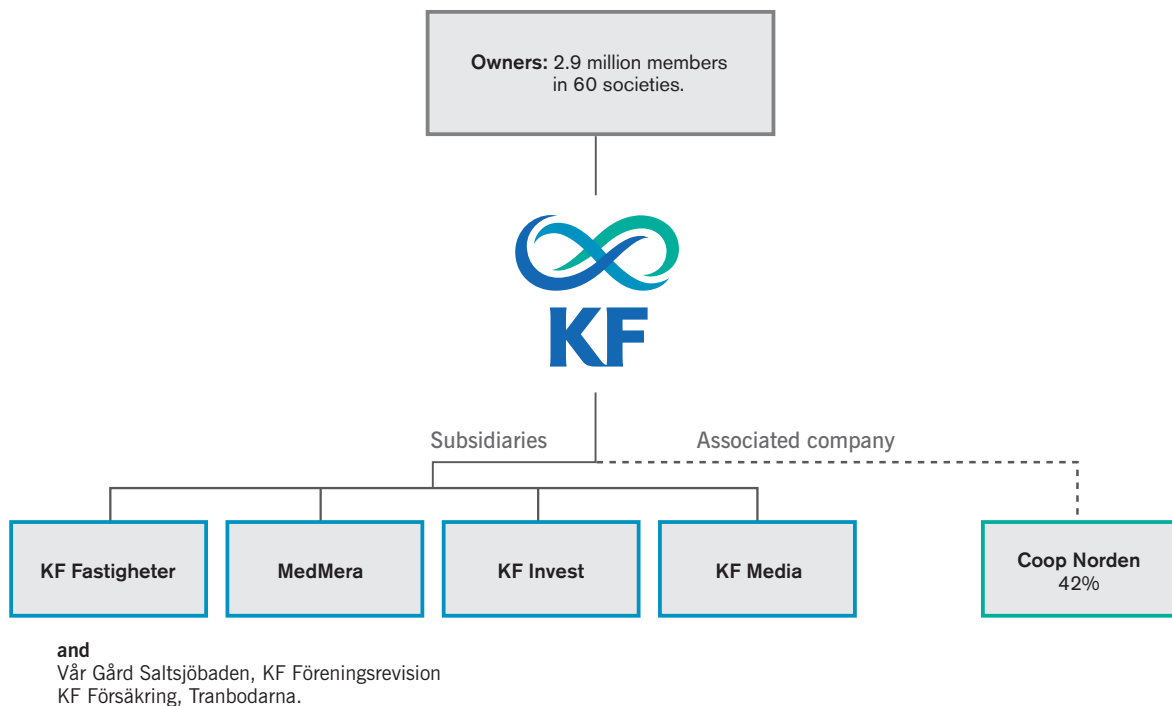
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The Swedish Co-operative Union (KF) is a union of 60 Swedish consumer societies with a total of 2.9 million members.

KF's role is to support and develop the Swedish consumer co-operative. Its main task is to develop the FMCG business that both Coop Norden and the consumer societies run. KF does this in order to provide members of the Swedish consumer co-operative with good products and good prices in attractive shops.

KF owns 42 per cent of Coop Norden, which is the biggest operator in the FMCG sector in the Nordic region. KF also runs wholly owned businesses that support the FMCG business: KF Fastigheter AB (KF Real Estate), MedMera AB, KF Invest AB, the service companies Tranbodarna AB and KF Föreningsrevision AB (KF Society Audit), as well as the media company KF Media AB and the conference venue Vår Gård Saltsjöbaden AB.

KF also works on consumer issues by means of lobbying. The aim is to make it easier for consumers to make choices and to create additional consumer benefit for members.



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"KF in brief" is a general presentation of KF's commitments and activities. It is aimed at elected representatives of the consumer co-operatives, employees of the KF Group, associated companies and consumer societies, as well as suppliers, customers and business partners.

KF's complete annual report (print) can be ordered from [elisabeth@kapa.se](mailto:elisabeth@kapa.se) or fax number +46 8 643 95 90. Order number 304-004 S for version in Swedish. Order number 304-004 E for version in English. The annual report is also available at [www.kf.se](http://www.kf.se)

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# Events at KF

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## Good profitability in 2004

The positive profit trend of previous years continued, and KF reported a profit for 2004. The pre-tax profit was SEK 1,084 million (228), including items distorting comparison to the order of SEK 834 million. In three years this profit/loss has increased from SEK -662 million to SEK 1,084 million, an increase of SEK 1,746 million. Adjusted for items distorting comparison, the profit has increased over three years by SEK 912 million to SEK 250 million in 2004.

