



Annual Report 2004
Swedish Cooperative Union (KF)

KF in brief

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

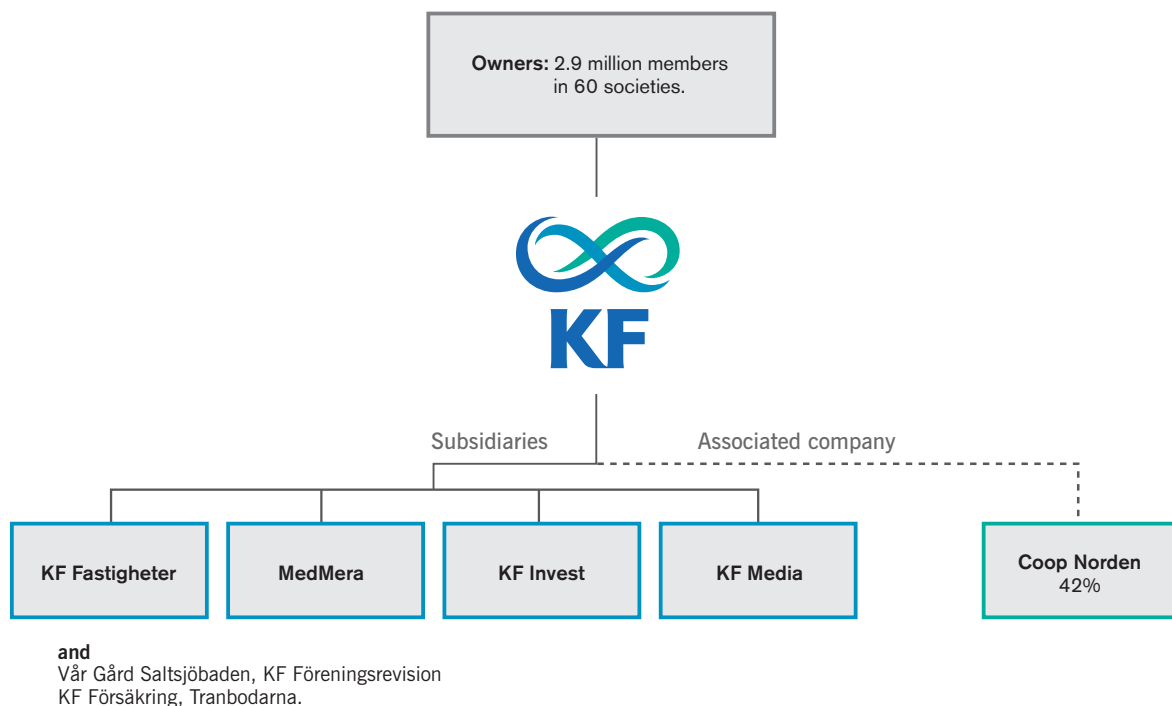
KF's role is to support and develop the Swedish consumer co-operative. Its main task is to develop the FMCG business that both Coop Norden and the consumer societies operate to provide members of the Swedish consumer co-operative with good products and good prices in attractive stores.

KF owns 42 per cent of Coop Norden, the biggest FMCG player in the Nordic region. KF also operates 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 and lobbying aiming to help consumers make informed choices and to create additional consumer benefit for members.

In 2004 KF continued to be profitable and financially strong. The profit after financial items totalled SEK 1,084 million. The equity/assets ratio was 40.2 per cent and the debt/equity ratio 0.01. All wholly owned subsidiaries were profitable.



KF's annual report for 2004 consists of a general presentation of KF's commitments and activities, as well as KF's annual accounts for 2004.

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. The annual report is also available at www.kf.se

Production: KF Union Secretariat in collaboration with Modul1/Delores Delores Design and Xerox Business Services.

Printed by: Arkpressen AB, Västerås. Paper: Cover – Munken Print Extra 15 300g, insert – Munken Print Extra 15 150g

Photos: Anders Qvarnström, pages 2, 60, 61, 62 and 65, Cover © Jonas Ingerstedt/Johnér

KF's 106th General Meeting will be held at Vår Gård Saltsjöbaden on 26 April 2005.

Contents

| | |
|----|--|
| 02 | FROM THE PRESIDENT |
| 04 | THE YEAR IN BRIEF |
| 06 | THE CO-OPERATIVE UNION S LONG-TERM AIMS |
| 08 | KF READY TO FACE THE FUTURE |
| 10 | THE FMCG SECTOR IN SWEDEN IN 2004 |
| 12 | THE CONSUMER SOCIETIES ACTIVITIES |
| 14 | COOP NORDEN AB |
| 16 | KF FASTIGHETER AB |
| 18 | MEDMERA AB |
| 20 | KF INVEST AB |
| 21 | KF SAVINGS ASSOCIATION |
| 22 | KF MEDIA AB |
| 24 | OTHER OPERATIONS |
| 26 | DIRECTORS REPORT |
| 29 | INCOME STATEMENT, THE KF GROUP |
| 30 | BALANCE SHEET, THE KF GROUP |
| 32 | CHANGES IN EQUITY, THE KF GROUP |
| 32 | CASHFLOW STATEMENT, THE KF GROUP |
| 33 | INCOME STATEMENT, KF PARENT SOCIETY |
| 34 | BALANCE SHEET, KF PARENT SOCIETY |
| 36 | CHANGES IN EQUITY, KF PARENT SOCIETY |
| 36 | CASHFLOW STATEMENT, KF PARENT SOCIETY |
| 37 | ACCOUNTING PRINCIPLES |
| 39 | CHANGES TO THE GROUP STRUCTURE DURING 2004 |
| 40 | KEY RATIOS |
| 41 | NOTES |
| 57 | AUDITOR S REPORT |
| 58 | THE MEMIS CONTROL KF |
| 59 | THE BOARD S ACTIVITIES |
| 60 | THE BOARD OF KF |
| 62 | KF S EXECUTIVE MANAGEMENT |
| 63 | MEMBER ORGANISATIONS |
| 64 | FROM THE CHAIRMAN |



From the President

The consumer co-operative's main objective is to provide members with access to good products at good prices in modern, competitive stores. Membership must also be able to provide other value, ranging from attractive special offers and low prices to knowledge and consumer advocacy. In 2004 the number of members in the consumer societies increased, while sales decreased.

The consumer co-operative has not quite succeeded in its tasks during the year. Competitive pressure is tough, and there is a pressing need to increase the pace of transformation to meet new challenges.

A financially strong owner

It is the role of the Swedish Co-operative Union (KF) to support and develop the Swedish consumer co-operative movement, which requires a strong financial status and a strong organisation. KF contributes towards creating good conditions to develop the businesses that are run by the consumer societies and is an active owner of wholly

and partly owned companies. The FMCG business within Coop Norden and in the cooperatives is KF's main task. Within the KF Group there are businesses that support the FMCG sector, including KF Fastigheter AB (KF Real Estate), MedMera AB and KF Invest AB.

In 2004 there has been a continued improvement in KF's financial position. All wholly owned subsidiaries within KF are profitable. KF borrows solely from its members, and not from the banking system.

The equity/assets ratio is 40.2 per cent and the debt/equity ratio 0.01. In 2004 KF sold the KappAhl fashion chain after having improved the company's financial results significantly in the last three years. KF's holding in the Power Hemelektronik home electronics chain was also sold during the year following wide-ranging structural initiatives improving profitability. Both companies remain in the MedMera scheme.

The internal resources and the organisation within KF have been reinforced to enable it to fulfil its role. KF is now financially and organisationally

prepared to take on an even more active role in dealing with both the part-owned Coop Norden and the retail activities run by the consumer societies in order to improve retail operations.

Increased pace of development in the Swedish FMCG sector

The pace of development in the Swedish FMCG sector is very high. International competition is on the increase, with a consolidation trend towards bigger entities. In Sweden food prices are falling, to the consumer's benefit, and in most cases these involve good-quality products. This trend could be predicted a few years ago, and KF has been working to make sure that the consumer co-operatives are ready to address it. It was, among other things, realisation of the importance of increased purchasing volumes and more co-operation on retail development that lay behind the formation of Coop Norden in 2002. The idea was that Coop Norden would enable the co-operative's stores in Sweden, Norway and Denmark to enjoy lower purchase prices, reduce prices to members and thus create added value. But developments have accelerated since autumn 2003. New stores are opening in Sweden at an unparalleled rate. The entire cooperative movement is experiencing increasingly tough competition.

To meet these challenges, the rate of change within co-operative retailing must increase. The Swedish consumer co-operative needs even lower costs, lower prices and more new, effective, even more attractive stores. These changes must be made quickly.

Coop Norden will need to make wide-ranging investments in the years ahead in order to achieve profitability and provide member benefits. The same applies to a large number of consumer societies. KF is equipped to be able to contribute to these investments, so that the co-operative's stores are provided with the same conditions as increasingly international, bigger competitors.

Supporting the modern consumer's choice

The consumer co-operative is owned and controlled by its members through the 60 consumer societies. For more than one hundred years the

consumer co-operative has worked in various ways to give its members the opportunity to have better, simpler choices in their everyday shopping.

The consumer co-operative has led the way by owning production to give members attractive choices in the store, through retail development to offer better stores, by rational logistics to create purchasing power and by information and lobbying on consumer matters.

The consumer co-operative must offer its members benefits that are at least as good as those of competitors, and at the same time the stores must be profitable. KF must also actively and openly disseminate consumer information and form opinions about members' economy. The co-operative organisation must be adapted all the time to make it easy for modern people to choose what they consume, to put forward their opinions and thus to influence production and product range.

Ready to face the future

KF is driven by the view that the business models and priorities must be constantly reviewed so that it can at any time fulfil its duty in the best way possible. Collaboration to increase competitive strength is one clear example.

KF has experienced a positive financial trend over the last three to four years, while at the same time the cooperative FMCG sector – in both the part-owned Coop Norden and in the consumer association – has increasingly experienced problems. Over the next few years KF must contribute towards a higher rate of development and greater purchasing collaboration in order to create value for members.

Financially and organisationally, KF is well prepared.



Börje Fors
President, Swedish Co-operative Union

The year in brief

Continued profitability for KF

The positive profit trend from 2003 continues, and KF reports a profit for 2004. The pre-tax profit was SEK 1,084 million (228), including items of a one-off nature of SEK 834 million. In three years the pre-tax 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 in 2004, the pre-tax profit has increased over three years by SEK 912 million to SEK 250 million.

Strong finances

KF's financial status was further strengthened during the year as a result of a profit from current operations and from divestitures. 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).

Consolidation

Wholly owned KappAhl was sold off on 30 November with a significant capital gain. KF's remaining share (24 per cent) in Power Hemelektronik was sold off on 30 June. KF's holding in Saba Trading (15 per cent) was sold off in December to majority shareholder Dole. KappAhl and Power remain in the MedMera scheme even after the divestments. The winding up of Coop Bank concluded in December with a positive impact on profits to the order of SEK 7 million.

