

This is KF

The Swedish Co-operative Union (KF) is the union of the country's 58 consumer co-operative societies with around three million members.

KF has two principle roles. One is to be a union for the consumer co-operative societies, the other is to be an active owner of Coop Norden and the wholly owned subsidiaries. In the roles of union and owner, KF contributes towards development of the consumer co-operative FMCG (Fast Moving Consumer Goods) operations and helps to give members of the Swedish co-operative movement the opportunity to buy good products at good prices in attractive shops.

KF owns 42 per cent of Coop Norden, the biggest FMCG player in the Nordic region. KF also operates wholly owned businesses that sup-

port the FMCG operations through KF Fastigheter (Real Estate), MedMera, KF Invest, the service companies KF Shared Services and KF Föreningsrevision (Society Audit), as well as the media company KF Media and the conference venue Vår Gård Saltsjöbaden. Through KF Konsument (Consumer Affairs), KF works on consumer issues through lobbying and skills development in order to make it easier for consumers to make their choices and to create additional consumer benefit for members.

In 2005 KF continued to be profitable and financially strong. The profit after financial items totalled SEK 715 million (1 084). The return on equity was 9.8 (18.6) per cent and the debt/equity ratio 0.03 (0.01).

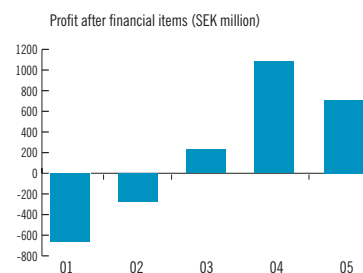
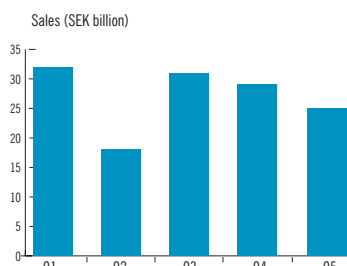
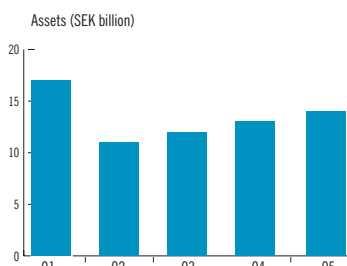
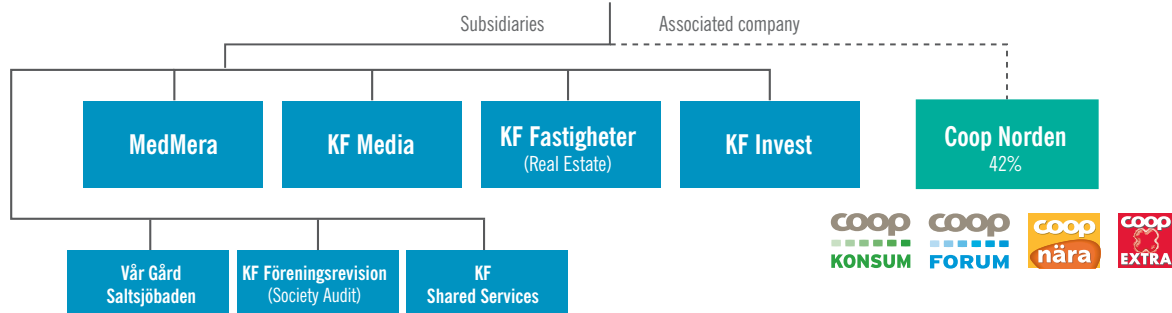


3 million members in 58
consumer co-operative societies



KF

KF Parent Society



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

KF's complete annual report for 2005 can be ordered by e-mail elisabeth@kapa.se or by fax +46 (0)8 643 95 90. Order number 304-005 S (Swedish version) and 304-005 E (English version). "KF in brief" and the Swedish version "KF i korthet" are available at www.kf.se.

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KF in brief 2005

The Swedish Co-operative Union (KF)

A summary of KF 2005

Positive result and strong finances

KF recorded a strong profit for 2005 of SEK 715 million before tax (1 084). The financial situation is strong.

Member value

The number of members in the consumer co-operative societies grew by about 60 000 to 3 000 407. During the year KF Konsument (Consumer Affairs) was started up as a skills and co-ordination centre for consumer issues within the co-operative movement. A large number of activities relating to consumer issues were undertaken in collaboration with the consumer co-operative societies.

New President and CEO

In November 2005 Börje Fors was succeeded in his position by Lars Idermark, previously President of the Second Swedish Pension Fund. Börje Fors remained as President of the subsidiary KF Media until the end of February 2006.

Coop Norden

Coop Norden's operating profit before capital gains and structural provisions was SEK 68 million (209). Including the effects of a successful property sale in Sweden and after provisions for structural costs, the operating profit was SEK 1 325 million. Coop Norden has set aside SEK 800 million for investments to strengthen its competitive position. The company's income increased by around 3 per cent to SEK 89.5 billion. However, the Swedish business performed modestly, and a wide-ranging series of measures was initiated involving price reductions, efficiency improvements and co-ordinated marketing.

KF Fastigheter (Real Estate)

KF Fastigheter (Real Estate) performed positively, with an operating profit of SEK 304 million. This increase is the result of an improved operating profit from property management and higher capital gains from property sales. The direct yield increased in 2005 from 6.6 per cent to 6.7 per cent.

MedMera

MedMera processed a total of 3.5 million Coop MedMera cards in 2005, which members used to redeem reward vouchers that provided discounts to a value of around SEK 410 million. As from 2006 MedMera is a credit market company operating under the auspices of the Swedish Financial Supervisory Authority. This means that deposits are covered by the State Deposit Guarantee.