## Strong finances

KF's financial status was further strengthened during 2004 as a result of profits from the wholly owned companies and from sales of companies and properties. During the year the equity/assets ratio increased to 40.2 per cent (36.4). The debt/equity ratio improved to 0.01 (0.40). The net debt at the year-end was only SEK 68 million (1,812).

## Concentration of the business

Wholly owned KappAhl was sold off on 30 November 2004 with a significant capital gain. KF's remaining holding in Power Hemelektronik (24 per cent) was sold off on 30 June and in Saba Trading (15 per cent) in December. KappAhl and Power remain in the MedMera scheme even after their disposal.

## Development of MedMera

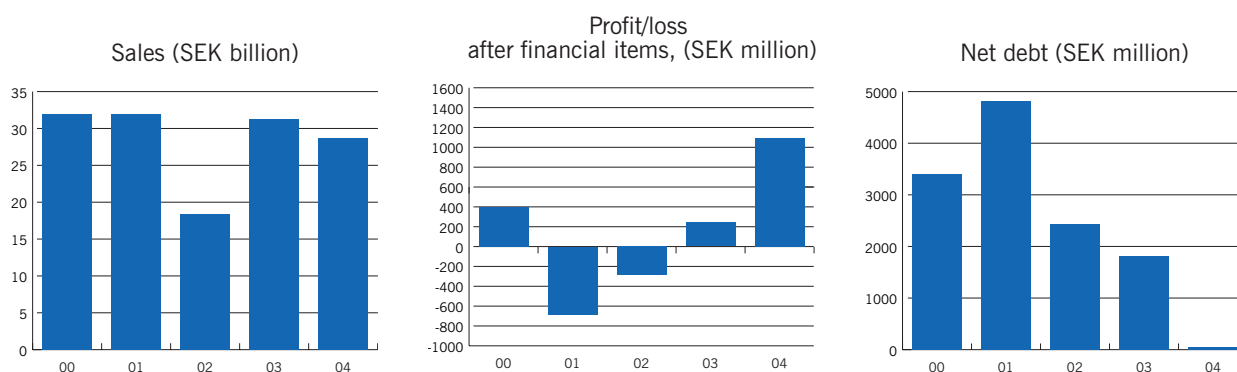
MedMera AB was formed half way through 2004 with responsibility for the Coop MedMera concept. Large parts of the business that used to be in KF, within the KF Card unit, were transferred to the new company.

## KF Consumer Affairs

In 2004 KF Consumer was formed as a centre of co-ordination and skills for consumer matters. The intention is to reinforce the role as a lobbyist and to support work on consumer matters throughout the whole consumer co-operative.

## Tough competition in the FMCG sector

The co-operative FMCG sector performed poorly during 2004. New retail space opened up on the Swedish market at a faster rate than ever before, mainly in the low-price segment and hypermarkets. The consumer co-operative's market share fell from 18.3 per cent to 17.5 per cent, a dramatic fall in historical terms.



# The FMCG sector in Sweden

The Swedish Co-operative Union (KF) works actively on the development of the consumer co-operative FMCG business in Sweden as the major shareholder in Coop Norden, and as an advisor and internal bank for the consumer societies that run their own retail businesses.

The Swedish FMCG sector is in a period of wide-ranging structural change. In 2004 this development accelerated, especially through the progress made by new low-price chains in the Swedish market. More hypermarkets and new low-price concepts have led to increased competition, which has meant lower prices for consumers.

## Changed customer requirements

Traditional, medium-sized FMCG outlets are finding it difficult to satisfy customers' increasingly varied shopping patterns. Hypermarkets, low-price shops, mini-markets with a limited range of goods and specialist food shops are doing a better job of satisfying customers' changing preferences.

There are major regional variations in retail structures. In Sweden as a whole, hypermarkets account for an average of 12 per cent of sales in the FMCG sector and low-price shops for 11 per cent. In some parts of southern Sweden hypermarkets account for almost 30 per cent of sales and low-price shops for almost 20 per cent.