Development of MedMera

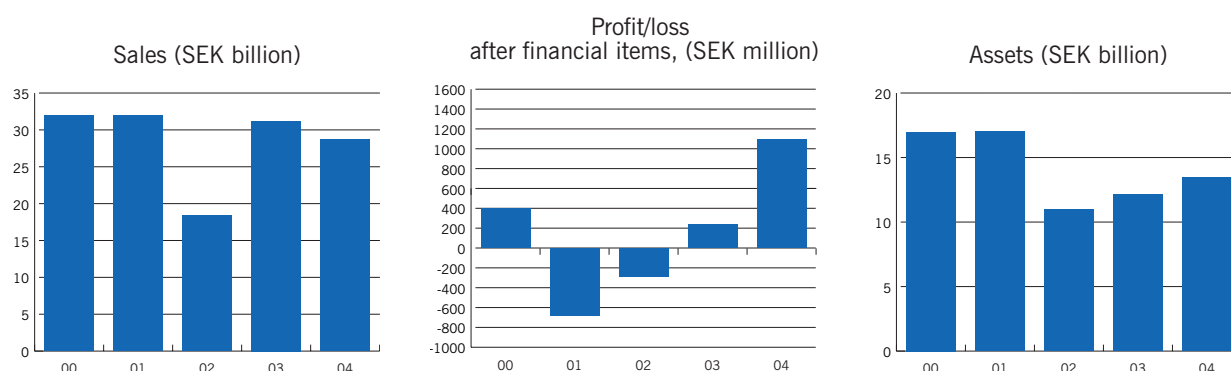
At the end of June 2004 large parts of the business that used to be in the parent company KF, within the KF Card unit, were transferred to the MedMera subsidiary. The subsidiary MedMera is responsible for the Coop MedMera concept.

KF Consumer Affairs

At the end of the year KF Konsument (KF Consumer Affairs) was created as a centre of competence and co-ordination for consumer matters. The intention is to reinforce the role as an lobbyist and to support work on consumer matters throughout the whole consumer co-operative.

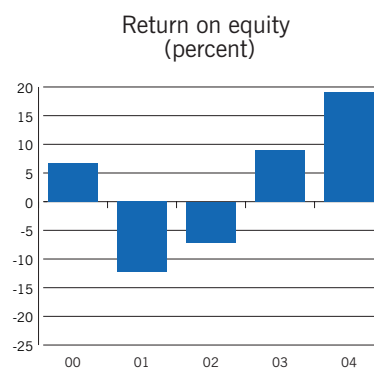
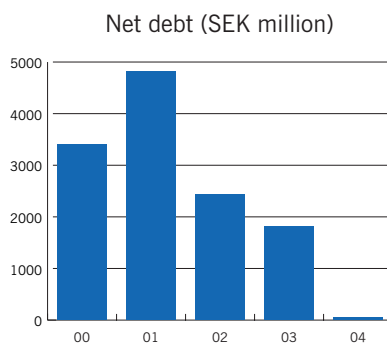
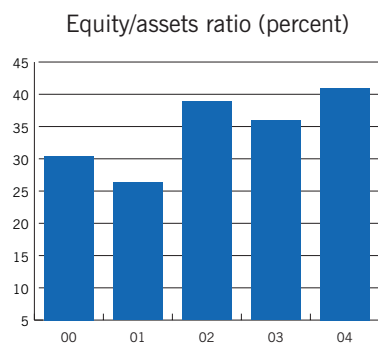
Tough competition in the FMCG sector

The co-operative FMCG sector performed poorly during the year. 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.



Five-year summary

| Five-year summary | 2004 | 2003 | 2002 | 2001 | 2000 |
|---|-------|--------|--------|--------|--------|
| The KF Group | | | | | |
| Sales excl. VAT, SEK billion | 29,0 | 31,6 | 18,5 | 32,2 | 31,8 |
| Profit/loss after financial items, SEK million | 1084 | 228 | -280 | -662 | 402 |
| Number of sales outlets in Sweden, KF | 54 | 177 | 174 | 661 | 784 |
| Average number of employees | 1 321 | 3 576 | 3 758 | 17 361 | 17 988 |
| Coop Norden in Sweden | | | | | |
| Number of sales outlets, Coop Sweden* | 383 | 398 | 416 | | |
| Average number of employees, Coop Sweden* | 9 866 | 11 591 | 12 322 | | |
| * Up to and including 2001 Coop Norden's Swedish business, sales outlets and employees were included in the KF Group. | | | | | |
| Consumer societies | | | | | |
| Retail sales excl. VAT, SEK billion | 16,0 | 16,2 | 16,0 | 15,0 | 14,3 |
| Number of sales outlets | 470 | 502 | 520 | 547 | 574 |
| Average number of employees | 8 317 | 8 591 | 8 676 | 8 821 | 8 998 |
| Number of societies | 60 | 63 | 65 | 67 | 75 |
| Number of members (,000) | 2 940 | 2 876 | 2 791 | 2 678 | 2 563 |



The Co-operative Union's long-term aims

As a union and as an owner of Coop Norden, KF is a major player in the Swedish FMCG market. There is tough competition in the FMCG sector and the turnover rate is high. Behind this trend are demands from consumers and members above all for lower prices. Rapid internationalisation and bigger players are driving efficiency improvements and lower costs in all areas.

KF's purpose

As a union for the consumer societies, KF contributes towards the development of the FMCG sector run by the societies and is an active owner of Coop Norden and the wholly owned subsidiaries, and also works on consumer matters – as a lobbyist and advisor. KF thus 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 businesses now within KF are largely necessary, strategic cornerstones of the societies and the FMCG sector: real estate expertise, development of member benefits, financial capacity, society development and work on consumer matters.

KF works actively to develop the wholly and partly owned businesses. The aim is that all businesses must be profitable and competitive in the long term.

In 2004 the KappAhl fashion chain was sold off, as was the remaining holding in the Power home electronics chain. In both cases KF had reversed the profit trend in the companies through active ownership.

Strong consumer societies

KF actively drives the turnover rate in the consumer co-operative FMCG sector. 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. This collaboration involves everything from purchasing, product range and pricing philosophy to the design of stores and concepts. The aim for the consumer co-operative FMCG sector is to retain market share while performing profitably.

A competitive, profitable Coop Norden

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 in order to be able to provide members with good products at favourable prices. 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.



Attractive membership

The consumer co-operative's businesses must provide members with financial, ecological and social added value. In 2004 a separate company was formed, MedMera AB, in order to further boost the development of the membership concept and to give better service to both the FMCG sector and members.

KF Consumer

The consumer co-operative is a driving force in consumer matters to create the right conditions for customer choice. During the year KF started to set up a skills and co-ordination centre, KF Consumer, to enable the consumer co-operative movement, in a collaboration between KF and the societies, to drive these matters in an effective way. The aim of this work is to create additional consumer value for members.



Real estate expertise

KF owns and develops real estate together with the FMCG sector and offers services relating to the establishment of new stores and real estate for the consumer societies.

Asset management and financing operations

KF manages members' deposits. These deposits must be safely invested. Assets are managed in such a way that KF has a high level of liquid preparedness.

Profitability and financial strength

KF must be profitable in its own business operations if in the long term it is to be able to maintain its financial strength and thus contribute towards supporting the societies and Coop Norden. KF must achieve and maintain an annual low net debt with a debt/equity ratio of less than 0.4 and an equity/assets ratio of more than 40 per cent. KF must primarily be financed by its members and remain independent of bank loans. A strong financial status creates the opportunity to actively support future investments.

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, to solve problems for members and to create choice. However, at various times the emphasis has fallen on different areas.

The path to a modern consumer co-operative

The Swedish co-operative was launched to enable members to buy products at reasonable prices. At that time the problems were poor quality, an inadequate product range and high prices. During the second half of the 19th century more and more co-operative companies were created. In 1899 these joined forces and formed a union: KF.

Challenging the monopoly

The inefficient product market and difficulties facing the co-operative companies when purchasing products led to KF's role being broadened. From 1905 this also included purchasing operations. This was so successful that individual traders felt threatened and encouraged all of the margarine producers, the margarine cartel, to boycott deliveries to KF. KF then acquired a margarine factory. This was the first stage of an industrial strategy. When products were substandard, overpriced or impossible to source, they were instead produced by KF. The successful monopoly and cartel battles of the 1920s and the 1930s led to increased competition in the production market. At the same time efficient production in KF's industrial companies was able to contribute towards lower prices. KF became a multi-faceted conglomerate.

The trailblazer and the society builder

KF also became a centre of knowledge for the co-operative retail sector. Modern, hygienic designs for the stores were promoted and self-service, which was introduced in the 1940s, had many imitators. The first professional qualification for the retail sector was developed, and consumer information, liberal adult education and lobbying

activities were built up. Being a large company with educational ideals made KF an important element of the social structure. The consumer co-operative has also led the way in terms of new retail concepts, mini-markets, stores and hypermarkets.

An ecological breakthrough

In the 1980s the consumer co-operative's work took on another direction – opening up the market for organic and environment-friendly products. Members revealed a growing interest, which the consumer co-operative could satisfy. The co-operative became, and remains today, a trailblazer for organic and environment-friendly products in the Swedish FMCG sector.

Financial problems and necessary changes

Towards the end of the 1980s and during the 1990s it became evident that KF's role as a producer was over. More and more manufacturers meant increased competition. In common with several large companies in Sweden at that time, KF had built up a diversified conglomerate with holdings in a number of different sectors. In the early 1990s the Group's own production no longer fulfilled the same function in terms of creating maximum member value. Like many other companies, KF realised that streamlining and focus were a better way to successful business.

This period also saw the start of the extensive structural change in the FMCG sector that is still under way today. Internationalisation began and competition became even tougher. The cooperative FMCG sector experienced financial problems and found it difficult to keep up with the increased pace of change in the market. It was against this background that thoughts of a Nordic consumer co-operative were born, in order to achieve efficient purchasing and reduced prices, and thus create new ways of giving the consumer a choice of good, value-for-money products, as well as constantly keeping up to date with and driving the issues that modern consumers consider important.

KF ready to face the future

At the beginning of the 21st century KF was in economic and financial crisis, partly due to ongoing restructuring within the FMCG business, but mainly due to other investments. In 2001 an action plan was initiated to improve the financial situation and reverse the profit trend. In 2004 the action plan was completed in the wholly owned companies. The equity/assets ratio has risen from 26.5 per cent in 2001 to 40.2 per cent in 2004, and at the same time the debt/equity ratio fell from 1.10 to 0.01. At present KF does not need any bank loans. All borrowing comes from members. Since 2002 the business has been divided into a profitable, financially strong owners' union with strong, profitable, wholly owned businesses, and a FMCG-based retail business run by Coop Norden.

The creation of Coop Norden

For a long time the consumer co-operative had foreseen the need for bigger companies with lower costs within the FMCG sector and for collaboration in a wider context. After wide-ranging strategic and financial analyses, Coop Norden was formed in 2002 to take over the FMCG-based business run by KF. The purpose of this Danish-Norwegian-Swedish company was to counter the increasingly internationalised competition in the FMCG sector.

Focus on the core business

In order to guarantee financial strength and to focus on the core business, in 2001 KF decided to sell off a number of businesses that did not have a direct support function for the FMCG business. The cosmetics chain Kicks and the holding in Karlshamns AB were sold off, as were the holdings in the media company Bibliotekstjänst, the wholesaler SABA Trading AB and the real estate company Atrium Fastigheter AB. KF's remaining business in Coop Elektro, which operated stores in Sweden under the brand name Coop Power, were sold off in July 2004 once the company's profits had been dramatically impro-

ved. After many years of poor performance and tougher competition, the company was restructured in 2002/2003, when the Norwegian Expert Group became a new part-owner. The Swedish retail business became a part of Power Hemelektronik AB.