KF Invest

At the end of 2005 KF Invest managed financial assets to a value of SEK 5.3 billion, compared to SEK 4.6 billion at the end of 2004. The total yield including unrealised value increase was 6.3 per cent. The operating profit was SEK 98 million.

KF Sparkassa (Savings Association)

Around 90 000 members made use of the opportunity to save in the KF Sparkassa (Savings Association). Total deposits at the year-end were around SEK 4 billion.

KF Media

KF Media's sales remained unchanged at SEK 2.7 billion. The operating loss was SEK 224 million (68), primarily due to one-off write-downs in PAN Vision, which has built up a leading position in the field of interactive media in the Nordic region. A wide-ranging recovery programme has been initiated. However, most of the businesses within KF Media reported a positive performance. Akademibokhandeln strengthened its competitive position by opening a number of new shops. Norstedts Förlagsgrupp posted a profit and strengthened its competitive position by reorganising its publishing business. The Bokus Internet bookshop expanded significantly and the "Vi" magazine reported both more readers and more advertisers.

The Co-operative Union's long-term aims

KF's focus is primarily on the consumer co-operative FMCG operations, which are run by Coop Norden and the consumer co-operative societies. The businesses within KF must primarily support and develop the FMCG operations. KF Fastigheter (Real Estate) is primarily the consumer co-operative's skills centre for real estate matters, but it is also an active manager of KF's real estate portfolio. MedMera is responsible for the Coop MedMera reward scheme, the purpose of which is to provide member benefits in the form of discounts, reward vouchers and special offers. KF Invest offers financing and investment capacity to the KF Group and the consumer co-operative societies. At the same time KF Invest engages in active asset management in order to guarantee a good return on members' deposited funds.

The consumer co-operative FMCG operations

KF is a significant player on the Swedish FMCG market, both as an owner and a union. Through its ownership of Coop Norden, KF and its Nordic equivalents constitute the biggest player in the Nordic market. There is tough competition in the FMCG sector, with a high rate of change. This trend has affected both Coop Norden and the retail societies, and has reduced the market share in Sweden.

Coop Norden

As the biggest owner in Coop Norden, KF encourages the healthy, profitable development of the company. Together with the other owners, KF must define clear requirements, draw up business and capital supply plans, deal with management issues and work actively at board level.

The consumer co-operative societies

As the consumer co-operative societies' union, it is also KF's role to drive the process of change in the FMCG operations that is being driven by the consumer co-operative societies. Many of these have been affected significantly by the increased competitive pressure. It is a prerequisite

for the implementation of wide-ranging changes that the structure of the societies is developed further. A trend towards fewer, but stronger regional societies is under way and is expected to continue.

Member benefits

One of KF's main objectives is to make membership of the consumer co-operative attractive. Alongside a competitive FMCG business, KF also offers a number of benefits. These are largely channelled through the MedMera concept and KF Sparkassa (Savings Association), which enables members to save at competitive interest rates.

Consumer issues

The consumer co-operative must be a driving force in consumer issues and the dissemination of information to create the right conditions for members to be able to make conscious choices in their consumption. During 2005 a new centre of competence and co-ordination, KF Konsument (Consumer Affairs), was established in order to drive consumer issues more effectively through a partnership between KF and the consumer co-operative societies.

Asset management

KF manages the assets that members lend to the consumer co-operative. Member deposits must be safely invested and the assets managed in such a way that KF has a high level of financial preparedness. KF may not use members' funds to finance the business.

The consumer co-operative societies' activities

The consumer co-operative societies are the foundation of the consumer co-operative movement. At the end of the year there were 58 societies in Sweden with around three million members in total. Between them the societies own KF. The societies operate on a local and a regional level. There are two different types of society. The retail societies run retail operations on their own, while the member interest societies have passed on responsibility for retail operations to Coop Norden. The member interest societies have an influence on the FMCG activities through indirect ownership and collaboration via KF.

Retail societies

At the end of the year there were 53 retail consumer co-operative societies. A society can run anything from one shop to several shops. Coop Norden supplies the shops with most of their products.

The retail societies also arrange society activities. As well as gathering members' opinions on the control of the retail sector, activities include lobbying, supportive work and training.

In recent years many of the retail societies have merged in order to become more competitive. At the end of 2005 Konsum Nord and Konsum Jämtland merged. This made Konsum Nord the biggest retail society, with annual sales of around SEK 4 billion and 260 000 members.

Total sales for all the retail societies were SEK 18.7 billion in 2005.

- Number of societies: 53
- Number of members: 1 150 146

The chain concepts within the retail societies:



Member interest societies

During the 1990s the five consumer co-operative societies Stockholm, Svea, Solidar, Väst and Norrort transferred the operation of their FMCG business to KF, and then in 2002 on to Coop Norden. These five societies represent 60 per cent of members.

Activities in the member interest societies focus mainly on issues of member, environmental and consumer policy. The societies have developed close internal collaboration. The member interest societies exercise their influence in the FMCG operations through consultancy agreements with Coop Sverige and through KF's ownership of Coop Norden. They channel the members' influence in shops and supermarkets through shop councils, regional councils and retail councils. The councils act as forums for discussion and consultation between the societies, Coop Sverige and KF on matters that affect the business operation and also serve, among other things, to add knowledge of local conditions.

- Number of societies: 5
- Number of members: 1 850 261

The chain concepts within the member interest societies:



Advice and financing support to the societies

During the year KF has developed its role in providing financing support to the consumer co-operative societies. Representatives from both KF and the societies work to identify, analyse and deal with the challenges facing the individual societies. This work has resulted in concrete action plans and methods for KF's financing support. As the competition in the FMCG market becomes ever tougher, KF will be offering more and more support to the proactive development of the consumer co-operative societies.