## Own brands gain ground

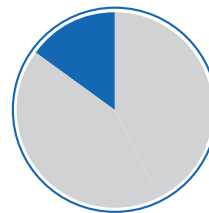
Own brands are becoming an increasingly important part of the shops' product range. For customers this means that prices are lower. In the major chains in Sweden the proportion of own brands is currently 10-15 per cent, and this is expected to increase. In other parts of Europe the proportion is 30-40 per cent of products, and in some low-price players the proportion of own brand goods can be as high as 85 per cent. The consumer co-operative has led the way in terms of own brands such as Blåvitt, Änglamark, etc.

## Increased rate of conversion required

The shift towards bigger, internationalised, cost-efficient companies can clearly be seen in the Swedish market. Despite a low volume increase in the market, several major international players have become established in Sweden in recent years. The emergence of strong, international, collaborative retail chains has also further increased competition for consumers.

The new shops that opened in 2004 and 2005 mean that retail space for the FMCG sector in Sweden is increasing by around ten per cent, and it is expected that new outlets will continue to open at a high rate in the next few years. This development affects the established chains in various ways, depending on where new outlets open and how productive and attractive they are.

Both Coop Norden and the retail consumer associations are working actively to counter this increased competition, including the development of retail concepts and an increased proportion of own brands, as well as opening new outlets and closing down shops.



■ Co-operative market share of FMCG goods 17.5% (18.3)

## Change in FMCG market 2004

	SHARE PER CENT	CHANGE PERCENTAGE POINTS
HYPERMARKETS	11,6	+0,2
LOW-PRICE SUPERMARKETS AND TRADITIONAL STORES	11,4	+1,3
SERVICE STORES	51,9	-1,7
OTHERS	1,0	+0,1
	24,1	-0,1

# The Co-operative Union's long-term aims

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## A modern consumer co-operative

The basic aim of the consumer co-operative has remained the same through a history lasting more than one hundred years: To create new member benefits and to create choice for members. At various times the emphasis has fallen on different areas.

At present KF's aim is to contribute towards the development of the co-operative FMCG business. Partly by supporting the associations that run their own FMCG businesses, and partly as an active owner of Coop Norden. KF also works with consumer matters – as a lobbyist and a provider of knowledge. In this way KF contributes towards ensuring that members of the Swedish consumer co-operative can buy good products at good prices, and are able to make well-informed decisions.

## Strategic cornerstones in the business

In recent years KF has implemented a clear strategy of streamlining. The existing business largely comprises necessary cornerstones for the FMCG sector: real estate expertise, development of member benefits, financial capacity, society development and work on consumer matters. The aim is that all businesses must be profitable and competitive in the long term.

## A strong FMCG business

KF is well-equipped to drive the development and renewal of the co-operative FMCG business. As a service body for the consumer societies, KF offers such services as business development, financing and real estate expertise. KF also encourages Coop Norden and the societies to increase their collaboration.

As the biggest shareholder in Coop Norden, KF encourages healthy development of the company by working with the other shareholders to make

demands, create financial scope and work actively as a board. Coop Norden's objective in the short term is to re-establish its competitive strength. In the long term this must be possible with sufficient profitability.

The aim for the consumer co-operative FMCG sector is to retain market share while performing profitably.

## KF Consumer Affairs

The consumer co-operative is a driving force in consumer matters to create good conditions for customer choice. During the year KF started a centre, KF Consumer Affairs, as a centre of competence and co-ordination for consumer matters. This will enable the co-operative to deal with consumer matters in a more effective way. The aim is to create additional value for members.



# The consumer societies' activities

The consumer co-operative's base is its 2.9 million members. They are members of the 60 consumer societies, which are in turn members of the Swedish Co-operative Union. KF acts on behalf of the societies, both as support in the development of the FMCG business run by the societies and as an active shareholder in Coop Norden and the wholly owned subsidiaries. All consumer societies deal with member matters as well as matters relating to environmental and consumer policy.