At the end of 2004 the fashion chain KappAhl was also sold. By concentrating the business and the product range, having a greater focus on the chain's main target group and reducing costs, KappAhl's profits increased by over SEK 350 million in three years. In 2003 KappAhl reported an operating profit of SEK 120 million, and when it was sold in autumn 2004 KappAhl had achieved a profit level of around SEK 200 million on a rolling twelve-month basis.

Coop Bank was also fully wound up in 2003-2004.

Proactive initiatives

In the last three years KF has undertaken proactive initiatives in the remaining subsidiaries in order to improve profitability. This is true in particular of KF Media and KF Real Estate. KF Invest has been strengthened so that it can offer societies and subsidiaries more qualified support on financial matters and to further strengthen the management of KF's finances and surplus capital. With the formation of MedMera AB, KF is investing in further developing both member benefits and strategic work with the membership base. KF has also started to set up a centre of co-ordination and skills for consumer matters. The intention is to support work on consumer matters throughout the whole consumer co-operative. Following the recent years' improvement in liquidity and profits, KF is well-equipped to continue to drive the development and renewal of the co-operative FMCG business.

The FMCG sector in Sweden in 2004

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 (supermarkets), the most common kind of store in cities and suburbs, are finding it difficult to satisfy customers' increasingly varied shopping patterns. Hypermarkets, low-price stores, mini-markets with a limited range of goods and specialist food stores 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 stores for 11 per cent. In some parts of southern Sweden hypermarkets account for almost 30 per cent of sales in the and low-price stores for almost 20 per cent.

Own brands gain ground

Own brands are becoming an increasingly important part of the stores' product range. For customers this means above all that prices are lower. In the major chains in Sweden the proportion of own brands is currently 10-15 per cent, but this is expected to increase. In other parts of Europe, where own brands have been around longer, 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

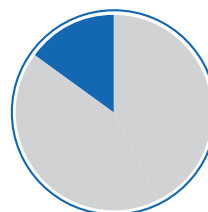
cent. Historically the consumer co-operative has led the way in terms of own brands such as Blå-Vitt, Änglamark, etc.

Increased rate of conversion required

The shift towards bigger, internationalised, cost-efficient companies can now 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 stores 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 on several fronts 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 stores.



■ 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 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.

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

All consumer societies deal with member matters as well as matters relating to environmental and consumer policy.



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).

Fewer and stronger societies

In the last thirty years the number of societies has fallen from more than 200 to 60 at the end of 2004. The restructuring process continued in 2004. The retail business Konsum Svedala merged with Ktf Solidar. Two societies, KpF Framåt in Broakulla and Mattmars kf, went into liquidation. Among the retail societies, at the beginning of 2005 a decision was made to merge Kf Tåsjö in Hoting with Konsum Nord and Ktf Karlskoga with Konsum Värmland.

Retail societies

Like Coop Norden, the retail societies have been affected by the ongoing structural change and price competition in Sweden. These changes have been felt in particular by the societies in southern and south-eastern Sweden. Low-price stores and hypermarkets have a high market share here, which has increased the price pressure and the pressure to change.

Collaboration between the societies, Coop Norden and KF has been developed and extended to deal with the increased competition. This applies in particular to collaboration to develop new, attractive retail locations and shopping centres. One example is the Lillänge shopping centre by the E14 outside the centre of Östersund. Konsum Jämtland and KF Real Estate own the area and have developed it jointly. The biggest unit in the shopping centre is the newly-opened Coop Forum, which is the first to be run by a consumer society using Coop Norden's concept.

The retail societies run some of their stores under concepts other than Coop Norden. In some cases the societies collaborate with Coop Norden so that they can utilise their retail concept.

In parallel with the development of new units, the societies have increased the rate at which they are phasing out smaller and unprofitable stores.

Financial developments during the year

There are no consolidated year-end accounts for the societies. The total net profit for the retail societies was, however, worse than the previous year to the order of SEK 100 million. This fall in profits is due above all to reduced sales volumes and a lower gross margin due to falling prices. Retail sales in the 55 retail societies totalled SEK 16.0 billion. The volume of FMCG goods fell by 2.2 per cent in all, while special goods fell by 0.2 per cent.

Member interest societies

The activities of the member interest societies involve not only ownership matters, but primarily matters relating to members, the environment and consumer policy. They drive the members' influence in stores and hypermarkets locally through store councils or the equivalent, which comprise members' representatives, store managers and staff representatives, as well as regional councils.

In the Retail Council the societies' representatives meet management from KF and Coop as well as the managers of the national chains. The societies also exercise an indirect influence over Coop Norden through KF.

During the year many of the five societies have worked to develop their own organisation and to strengthen the relationship with the co-operative retail sector in each society's region. The Stockholm consumer society introduced a new democratic member organisation with ten districts. In conjunction with the new organisation, the facility was introduced to vote via the society's website using the Coop MedMera card as a means of ID. The Väst (Western) consumer society has further developed reference groups linked to the stores as a means of creating a dialogue between members and stores, which was very well received by members.

In many places the societies arranged themed meetings on consumer issues, such as presentations on hidden sugar in our food. The Svea consumer society arranged 1,113 activities, including presentations and themed meetings, in stores run by 138 different store councils.

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)



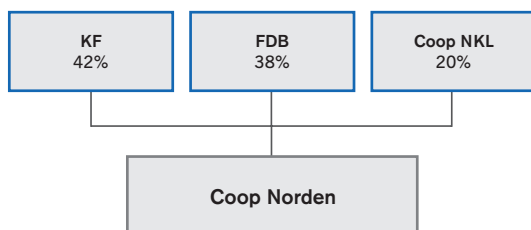
Coop Norden AB

PRESIDENT: SVANTE NILSSON

Since 2002 Coop Norden AB has been the largest FMCG player in the Nordic region, with sales worth SEK 50 billion in its own stores and wholesale turnover of around SEK 30 billion in sales to Swedish, Danish and Norwegian stores run by retail societies.

Coop Norden is owned by KF together with Danish company FDB and Norwegian company Coop NKL. Coop Norden was formed to strengthen the co-operative FMCG business and counter increasingly tough competition. By collaborating in the Nordic region in a number of areas such as purchase and concept development, Coop Norden aims to provide customers and members with benefits and thus create a profitable business.

In Sweden and Denmark Coop Norden runs its own stores and is responsible for logistics for the retail societies. In Norway Coop Norden takes care of logistics for the societies' stores via its subsidiary Coop Norge.



Increased proportion of own brands

In 2004 Coop Norden worked intensively on the development and launch of its own brands. The shared low-price brand X-tra was launched throughout the Nordic region. This meets the requirements of good products at a low price, and contributes towards reinforcing Coop's attractiveness to customers. The Finnish co-operatives are also involved in collaboration on the X-

tra products, which means increased purchase volumes and low prices. Coop Norden's Coop brand is used on products that are characterised by high quality but with lower prices than supplier brands on the market. In 2004 several new product ranges were launched under the Coop brand.

In 2004 Coop Norden also launched its own brands in the non-food segment. The Hugin brand includes household goods such as vacuum cleaners and coffee makers. Ino offers a range in the field of home entertainment, including DVD and video players.

The biggest buyer in the Nordic region

Coop Norden is the biggest buyer of FMCG goods in the Nordic region. Joint purchases have led to favourable agreements, which results in lower purchase prices. During the year permanently lower prices were introduced in large parts of the range in Coop Norden's stores.

More efficient retail operations

To increase the emphasis on retail operations in Coop Norden (ten concept chains in all, six in Denmark and four in Sweden), in 2004 Coop Norden introduced a new organisation. The head offices of Coop Denmark and Coop Sweden were integrated into Coop Norden. The Norwegian business was not affected, as the Norwegian stores are owned and run by the societies.

The new organisation emphasises a necessary streamlining of retail chains and concepts. Coop Norden defines five clear retail formats: mini-markets, supermarkets, large-scale stores, hypermarkets and low-price, as well as the Building Supplies and Garden format.

Financial developments during the year

Coop Norden's total turnover increased by around one per cent to SEK 86.5 billion for 2004. The Norwegian business recorded significant growth. In Denmark Coop Norden reflected the market's growth, while the market share in Sweden fell by 0.6 percentage points.

The company's operating profit was SEK 179 million (457). Coop Norway's profit increased significantly. The profit in the Danish business was worse. The Swedish business's operating profit fell by SEK 336 million to SEK -111 million. Coop Norden's total net profit/loss before tax was SEK -224 million (22).

Since Coop Norden was formed the market in the Nordic FMCG sector has become considerably tougher. Continued, intensive price competition can be expected. The aim for Coop Norden is to create more purchasing benefits, to increase the turnover rate in the retail area, as well as to further gather focus on growing retail concept and to increase market shares. Above all, Coop Norden must be able to offer its members prices that are as good as or better than those of its competitors.

Key ratios

| | 2004 | 2003 |
|-------------------------------|------|------|
| SALES, SEK BILLION | 86,5 | 86,1 |
| OPERATING PROFIT, SEK MILLION | 179 | 457 |

CHAIRMAN OF THE BOARD
Ebbe Lundgaard (FDB)

THE FOLLOWING PEOPLE FROM KF WERE ON THE BOARD OF COOP NORDEN
Nina Jarlbäck, Jan Andersson, Börje Fors,
Laszlo Kriss, Leif Olsson

Coop Norden's concepts in Sweden

Coop Forum

A hypermarket chain that offers a wide range of products at low prices and with generous opening hours. Coop Forum Building Supplies & Garden has a wide range of products for home and garden.

Coop Konsum

A hypermarket chain with a clear focus on organic products and with a good range of food and FMCGs.

Coop Extra

Low-price chain where it must be simple and convenient to buy a wide range of goods at low prices.

Coop Nära

Chain of mini-markets that focus on speed, convenience and simplicity through proximity to the customer and generous opening hours.

KF Fastigheter AB

KF REAL ESTATE
PRESIDENT: BERNT-OLOF GUSTAVSSON

KF Fastigheter has three aims in the consumer co-operative: to be a long-term, stable generator of profits for the KF Group, to serve as a centre of expertise in the field of real estate and offer real estate-related services, and to actively combine real estate capital and expertise to create positions and unique added value for the Swedish consumer co-operative. KF Fastigheter's business concept is to create, operate, rationalise and develop attractive, profitable retail sites and shopping centres. This is achieved together with customers, with a focus on the co-operative retail sector.

In 2004 the primary task was to extend and develop the role as a centre of expertise for Coop Norden and the consumer societies. KF Fastigheter has also been involved in some of Sweden's biggest development projects in the retail sector.

A popular centre of expertise

KF Fastigheter's service activities are aimed at Coop Norden, the consumer societies and its own real estate portfolio. During the year KF Fastigheter's services proved very popular, and the company has been involved in several assignments. KF Fastigheter has reinforced its expertise in several areas so that it is even better able to live up to customers' needs and requirements. For example, KF Fastigheter has started to offer market analysis services. The company has acted on behalf of the retail societies to conduct several structural investigations into retail networks and market regions. In the next few years KF Fastigheter believes there will be a need for increased expertise in the field of shopping centres, which is why in 2004 KF Fastigheter invested in extending this expertise.

Broadened collaboration with Coop Norden

KF Fastigheter has a wide-ranging agreement with Coop Norden on real estate-related services. The partnership with Coop Norden was broadened in 2004. One example is an agreement on joint purchasing of power, having resulted in lower rates and lowered administrative complexity.

KF Fastigheter has been involved on Coop Norden's behalf in a number of projects in which new stores were opened, converted or developed. KF Fastigheter has also successfully conducted tenant negotiations on behalf of Coop Sweden Real Estate. Rental levels for 36 premises with a total area of 27,969 square metres were reduced by 4.5 per cent. This can be compared with rental levels in Stockholm, which increased in general by around 5 per cent during the year for comparable store premises.

The consumer societies' intensive development work

KF Fastigheter's collaboration with the consumer societies increased during the year and will probably become even more intensive during 2005. Several major development projects were implemented with various consumer societies. For example, KF Fastigheter and Konsum Jämtland continued to develop the shopping centre at Lillänge outside Östersund, where two stages were opened in 2004.

Together with the Gävleborg consumer society, KF Fastigheter has started to produce plans to augment Valbo shopping centre with a retail park. A new project was launched together with the Gotland consumer society to relocate a hypermarket to a new, attractive location and to develop the existing retail operation.

A focused real estate portfolio

KF Fastigheter's own real estate portfolio consists of 70 properties with a market value of SEK 4.4 billion, including the company's share of part-owned properties. The lettable space amounts to around 633,000 square metres. The company's real estate strategy means that ownership of properties must be concentrated on major urban regions and other locations with potential for development. In such places the holding must be focused on properties in dominant shopping centres and retail properties, preferably in external and semi-external locations. During the year KF Fastigheter therefore conducted a number of development projects, started new projects and adapted the portfolio through the sale of properties.

In total around SEK 490 million was invested during the year, while properties were sold to a value of around SEK 270 million. Cashflow from divestments during the year totalled around SEK 430 million.

Financial developments during the year

KF Real Estate's operating profit for 2004 was SEK 272 million, 10.2 per cent lower than the previous year. This reduction is due to lower capital gains from divestments. The operating profit excluding capital gains totalled SEK 172 million, compared to SEK 154 million the previous year. This year's capital gain of SEK 100 million is considered to be a long-term level, as KF Fastigheter works primarily on development projects, and thus regularly sells off completed properties. The service business had net sales of SEK 93.2 million and the profit for 2004 was SEK 3.4 million. There was good profitability in the real estate business, and the direct yield increased from 6.5 per cent in 2003 to 6.6 per cent in 2004. The improvement in profitability is due to an improved operating cost level, a further improvement in occupancy rates and the impact of new projects. The investments of recent years in KF's real estate business have borne fruit.

The consumer societies and Coop Norden are increasingly engaging KF Fastigheter to deal with real estate-related matters. The real estate portfolio is more focused following wide-ranging dis-

posals in recent years. KF Fastigheter continues to be an important cornerstone in KF's work to promote the consumer co-operative FMCG sector.

Key ratios

| | 2004 | 2003 |
|-----------------------------------|------|------|
| INCOME, SEK MILLION | 502 | 481 |
| RENTAL INCOME, SEK MILLION | 411 | 376 |
| NET OPERATING INCOME, SEK MILLION | 238 | 207 |
| OCCUPANCY RATE, PER CENT | 96,4 | 96,0 |
| DIRECT YIELD*, PER CENT | 6,6 | 6,5 |
| TOTAL YIELD**, PER CENT | 13,6 | 9,5 |
| LETTABLE SPACE, SQ.M. (.000) | 633 | 638 |

* Identical portfolios

** Excluding value changes of sold portfolio

AVERAGE NUMBER OF EMPLOYEES 76, of which 24 women and 52 men.

Real estate projects during the year

| PROJECT | LOCATION |
|------------------------------|------------|
| Wholly owned projects | |
| Mårtenstorget | Lund |
| Värmdö Marknad (2 stages) | Värmdö |
| Gustavsbergs centrum | Värmdö |
| Cityhuset | Sollefteå |
| Backaplan | Göteborg |
| Bromma Center | Stockholm |
| Arninge | Stockholm |
| Stenungssund | Göteborg |
| Part-owned projects | |
| Tuna Park (3 stages) | Eskilstuna |
| Lillänge (3 stages) | Östersund |
| Valbo Volymhandel | Gävle |
| Customer assignments | |
| Hökaren | Borlänge |
| Östercentrum/Rävågen | Visby |
| Sisjön | Göteborg |



MedMera AB

PRESIDENT: IVAR FRANSSON

MedMera 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. The reward scheme is valid in the co-operative's FMCG business and in Akademibokhandeln, Bokus, KappAhl and Power. MedMera issues the Coop MedMera member card and manages the reward points that members collect and the reward vouchers these generate. There is a special card for organisations and companies, KF Purchase Card. The company also deals with redemptions of all card transactions in the consumer co-operative movement. MedMera produces and distributes the member magazine "Mersmak" on behalf of the consumer societies.

Member value and competitive strength

The long-term aim for MedMera is to become a streamlined operation and competence centre in the field of reward/loyalty schemes, all kinds of card redemption schemes, financial services, customer relationship management (CRM) and analysis. MedMera must have value-for-money solutions that provide the retail sector with competitive tools and members of the consumer co-operative with good member benefits.

An efficient company is formed

MedMera AB was formed at the end of June 2004. Large parts of the business that used to be in the parent company KF, within the KF Card unit, were transferred to the new company. Behind the transfer is an adaptation to new credit market legislation, which came into force on 1 July 2004.

The year has been characterised by rationalisation work with the new organisation and reduced staffing. The reward system has been rationalised and self-service on the Internet developed.

In November the www.coopmedmera.se service was launched. The aim was to have 75,000 members registered with the balance service. The result exceeded expectations, with almost 100,000 registered users.

MedMera now has an effective technical infrastructure, which includes such features as online connection to all checkouts in all stores in the system. The system is used for several kinds of services and is being developed continuously to enable rational handling of a large number of transactions relating to the reward system.

Financial development

MedMera's operating profit in 2004 was SEK 18 million. The profit is strong and is the result of significant austerity measures in the sales field, which should be viewed as one-off measures. In 2005 MedMera will continue to invest in the development of CRM services, new payment solutions and store-related services. MedMera also intends to apply to become a credit market company and has made preparations for this in 2004.



MedMera AB

AVERAGE NUMBER OF EMPLOYEES: 67, of whom 48 women and 19 men.

The Coop MedMera membership card

The Coop MedMera membership card acts as the members' key to the co-operative reward scheme as well as other services and special offers from the various consumer societies, KF and Coop Norden. There are around 3.5 million MedMera cards among the co-operative's 2.9 million members.

Members can use the MedMera card to register their purchases and earn points, which are then converted into reward vouchers. One Swedish krona earns one point. 7,500 points earn a voucher worth SEK 50 or a discount when shopping. Besides reward vouchers, members earn benefits and discounts for such items as hotels, travel and museums. A popular offer in 2004 was the Hotel reward, which 61,000 members claimed.

During the year points were registered for purchases worth around SEK 36 billion on 151 million occasions. This generated 7.25 million reward vouchers for members, which when redeemed generated discounts to a value of around SEK 430 million. Almost 450,000 members have chosen to use Coop MedMera as a charge card with an account.

The card can be used at more than 1,000 sales outlets and around 800 OK Q8 stations. The Coop MedMera Account provides a competitive market interest rate for the household budget. The account has an interest rate of 1.70 per cent (March 2005) on deposits of up to SEK 15,000. The magazine "Mersmak" is sent to members who use the Coop MedMera Account. Other members can pick up the magazine free of charge in stores and hypermarkets. During 2004 Mersmak had more than 740,000 readers per issue.

Bistånd På Köpet (Shopping Aid)

Bistånd På Köpet was launched in October 2001. This gives members with a Coop MedMera Account the opportunity to automatically round up payments to the next full Swedish krona, and thus make a contribution to co-operative aid. The money is shared between the aid organisations Vi Agroforestry and Co-operation Without Borders. At the year-end 128,000 members had signed up to Bistånd På Köpet, which collected more than SEK 3.2 million in aid during 2004. Since its launch Bistånd På Köpet has raised almost SEK 9.5 million.



KF Invest AB

PRESIDENT: MAGNUS HÅKANSSON

KF's investment and financing operations serve two main functions, which contribute towards strengthening the co-operative FMCG business and other businesses within KF: managing 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 good financial service in the form of consultancy and financing solutions.

Managing the Group's capital

In 2004 both the volume of managed capital and the level of ambition in terms of asset management within KF Invest increased significantly. At the end of 2004 KF Invest was managing financial assets to a value of SEK 4.6 billion, compared with SEK 3.0 billion at the end of 2003. The assets are divided between interest-bearing securities, quoted shares and unquoted shares through funds. KF adopts a cautious portfolio strategy with low risk.

The consumer co-operative's internal bank

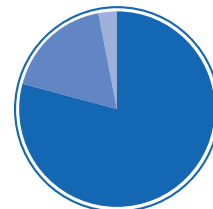
KF Invest manages the consumer co-operative's internal bank. The hub of the financial flows is the Group's own group account system.

Every year almost five million transactions are undertaken. Since 2003 intensive modernisation and development work has been under way in collaboration with Coop Norden and KF's main banks. A new version of the group account system will be launched in spring 2005, and it is expected to make financial administration easier for both the consumer societies and KF's subsidiaries.

Consultancy and financing support

In 2004 many consumer societies worked actively on new investment projects in the FMCG market. This caused bigger demand for financing solutions. During the year KF's central finance unit therefore worked increasingly to support the societies in various ways, partly with advice, partly with various kinds of financing solutions. In 2004 five new employees joined KF Invest to reinforce the asset management function and to provide better support for KF, the subsidiaries and the consumer societies in financial matters.

Financial assets managed



- Interest-bearing securities 79%
- Quoted shares 18%
- Unquoted shares 3%

KF Sparkassa

KF SAVINGS ASSOCIATION

KF Savings Association was established in 1908. It offers members of the consumer co-operative the opportunity to save at a competitive interest rate. At the same time this gives the consumer co-operative access to financing on more advantageous terms than with loans from the regular credit market. In the long term this benefits members, as low financial costs contribute towards a cost-efficient business.

Deposits in the Savings Association have increased by between SEK 104 and 607 per annum over the last five years, and at the year-end totalled SEK 3.8 billion.

Attractive saving for members

Around 90,000 members currently make use of the opportunity to save in the Savings Association. The majority save in the capital account, through which the Savings Association currently offers one of the highest interest rates in the market, 2.20 per cent (March 2005). Withdrawals from the capital account are unrestricted and free of charge. There is also an opportunity to save in the longer term through a five-year loan, which can then be extended for one year at a time. The interest rate here is 2.60 per cent (March 2005). In total the five-year loans and extended five-year loans amount to around SEK 400 million.