## Retail associations

The consumer co-operative currently has 55 societies that run retail businesses. They represent 40 per cent of members and account for around 45 per cent of the consumer co-operative retail sector in Sweden. Collaboration between the societies, Coop Norden and KF has been developed and extended to deal with the increased competition. This collaboration involves everything from joint purchasing, product range and pricing philosophy to the design of shops and concepts. The retail societies run some of their shops under concepts other than Coop Norden. The societies are increasingly collaborating with Coop Norden so that they can utilise elements of Coop Norden's retail concept.

## Member interest societies

During the 1990s five societies (Norrort, Solidar, Stockholm, Svea and Väst) transferred their retail business to KF. Now shops and hypermarkets in their regions are a part of Coop Norden. The societies' influence on the FMCG business takes place in accordance with consultation agreements. These five societies represent around 60 per cent of members.

The societies' activities include raising consumer policy-related issues through reference groups, themed meetings and the use of the Internet for member questionnaires and discussions.

### Retail societies

The nine biggest societies in terms of sales are Konsum Nord, Konsum Värmland, Ktf Bohuslän-Älvsborg, Konsum Norrbotten, Ktf Göta, Ktf Gävleborg, Ktf Kristianstad-Blekinge, Konsum Jämtland and Ktf Malmfälten. In 2004 these societies accounted for around 84 per cent of total sales in all retail societies.

#### MEMBER NUMBERS

1.1 million, an increase of 1.7 per cent\* during 2004

NUMBER OF SOCIETIES 55

### Member interest societies

#### CONSUMER SOCIETIES

Stockholm, Svea, Solidar, Väst och Norrort.

#### MEMBER NUMBERS

1.8 million, an increase of 2.6 per cent\* during 2004

NUMBER OF SOCIETIES 5

(\*Adjusted for Konsum Svedala's merger with Solidar)



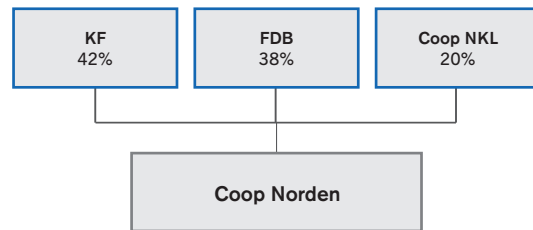
Coop Norden runs the FMCG-based co-operative retail business in central, western and south-western Sweden (green areas). The retail societies run the business in the rest of Sweden (grey areas).

# Coop Norden AB

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Since 2002 Coop Norden AB has been the largest FMCG player in the Nordic region, with sales worth SEK 50 billion in its own shops and wholesale turnover of around SEK 30 billion in sales to Swedish, Danish and Norwegian shops run by retail societies. Coop Norden is owned by KF together with Danish company FDB and Norwegian company Coop NKL. By collaborating in the Nordic region in areas such as purchasing and concept development, Coop Norden aims to provide customers and members with benefits.

Coop Norden did not achieve its profit target for 2004. The operating profit was SEK 179 million (457). The Swedish business generated a loss. Total turnover increased by around one per cent to SEK 86.5 billion.



## Businesses within KF

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### KF Real Estate

KF Real Estate's task is to process, manage and sell properties, with a focus on the co-operative retail sector. This is done by such means as creating, operating and developing profitable market places and shopping centres.

### MedMera

MedMera AB is responsible for the Coop MedMera reward scheme, the aim of which is to provide member benefits in the form of discounts, vouchers and special offers. MedMera is an operation and competence centre in the field of reward/loyalty schemes, all kinds of card redemption schemes, financial services, customer relationship management and analysis.

### KF Savings Association

KF Savings Association was founded in 1908. Around 90,000 members currently take advantage of the opportunity to save in the Savings Association at one of the highest interest rates in the market. Deposits total around SEK 4 billion.

### KF Invest

KF's investment and financing operations serve two main functions: to manage the Group's financial assets to generate as good a yield as possible with a low financial risk, and to provide KF's subsidiaries and consumer societies with financial service. At the end of 2004 KF Invest was managing financial assets to the order of SEK 4.6 billion.

### KF Media

KF Media's business concept is to build up a modern book and media group through development and acquisitions in strategic areas. KF Media comprises the Akademibokhandel Group, with 54 shops in Sweden, Sweden's leading Internet bookseller, Bokus AB, the publishing group P.A. Norstedt & Söner AB and the magazine Vi.

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KF's full annual report is available at [www.kf.se](http://www.kf.se)