Savings Association transactions can be processed at around 350 Savings Association offices in co-operative stores and hypermarkets all over Sweden. In most cases the opening hours are the same as for the retail business, including weekends and evenings. Bank transactions can also be performed remotely. Deposits may be made via autogiro and Post Office giro, and withdrawals can be made using the Savings Association's personal phone service. Deposits in the Savings Association are not covered by the state deposit guarantee, but are guaranteed instead by KF's equity and the overall strong financial status of KF. At present equity is greater than the deposits in the Savings Association.



KF Media AB

PRESIDENT: BÖRJE FORS

KF Media's business concept is to build up a modern book and media group through development and acquisitions in strategic areas. Operations are co-ordinated so that profits from this can be used while retaining and further developing the energy of the individual companies.

KF Media comprises bookstores, book publishers, interactive media and magazines. KF Media owns the Akademibokhandeln Group, with 54 stores in Sweden, and Sweden's leading Internet bookstore, Bokus AB. The P.A. Norstedt & Söner AB publishing group includes the publishing houses Norstedts förlag, Rabén & Sjögren, Prisma and Norstedts Akademiska Förlag (formerly Norstedts Ordbok), and has holdings in several book clubs. PAN Vision is the interactive media business within KF Media, and is divided into a production unit and a distribution unit. KF Media's magazine business consists of the magazine "Vi".

A stable year for Akademibokhandeln

During the year Akademibokhandeln continued to focus on efficient retail operations, gradually increasing integration between the stores and expanding, primarily through acquisition. In 2004 Domus Bokhandel in Karlstad became a part of Akademibokhandeln. In Gothenburg, Östersund and Huddinge three large stores were moved to achieve better locations and to strengthen the market position. In Lund the classic AF Castle has been refurbished and Akademibokhandeln's course store has been renovated.

The book market was characterised in 2004 by tough market conditions. When VAT on books was reduced in 2002 this led to a significant increase in book sales, but this has now been followed by a general easing of this increase.

However, Akademibokhandeln's sales did increase during the year by almost three per cent.

This increase is due, among other things, to an increased demand for fiction, general non-fiction, children's books and pocket books, where Akademibokhandeln strengthened its market share. Competition in the course literature and technical books segment did increase. Sales to companies and libraries fell during the year. Akademibokhandeln reported an operating profit on a par with the previous year.

During the year Akademibokhandeln Direct was established to increase competitive strength on the Internet and towards contract customers. A new agreement with public authorities resulted in a positive sales trend for this business at the end of the year.

Healthy sales increase for Bokus

Bokus is Sweden's leading Internet bookstore. Sales of books via the Internet are increasing dramatically and will lead to a structural change in the book industry. During the year Bokus noticed a tougher market climate and increasing price pressure. Bokus intensified and extended its marketing efforts during the year in close collaboration with MedMera. This initiative resulted in around 110,000 new customers, half of which are members of the consumer co-operative.

Sales increased by almost 40 per cent, and profitability has increased noticeably in recent years. In 2003 Bokus achieved an operating profit for the very first time. The operating profit for 2004 is on a par with the previous year.

Publishing business continues to be profitable

The publishing business experienced mixed fortunes in the book market during the year. Sales for the book business, especially the Internet book business, performed well, while book clubs and stores experienced a downturn.

The two biggest sellers of the year, “Harry Potter and the Order of the Phoenix” by J. K. Rowling and “Rowing without Oars” by Ulla-Carin Lindquist, were published by Tiden and Norstedts förlag respectively. This year’s August Prize for the best children’s and young people’s book, “Dansar Elias” (“Is Elias Dancing”) by Katarina Kieri, was published by Rabén & Sjögren.

P.A. Norstedt & Söner reports a profit for 2004 on a par with the previous year, partly as a result of the company’s cost controls. All publishing units are profitable. Prisma and Norstedts Ordbok improved their profits significantly last year.

Interactive media expand in Finland and Norway

For PAN Vision the financial year was characterised above all by company acquisitions and restructuring in order to strengthen the company’s position in the Nordic games market. October saw the acquisition of Norway’s biggest distributor of interactive media and accessories – BJ Electronics. This made PAN Vision the market leader in Norway. In November Toptronic OY was acquired. Together with BJ and Toptronic, Pan Vision thus becomes the biggest player in the Nordic region. In conjunction with these acquisitions, PAN Vision divided its business into two areas. PAN Vision Publishing contains the interactive publishing business and the film business. PAN Vision Distribution contains the distribution business for interactive media. The Nordic games market is currently stagnant as it awaits the new generation of platforms. This is also true of the film business, where the transition from traditional VHS to DVD format is still under way. However, PAN Vision has achieved major success in such areas as the film business with local versions of, for example, “Idol 2004” in Sweden and “Kummeli” in Finland. The operating profit was on a par with the previous year.

The magazine “Vi” is Sweden’s leading current affairs magazine

The magazine “Vi” (We) is a current affairs magazine with almost 200,000 readers of every

issue. As from 2005 the magazine will become a monthly magazine with many more pages and more comprehensive reporting to reinforce its position as an educational current affairs and family magazine. The operating profit was on a par with the previous year.

Financial developments during the year

In 2004 KF Media’s sales increased by 13 per cent to SEK 2.2 billion. This increase is due to higher market shares for Bokus and PAN Vision’s acquisitions in Norway and Finland.

Investments totalled SEK 118 million, most of which relates to acquisitions in the field of interactive media and the renewal and development of Akademibokhandeln’s stores.

KF Media is a stable generator of profit for the KF Group, and also provides benefits to members through the MedMera reward scheme.

Key ratios

| | 2004 | 2003 |
|---|------|------|
| KF MEDIA SALES, SEK BILLION | 2,2 | 2,0 |
| NUMBER OF STORES WITHIN AKADEMIBOKHANDELN | 54 | 53 |
| AVERAGE NUMBER OF EMPLOYEES 1,037, of whom 648 women and 389 men. | | |



Other operations

Vår Gård Saltsjöbaden AB

Vår Gård Saltsjöbaden is a conference centre with a business concept of being the professional meeting place for companies, authorities and organisations in a setting in the archipelago close to Stockholm. As a high standard is an important competitive advantage, during the year Vår Gård Saltsjöbaden started a wide-ranging renovation of the hotel. Vår Gård Saltsjöbaden has also focused on gastronomic developments, including its own bakery.

In 2004 Vår Gård Saltsjöbaden suffered from the downturn in the conference sector. Occupancy rates were not satisfactory. Vår Gård Saltsjöbaden has good conditions to improve occupancy and profitability.

Tranbodarna AB

Tranbodarna is the consumer co-operative's service centre, offering a full range of administrative services. As from 1 July 2004 Tranbodarna is a wholly owned subsidiary of KF. Tranbodarna also deals with member administration on behalf of consumer societies. At the beginning of the year two new partnership agreements were signed with Coop Norden in Sweden, a three-year bookkeeping assignment for Konsumföretagarna and a bookkeeping assignment for Ekonomiservice.

KF Föreningsrevision AB (KF Society Audit)

KF and the consumer societies form a federal organisation with extensive internal financial relations. KF Society Audit is a channel for members to reduce the joint business risk that exists in such an organisation.

KF Society Audit aims to help ensure that the consumer societies' operations are conducted securely and efficiently. The company's auditors check the consumer societies' annual accounts

and bookkeeping, as well as the management of the Board and the President, and report to each consumer society's general meeting.

KF Society Audit works on behalf of KF to compile the consumer societies' financial results and status, and to produce market and profitability analyses.

The sale of KappAhl

On 1 December 2004 KF sold the wholly owned subsidiary KappAhl to the venture capital companies Nordic Capital and Accent Equity Partners. The purchase price was SEK 1.95 billion.

In recent years KF has worked actively as the owner together with the company's management to reverse the negative financial results in KappAhl. By concentrating the business and the product range, having a greater focus on the chain's main target group and reducing costs, KappAhl's profits increased by over SEK 350 million in three years.

In 2003 KappAhl had net sales of SEK 3.8 billion and an operating profit of SEK 120 million. In the first eleven months of 2004 KappAhl contributed net sales of SEK 3.3 billion and an operating profit of SEK 73 million, which on a rolling 12-month basis represented an operating profit of around SEK 200 million.



Directors' Report

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

The KF Group

KF is the union of Sweden's 60 consumer societies. KF's main task is to work together with the consumer societies to guarantee that the societies' members can buy good products at competitive prices in attractive stores. KF performs this task by being the biggest shareholder (42 per cent) in the Nordic FMCG group Coop Norden and by supporting the consumer societies with such functions as property investments, analyses of new stores, financing solutions and consultancy services.

Coop Norden operates stores in Denmark and Sweden, and runs a wholesale supply operation for those societies which operate their own stores in Sweden and the consumer societies in Norway. In Sweden Coop Norden runs the Coop Konsum, Coop Extra and Coop Nära stores as well as the Coop Forum hypermarkets. These are in areas with around 60 per cent of the members. The other approx. 40 per cent of members are in areas where the consumer societies own and run retail operations.

The union and the societies have a shared responsibility for lobbying and the democratic membership process. KF represents the consumer co-operative's joint interests when dealing with various public institutions. KF conducts development work to create added value for members and to increase the attractiveness of membership.

KF Parent Society is the parent company of the KF Group, which includes KF Fastigheter (KF Real Estate), MedMera, KF Media, KF Invest, KF Föreningsrevision (KF Society Audit), Tranbodarna, KF Försäkring (KF Insurance) and Vår Gård Saltjöbaden. The parent company includes KF Sparkassa (KF Savings Association). The subsidiary MedMera is responsible for the Coop MedMera concept.

Membership of the consumer co-operative

The net increase in memberships among the consumer societies was 64,000, reaching a total of more than 2.9 million at the end of the year. During the year members made 151 million purchases via the Coop MedMera membership card and received bonus points for these. In total members redeemed bonus vouchers to a value of around SEK 430 million. The card can be used in Coop's outlets in Sweden (Coop Konsum, Coop Forum, Coop Extra and Coop Nära), in almost all stores run by the retail consumer societies, in the wholly owned businesses Akademibokhandeln and Bokus, and in the businesses divested during the year, KappAhl and Power Hemelektronik.

Important events during the year

- The positive result trend from 2003 continued, and KF reported a profit for 2004.
- KF's financial status was further strengthened during the year as a result of a profit from current operations and from divestiture.
- Wholly owned KappAhl was sold off on 30 November with a significant capital gain. The new main owner is the venture capital company Nordic Capital. KappAhl remains in the MedMera scheme after its sale.
- KF's remaining holding (24 per cent) in Power Hemelektronik was sold on 30 June to the Norwegian Expert Group, which by also acquiring Coop NKL's remaining holding (27 per cent) increased its holding from 49 to 100 per cent. Power remains in the MedMera scheme after the sale.
- KF's holding in Saba Trading (15 per cent) was sold in December to majority shareholder Dole.
- At the end of June 2004 large parts of the business that used to be in the parent company KF, within the KF Card unit, were transferred to the MedMera subsidiary. The MedMera subsidiary is responsible for the Coop MedMera concept.
- At the end of the year KF Konsument (KF Consumer Affairs) was created as a centre of competence and co-ordination 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.
- The winding up of Coop Bank concluded in December with a positive impact on profits of SEK 7 million.
- The FMCG sector performed very poorly during the year, which had a negative impact on both KF's holding in Coop Norden and on the 55 consumer societies that run their own stores. 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 massive pressure from new retail space has put pressure above all on traditional supermarkets owned by all current FMCG players.
- 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 market share has fallen from 20.2 per cent to 17.5 per cent since 1993.

The KF Group's financial results and sales

KF is reporting a pre-tax profit of SEK 1,084 million for 2004, compared to SEK 228 million the year

before. The profit excluding items affecting comparability was SEK 250 million, an increase of SEK 22 million on the previous year. Items of a one-off nature had a net impact on profits of SEK 834 million, including capital gains from the sale of KappAhl of SEK 964 million, depreciation of goodwill in KF Media's subsidiary Pan Vision of SEK 27 million, depreciation of intellectual rights and stock in Pan Vision of SEK 66 million, and structural costs of SEK 37 million.

Sales totalled SEK 28,991 million, compared with SEK 31,621 million the previous year.

In three years the pre-tax 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 in 2004, the pre-tax profit has increased over three years by SEK 912 million to SEK 250 million.

Capital gains

The profit for 2004 includes capital gains of a one-off nature to the order of SEK 964 from the sale of KappAhl.

The profit also includes capital gains from the sale of properties to a total value of SEK 110 million, of which SEK 100 million was from KF Fastigheter (KF Real Estate) and SEK 10 million from Group adjustments and other companies. Capital gains on this scale are a natural element of the property business.

The profit also includes SEK 11 million in capital gains from KF Invest. Capital gains are a natural element of asset management activities.

Total capital gains, including capital gains of a one-off nature and capital gains of a more ongoing, operational nature, were SEK 1,085 million.

The KF Group's financial status

KF's financial status and liquidity are very good, and the Group's net borrowing is virtually zero. KF has no loans with the banking system. Loans from members are invested fully in liquid assets.

During the year the equity/assets ratio increased to 40.2 per cent, compared to 36.4 per cent the previous year. The debt/equity ratio improved to 0.01, compared to 0.40 the previous year. The net debt was only SEK 68 million at the year-end, compared to SEK 1,812 million the previous year.

In three years the equity/assets ratio has improved by 13.7 percentage points, from 26.5 to 40.2 per cent; the net debt has fallen by SEK 4.7 billion from SEK 4.8 billion to SEK 68 million; the debt/equity ratio has improved from 1.10 to 0.01. The positive effects on these trends come from improved profits in the Group's wholly owned businesses as well as sales of businesses and assets.

KF ekonomisk förening

KF ekonomisk förening (KF Parent Society) is the Group's parent company, with an organisation comprising the following functions: MD; Union Secretariat; Co-operative Societies Matters; Accounting, Finance & IT; KF Sparkassa (KF Savings Association) and KF Konsument (KF Consumer Affairs).

KF Sparkassa

KF Sparkassa (KF Savings Association) manages deposits from members at competitive interest rates in capital accounts and 5-year loans. Deposits increased during 2004, and at the year-end totalled SEK 3.8 billion (SEK 3.4 billion). Most of the deposits are made via the capital account, where the Savings Association has one of the highest interest rates in the market (2.20 per cent in March 2005).

KF Finans

KF Finans (KF Finance) acts as an internal bank and works with both societies and subsidiaries. KF Finans is responsible for overall liquidity planning. KF Finans acts as an advisor for subsidiaries and societies on financial matters. KF Finans is responsible for handling accounts and transactions, banking relations, currency management and financial risk control.

KF Invest

KF Invest's manages KF's surplus liquidity. KF Invest's work includes managing, processing and disposing of assets, which means that capital gains are a natural element of KF Invest's net income.

At the year-end interest-bearing securities, including bonds and certificates, had a market value of SEK 3,652 million (SEK 880 million). Quoted shares, including holdings in funds, had a market value at the year-end of SEK 843 million (SEK 392 million). The book value of long-term securities at the year-end was SEK 99 million (SEK 160 million). The changes in market value from the previous year are largely due to increases in liquidity following the sale of KappAhl, and also to yields from the portfolio and an adjustment of the allocation between different kinds of assets.

KF Fastigheter

KF Fastigheter (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, increasing the efficiency of and developing profitable market places and shopping centres. The year saw such activities as the first stages of the Lillänge market place, which is jointly owned with Konsum Jämtland, and the Valbo retail park in Gävle, in collaboration with the Gävleborg Consumer Society. The operating profit fell to SEK 272 million

(SEK 303 million) as a consequence of lower capital gains than in the previous year. The profit includes capital gains of SEK 100 million (SEK 149 million). The direct yield was 6.6 per cent (6.5) and the total yield 13.6 per cent (9.5). The real estate portfolio (including Agreement Properties) had a book value of around SEK 3.2 billion (SEK 3.0 billion), corresponding to an estimated market value of around SEK 4.2 billion (SEK 3.8 billion) at the year-end.

MedMera

At the end of June 2004 large parts of the business that used to be in the parent company KF, within the KF Card unit, were transferred to the MedMera subsidiary. The company operates and develops the Coop MedMera membership card, through which members can access the co-operative's member offers and benefits. The proforma operating profit for the full year was SEK 18 million.

KF Media

KF Media's operating profit totalled SEK 68 million (SEK 65 million). Sales increased by 12 per cent to SEK 2.2 billion.

Akademibokhandeln's sales performance continued to be good, while not quite matching the record level of the previous year, when the industry's sales increased thanks to the reduction of VAT on books. The operating profit was on a par with the previous year.

The publishing business within P.A. Norstedt & Söner continued to report healthy sales, together with an operating profit that was on a par with the previous year. The two block busters of the year were »Harry Potter and the Order of the Phoenix« by J. K. Rowling and »Rowing without Oars« by Ulla-Carin Lindquist.

The Internet bookstore Bokus achieved an operating profit on a par with the previous year. Its turnover increased by almost 40 per cent. A close marketing collaboration with MedMera resulted in around 110,000 new customers.

Pan Vision reinforced its position in the Nordic games market through company acquisitions and restructuring programmes. October 2004 saw the acquisition of Norway's biggest distributor of interactive media and accessories – BJ Electronics. In November Toptronic OY was acquired. Together with Toptronic and BJ, Pan Vision thus becomes the biggest player in the Nordic region within its sector. The operating profit was on a par with the previous year.

As from the year-end the magazine »Vi« was converted from a bi-weekly to a monthly publication schedule, which is expected to generate reduced costs and to contribute towards reversing the financial trend. The operating profit was on a par with the previous year.

Coop Norden

The associated company Coop Norden did not reach its profit targets for 2004. The Group reported an operating profit of SEK 179 million (SEK 457 million). The profit/loss after net financial items was SEK –224 million (SEK 22 million). Coop Norway made a positive contribution to the profit figure. In Sweden the tougher competition hit volumes and prices, and the Swedish business reported an operating loss. The FMCG market in Denmark has not accelerated in the same way as in Sweden, although tougher competition is expected in 2005. Refurbishment and renovations need to be driven through much more forcefully during the year ahead.

Other companies

Vår Gård Saltsjöbaden is a conference venue. During the year the business suffered from the downturn in the sector and the occupancy rate was not satisfactory.

Tranbodarna is the consumer co-operative's service centre, offering administrative services above all to consumer societies. As from 1 July Tranbodarna is a wholly owned subsidiary of KF.

KF Society Audit's task is to check the consumer societies' annual accounts and bookkeeping, as well as the Board's and the President's administration. This task also includes checking the co-operatives' management and reporting to the society's management body.

Coop Elektro has been undergoing a winding up process since February 2003. The operational business is now a part of Power Hemelektronik, which was sold off during the year. The winding up of Coop Bank concluded in December with a positive impact on profits to the order of SEK 7 million.

Proposed disposition of unrestricted reserves

Unrestricted equity in the Group at the year-end was 1,844 MSEK. According to the parent association's balance sheet, the following is at the disposal of the Union's General Meeting:

| | |
|--------------------------|------------------------|
| Retained earnings | 694,731,615.75 |
| Profit/loss for the year | 1,243,262,746.49 |
| | <hr/> 1,937,994,362.24 |

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

| | |
|------------------------------------|------------------------|
| To reserves | 186,489,411.97 |
| Interest on capital invested | 83,445,798.65 |
| Interest on debenture investments | 77,867,912.20 |
| Carried forward to the new account | 1,590,191,239.42 |
| | <hr/> 1,937,994,362.24 |

Income statement for the KF Group

| MSEK | Note | 2004 | 2003 |
|---|--------------|--------------|--------------|
| Net sales | I | 28,991 | 31,621 |
| Cost of goods sold | | - 25,901 | - 28,371 |
| GROSS PROFIT | | 3,090 | 3,250 |
| Selling expenses | | - 2,447 | - 2,587 |
| Administrative expenses | | - 597 | - 574 |
| Other operating income | 3 | 1,085 | 181 |
| Other operating expenses | | - 54 | - 4 |
| Participation in the earnings of associated companies | 4 | 15 | 28 |
| Participation in the earnings of joint ventures | 5 | - 98 | - 63 |
| OPERATING PROFIT/LOSS | 2, 6, 26, 28 | 994 | 231 |
| Financial income and expenses | 7 | 90 | - 3 |
| PROFIT/LOSS AFTER FINANCIAL ITEMS | | 1,084 | 228 |
| Tax | 8 | - 169 | 179 |
| Minority share | | 8 | - |
| PROFIT/LOSS FOR THE YEAR | 9 | 923 | 407 |

Balance sheet for the KF Group

| MSEK | Note | 31-12-2004 | 31-12-2003 |
|---|---------------|---------------|---------------|
| ASSETS | | | |
| FIXED ASSETS | | | |
| Capitalised development expenditure | | 66 | 64 |
| Patents, licenses, trademarks and similar rights | | 24 | 29 |
| Tenancy rights and similar rights | | 0 | 1 |
| Goodwill | | 79 | 322 |
| Other intangible fixed assets | | 3 | – |
| INTANGIBLE FIXED ASSETS | 10 | 172 | 416 |
| Buildings and land | | 2,908 | 2,759 |
| Inventory, tools, fixtures and fittings | | 225 | 496 |
| Construction in progress | | 141 | 124 |
| TANGIBLE FIXED ASSETS | 11 | 3,274 | 3,379 |
| Participations in associated companies | 29 | 40 | 74 |
| Receivables from assoc. companies, interest-bearing | | 9 | 11 |
| Participations in joint ventures | 29 | 1,768 | 1,593 |
| Receivables from joint ventures, interest-bearing | | 47 | 600 |
| Receivables from joint ventures, non interest-bearing | | 19 | – |
| Other long-term securities | 29 | 118 | 351 |
| Deferred tax assets | | 109 | 194 |
| Other long-term receivables, interest-bearing | 19 | 169 | 111 |
| Other long-term receivables, non interest-bearing | | 28 | – |
| FINANCIAL FIXED ASSETS | 12 | 2,307 | 2,934 |
| TOTAL FIXED ASSETS | | 5,753 | 6,729 |
| CURRENT ASSETS | | | |
| Raw materials and consumables | | 2 | 3 |
| Work in progress | | 10 | 13 |
| Finished goods and goods for resale | | 424 | 781 |
| Advance payment to suppliers | | 4 | 4 |
| INVENTORIES | | 440 | 801 |
| Accounts receivable | | 418 | 373 |
| Receivables from assoc. companies, interest-bearing | | 11 | 8 |
| Receivables from assoc. companies, non interest-bearing | | 2 | 88 |
| Receivables from joint ventures, non interest-bearing | | 159 | 114 |
| Other current receivables, interest-bearing | | 507 | 408 |
| Other current receivables, non interest-bearing | | 392 | 586 |
| Prepaid expenses and accrued income | | 283 | 223 |
| CURRENT RECEIVABLES | 13, 14 | 1,772 | 1,800 |
| CURRENT INVESTMENTS | 15 | 5,139 | 2,611 |
| CASH AND BANK BALANCES | | 280 | 541 |
| TOTAL CURRENT ASSETS | | 7,631 | 5,753 |
| TOTAL ASSETS | 24 | 13,384 | 12,482 |

Balance sheet for the KF Group

| MSEK | Note | 31-12-2004 | 31-12-2003 |
|---|---------------|---------------|---------------|
| EQUITY, PROVISIONS AND LIABILITIES | | | |
| EQUITY | | | |
| Capital invested | | 1,669 | 1,616 |
| Debenture investments | | 1,072 | 1,147 |
| Restricted reserves | | 778 | 863 |
| RESTRICTED EQUITY | | 3,519 | 3,626 |
| Unrestricted reserves | | 921 | 485 |
| Net profit/loss for the year | | 923 | 407 |
| UNRESTRICTED EQUITY | | 1,844 | 892 |
| TOTAL EQUITY | 16 | 5,363 | 4,518 |
| GUARANTEED CAPITAL | 18 | 20 | 20 |
| Provisions for pensions and similar commitments, interest-bearing | 19 | 1 | 53 |
| Other provisions, non interest-bearing | | 41 | 89 |
| PROVISIONS | 20 | 42 | 142 |
| Long-term liabilities, interest-bearing | | 211 | 253 |
| LONG-TERM LIABILITIES | 22 | 211 | 253 |
| Liabilities to credit institutions | | 37 | 9 |
| Advance payment from customers | | 41 | 71 |
| Accounts payable | | 443 | 595 |
| Liabilities to associated companies, non interest-bearing | | 0 | 54 |
| Liabilities to joint ventures, interest-bearing | | 102 | 337 |
| Liabilities to joint ventures, non interest-bearing | | 136 | 23 |
| Tax liabilities | | 2 | 4 |
| Other current liabilities, interest-bearing | | 5,860 | 5,430 |
| Other current liabilities, non interest-bearing | | 550 | 317 |
| Accrued expenses and prepaid income | | 577 | 709 |
| CURRENT LIABILITIES | 14, 23 | 7,748 | 7,549 |
| TOTAL EQUITY, PROVISIONS AND LIABILITIES | 24 | 13,384 | 12,482 |
| MEMORANDUM ITEMS | | | |
| ASSETS PLEDGED AND CONTINGENT LIABILITIES | | | |
| Assets pledged | 21 | 643 | 645 |
| Contingent liabilities | 25 | 206 | 215 |

Changes in equity for The KF Group

| MSEK | Member contri- butions | Debenture invest- ments | Restricted reserves | Unre- stricted reserves | Net profit/ loss for the year | Total |
|--|------------------------------|-------------------------------|------------------------|-------------------------------|-------------------------------------|--------------|
| CLOSING BALANCE, 31-12-2002 | 1,565 | 1,145 | 876 | 1,056 | - 281 | 4,361 |
| Exchange rate difference ¹⁾ | | | 1 | - 153 | | - 152 |
| <i>Total change not reported in the income statement</i> | 0 | 0 | 1 | - 153 | 0 | - 152 |
| Interest on member contrib. and debenture investments | | | | - 99 | | - 99 |
| Transfer to reserves of capital invested | 52 | | | - 52 | | 0 |
| Other allocation of previous year's profit/loss | | | | - 281 | 281 | 0 |
| Reduction in member contributions | - 1 | | | | | - 1 |
| Increase in debenture investments | | 2 | | | | 2 |
| Net profit/loss for the year | | | | | 407 | 407 |
| Transfer between unrestricted and restricted reserves | | | - 14 | 14 | | 0 |
| CLOSING BALANCE, 31-12-2003 | 1,616 | 1,147 | 863 | 485 | 407 | 4,518 |
| Effect of change in accounting principle | | | | 58 | | 58 |
| Exchange rate difference | | | 0 | 12 | | 12 |
| <i>Total change not reported in the income statement</i> | 0 | 0 | 0 | 12 | 0 | 12 |
| Interest on member contrib. and debenture investments | | | | - 106 | | - 106 |
| Transfer to reserves of capital invested | 54 | | | - 54 | | 0 |
| Other allocation of previous year's profit/loss | | | | 407 | - 407 | 0 |
| Reduction in member contributions | - 1 | | | | | - 1 |
| Reduction in debenture investments | | - 75 | | | | - 75 |
| Deferred tax on dividend | | | | 34 | | 34 |
| Net profit/loss for the year | | | | | 923 | 923 |
| Transfer between unrestricted and restricted reserves | | | - 85 | 85 | | 0 |
| CLOSING BALANCE, 31-12-2004 | 1,669 | 1,072 | 778 | 921 | 923 | 5,363 |

¹⁾ The opening accumulated exchange rate difference as of 1 January 2003, which was posted directly to equity, totalled SEK 153 million.

Cashflow statement for the KF Group

| MSEK | Note | 2004 | 2003 |
|---|-----------|--------------|--------------|
| OPERATING ACTIVITIES | | | |
| Profit/loss after financial items | 27 | 1,084 | 228 |
| Adjustments for items not included in cashflow | 27 | - 646 | 348 |
| | | 438 | 576 |
| Tax paid | | - 4 | - 4 |
| CASHFLOW FROM CURRENT OPERATIONS BEFORE CHANGES IN WORKING CAPITAL | | 434 | 572 |
| CASHFLOW FROM CHANGES IN WORKING CAPITAL | | | |
| Increase (-)/Decrease (+) in inventories | | - 43 | 119 |
| Increase(-)/Decrease(+) in operating assets | | - 81 | 62 |
| Increase(-)/Decrease(+) in operating liabilities | | 39 | 64 |
| CASHFLOW FROM OPERATING ACTIVITIES | | 349 | 817 |
| INVESTMENT ACTIVITIES | | | |
| Shareholder contributions paid | | | - 151 |
| Acquisition of subsidiaries | 27 | - 35 | - 9 |
| Sale of subsidiaries | 27 | 1,802 | |
| Acquisition of operational area | | - 10 | |
| Acquisition of intangible fixed assets | | - 67 | - 62 |
| Acquisition of tangible fixed assets | | - 400 | - 757 |
| Sale of tangible fixed assets | | 250 | 816 |
| Investments in financial assets | | - 624 | - 505 |
| Divestment/reduction of financial assets | | 624 | 114 |
| CASHFLOW FROM INVESTMENT ACTIVITIES | | 1,540 | - 554 |
| FINANCING ACTIVITIES | | | |
| Increase in debenture investments | | | 2 |
| Reduction in member contributions | | - 1 | |
| Reduction in debenture investments | | - 75 | |
| Change in deposits in Savings Association/MedMera | 14 | 377 | 1,641 |
| Other change in loans | | - 248 | - 568 |
| Interest on member contrib. and debenture investments | | - 105 | - 100 |
| CASHFLOW FROM FINANCING ACTIVITIES | | - 52 | 975 |
| CASHFLOW FOR THE YEAR | | 1,837 | 1,238 |
| LIQUID ASSETS AT THE BEGINNING OF THE YEAR | | 2,764 | 1,528 |
| EXCHANGE RATE DIFFERENCE IN LIQUID ASSETS | | 0 | - 2 |
| LIQUID ASSETS AT THE END OF THE YEAR | 27 | 4,601 | 2,764 |

Income statement for the KF Parent Society

| MSEK | Note | 2004 | 2003 |
|--|-----------|--------------|--------------|
| Net sales | I | 22,891 | 25,397 |
| Cost of goods sold | | - 22,728 | - 25,126 |
| GROSS PROFIT | | 163 | 271 |
| Selling expenses | | - 123 | - 270 |
| Administrative expenses | | - 163 | - 128 |
| Other operating income | 3 | 10 | 29 |
| Other operating expenses | | - 56 | - 34 |
| OPERATING LOSS | 2, 26, 28 | - 169 | - 132 |
| Financial income and expenses | 7 | 1,401 | - 132 |
| PROFIT/LOSS AFTER FINANCIAL ITEMS | | 1,232 | - 264 |
| Appropriations | 17 | 0 | 0 |
| Tax | 8 | 11 | 357 |
| NET PROFIT/LOSS FOR THE YEAR | | 1,243 | 93 |

Balance sheet for the KF Parent Society

| MSEK | Note | 31-12-2004 | 31-12-2003 |
|---|---------------|---------------|---------------|
| ASSETS | | | |
| FIXED ASSETS | | | |
| Capitalised development expenditure | | 4 | 9 |
| Patents, licenses, trademarks and similar rights | | 1 | – |
| INTANGIBLE FIXED ASSETS | 10 | 5 | 9 |
| Buildings and land | | 233 | 232 |
| Equipment, tools, fixtures and fittings | | 24 | 49 |
| Construction in progress | | 4 | 5 |
| TANGIBLE FIXED ASSETS | 11 | 261 | 286 |
| Participations in Group companies | 29 | 2,565 | 2,632 |
| Receivables from Group companies, interest-bearing | | 2,438 | – |
| Participations in associated companies | 29 | 18 | 50 |
| Receivables from associated companies, interest-bearing | | 9 | 11 |
| Participations in joint ventures | 29 | 2,279 | 1,901 |
| Receivables from joint ventures, interest-bearing | | 0 | 600 |
| Other long-term securities | 29 | 17 | 190 |
| Deferred tax assets | | 200 | 241 |
| Other long-term receivables, interest-bearing | | 35 | 38 |
| FINANCIAL FIXED ASSETS | 12 | 7,561 | 5,663 |
| TOTAL FIXED ASSETS | | 7,827 | 5,958 |
| CURRENT ASSETS | | | |
| Raw materials and consumables | | – | 3 |
| Advance payment to suppliers | | 4 | 3 |
| INVENTORIES | | 4 | 6 |
| Accounts receivable | | 73 | 74 |
| Receivables from Group companies, interest-bearing | | 2,793 | 2,563 |
| Receivables from Group companies, non interest-bearing | | 440 | 3 |
| Receivables from associated companies, interest-bearing | | 11 | 8 |
| Receivables from associated companies, non interest-bearing | | 0 | 2 |
| Receivables from joint ventures, non interest-bearing | | 31 | 47 |
| Other current receivables, interest-bearing | | 388 | 204 |
| Other current receivables, non interest-bearing | | 19 | 216 |
| Prepaid expenses and accrued income | | 9 | 21 |
| CURRENT RECEIVABLES | 13, 14 | 3,764 | 3,138 |
| CURRENT INVESTMENTS | 15 | 664 | 2,224 |
| CASH AND BANK BALANCES | | 226 | 452 |
| TOTAL CURRENT ASSETS | | 4,658 | 5,820 |
| TOTAL ASSETS | 24 | 12,485 | 11,778 |

Balance sheet for the KF Parent Society

| MSEK | Note | 31-12-2004 | 31-12-2003 |
|---|---------------|---------------|---------------|
| EQUITY, PROVISIONS AND LIABILITIES | | | |
| EQUITY | | | |
| Capital invested | | 1,669 | 1,616 |
| Debenture investments | | 1,072 | 1,147 |
| Statutory reserve | | 761 | 747 |
| RESTRICTED EQUITY | | 3,502 | 3,510 |
| Profit brought forward | | 694 | 520 |
| Net profit/loss for the year | | 1,243 | 93 |
| UNRESTRICTED EQUITY | | 1,937 | 613 |
| TOTAL EQUITY | 16 | 5,439 | 4,123 |
| UNTAXED RESERVES | 17 | 10 | 10 |
| GUARANTEED CAPITAL | 18 | 20 | 20 |
| Other provisions, non interest-bearing | | 18 | 46 |
| PROVISIONS | 20 | 18 | 46 |
| Long-term liabilities, interest-bearing | | 196 | 252 |
| LONG-TERM LIABILITIES | 22 | 196 | 252 |
| Liabilities to credit institutions | | 0 | – |
| Advance payment from customers | | 11 | 3 |
| Accounts payable | | 96 | 141 |
| Liabilities to Group companies, interest-bearing | | 1,500 | 1,089 |
| Liabilities to Group companies, non interest-bearing | | 54 | 76 |
| Liabilities to associated companies, non interest-bearing | | – | 49 |
| Liabilities to joint ventures, interest-bearing | | 102 | 337 |
| Liabilities to joint ventures, non interest-bearing | | 17 | 18 |
| Other current liabilities, interest-bearing | | 4,477 | 5,430 |
| Other current liabilities, non interest-bearing | | 403 | 98 |
| Accrued expenses and prepaid income | | 142 | 86 |
| CURRENT LIABILITIES | 14, 23 | 6,802 | 7,327 |
| TOTAL EQUITY, PROVISIONS AND LIABILITIES | 24 | 12,485 | 11,778 |
| MEMORANDUM ITEMS | | | |
| ASSETS PLEDGED AND CONTINGENT LIABILITIES | | | |
| Assets pledged | 21 | 153 | 48 |
| Contingent liabilities | 25 | 164 | 173 |

Changes in equity for the KF Parent Society

| MSEK | Member contri- butions | Debenture invest- ments | Restricted reserves | Unrestricted reserves | Net profit/loss for the year | Total |
|---|------------------------------|-------------------------------|------------------------|--------------------------|------------------------------------|--------------|
| CLOSING BALANCE, 31-12-2002 | 1,565 | 1,145 | 747 | 1,370 | - 997 | 3,830 |
| Interest on member contrib. and debenture investments | | | | - 99 | | - 99 |
| Transfer to reserves of capital invested | 52 | | | - 52 | | 0 |
| Other allocation of previous year's profit/loss | | | | - 997 | 997 | 0 |
| Reduction in member contributions | - 1 | | | | | - 1 |
| Increase in debenture investments | | 2 | | | | 2 |
| Group contribution | | | | 414 | | 414 |
| Tax effect on Group contribution | | | | - 116 | | - 116 |
| Net profit/loss for the year | | | | | 93 | 93 |
| CLOSING BALANCE, 31-12-2003 | 1,616 | 1,147 | 747 | 520 | 93 | 4,123 |
| Interest on member contrib. and debenture investments | | | | - 106 | | - 106 |
| Transfer to reserves of capital invested | 54 | | | - 54 | | 0 |
| Other allocation of previous year's profit/loss | | | 14 | 79 | - 93 | 0 |
| Reduction in member contributions | - 1 | | | | | - 1 |
| Reduction in debenture investments | | - 75 | | | | - 75 |
| Group contribution | | | | 307 | | 307 |
| Tax effect on Group contribution | | | | - 86 | | - 86 |
| Deferred tax on dividend | | | | 34 | | 34 |
| Net profit/loss for the year | | | | | 1,243 | 1,243 |
| CLOSING BALANCE, 31-12-2004 | 1,669 | 1,072 | 761 | 694 | 1,243 | 5,439 |

Cashflow statement for the KF Parent Society

| MSEK | Note | 2004 | 2003 |
|---|------|------------|--------------|
| OPERATING ACTIVITIES | | | |
| Profit/loss after financial items | 27 | 1,232 | - 264 |
| Adjustments for items not included in cashflow | 27 | - 1,323 | 208 |
| CASHFLOW FROM OPERATING ACTIVITIES BEFORE CHANGES IN WORKING CAPITAL | | - 91 | - 56 |
| CASHFLOW FROM CHANGES IN WORKING CAPITAL | | | |
| Increase (-)/Decrease (+) in inventories | | 1 | 2 |
| Increase(-)/Decrease(+) in operating assets | | - 313 | 29 |
| Increase(-)/Decrease(+) in operating liabilities | | 65 | 104 |
| CASHFLOW FROM OPERATING ACTIVITIES | | - 338 | 79 |
| INVESTMENT ACTIVITIES | | | |
| Shareholder contributions paid | | - 51 | - 138 |
| Sale of subsidiaries | | 1,844 | |
| Sale of operational area | 27 | - 1260 | |
| Acquisition of intangible fixed assets | | - 6 | - 8 |
| Acquisition of tangible fixed assets | | - 18 | - 8 |
| Sale of tangible fixed assets | | 22 | 2 |
| Investments in financial assets | | - 3,192 | |
| Divestment/reduction of financial assets | | 505 | 301 |
| CASHFLOW FROM INVESTMENT ACTIVITIES | | - 2,156 | 149 |
| FINANCING ACTIVITIES | | | |
| Increase in debenture investments | | | 2 |
| Reduction in member contributions | | - 1 | |
| Reduction in debenture investments | | - 75 | |
| Change in deposits in Savings Association/MedMera | 14 | 377 | 1,641 |
| Other change in loans | | 98 | - 1,033 |
| Interest on member contrib. and debenture investments | | - 105 | - 100 |
| Group contributions received | | 414 | 517 |
| Group contributions paid | | | - 4 |
| CASHFLOW FROM FINANCING ACTIVITIES | | 708 | 1,023 |
| CASHFLOW FOR THE YEAR | | - 1,786 | 1,251 |
| LIQUID ASSETS AT THE BEGINNING OF THE YEAR | | 2,676 | 1,425 |
| LIQUID ASSETS AT THE END OF THE YEAR | 27 | 890 | 2,676 |

Accounting principles

The annual report of the KF Parent Society and the KF Group was prepared in accordance with the Annual Accounts Act and the recommendations of the Swedish Financial Accounting Standards Council and its emerging issues task force.

As of 1 January 2004 the Swedish Financial Accounting Standards Council's recommendation RR 29 »Employee benefits« has been applied for employees. The introduction of this recommendation has meant that equity increased by SEK 58 million at the beginning of the year.

Consolidated accounts

The group's year-end accounts include the parent company and all subsidiaries in which the parent company holds more than 50 per cent 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. 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. Earnings for companies divested during the year are included for the period during which they were owned.

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. Reporting in the consolidated accounts takes place in accordance with the equity method. In the consolidated income statement, participations in the earnings of associated companies and joint ventures constitute a proportion of reported earnings before tax, adjusted for minority interest, if necessary reduced by any depreciation of surplus/deficit value. The share of the companies' tax is reported under the Group's tax expense.

Conversion of foreign subsidiaries and associated companies

The income statements and balance sheets of foreign subsidiaries and associated companies are

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

Classifications

Fixed 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 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 stated otherwise 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 assets and liabilities are reported net under the operating profit/loss, 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 purchases in foreign currencies. Forward contracts, 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 and for hedging interest rate risk are not revalued at the year-end but are reported at their acquisition value. Interest income and interest expenses

resulting from these derivatives are reported on an ongoing basis under net interest income/expense.

Intangible and tangible fixed assets

Intangible and tangible fixed assets are valued at the acquisition cost minus depreciation according to plan and any write-downs. Depreciation according to plan is based on the assets' acquisition values and the estimated economic service life. If there are any indications of a decrease in value, an assessment is made of the recovery value. If the recovery value is less than the book value, the item is written down to this amount.

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

| | |
|---|--------|
| Buildings and land | 1–5% |
| Property equipment, 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, e.g. to gain access to new markets, goodwill is amortised over a period of up to 10 years.

Financial fixed assets

Shares and participations that are fixed assets are valued individually. If there are any indications of a decrease in value, an assessment is made of the recovery value. If the recovery value is less than the book value, the item is written down to this amount.

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.

Accounts receivable

Accounts receivable are reported at the amounts expected to be paid after careful consideration.

Current investments

Quoted shares are valued collectively using the portfolio method, at the lower of the acquisition value and the stock market value at the year-end for the total holding of quoted shares. Short-term interest-bearing investments are valued at the

lower of the accrued acquisition value and the net sales value.

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 cost is allocated during the employee's working life. The current 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 invested plans, the consolidated balance sheet reports the net pension commitment after deductions for the plan's managed assets valued at market value. Invested plans with net assets, i.e. 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 so-called 10 per cent corridor for the plan in question.

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 method. Deferred tax assets are reported to the extent that they are likely to 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. There are no significant financial leasing agreements in the KF Group. All leasing agreements are reported as operational leasing agreements.

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 equivalent to a divi-

dend, and for this reason unquoted shares are reported as being non interest-bearing. Quoted shares are reported as interest-bearing, as the intention of the shareholding is short term and the investment is made to generate a return that can be compared to interest. Receivables and liabilities in respect of Group contributions and dividends are reported as interest-bearing.

Current account receivables and liabilities

The KF Group and the co-operative societies have a joint settlement system: the current account system. This system is used for settlement of goods deliveries and other invoicing.

Cashflow statement

The indirect method has been applied for reporting cashflow from operating activities. Liquid assets are calculated as the sum of cash and bank balances and current investments. Current in-

vestments are classified as liquid assets on the basis that the risk of value fluctuations is insignificant, they can easily be converted into cash and they have a maximum duration of three months.

Operating profit/loss

Operating profit/loss is defined as the legal operating profit/loss adjusted for items affecting comparability, such as capital gains of a one-off nature and write-downs.

Comparability with previous years

In order to maintain comparability between the years, certain reallocations have been made of amounts relating to 2003.

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 in the Group structure in 2004

- ☐ As at 30 November 2004 KF Parent Society transferred the shares in KappAhl AB to Nordic Capital and Accent Equity Partners.
- ☐ KF Parent Society has transferred its holding of 24% of the shares in Power Hemelektronik AB to Expert ASA in Norway.

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, guarantees 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 guaranteed capital and debenture loans, minus total interest-bearing assets.

☐ CAPITAL EMPLOYED is calculated as the sum of assets minus 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 net profit before interest expense and exchange rate differences on financial loans divided by the sum of interest expense and exchange rate differences on financial loans.

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

| | | 2004 | 2003 | 2002 | 2001 | 2000 |
|----------------------------|-------|-------------|------|------|------|------|
| Equity/assets ratio | % | 40.2 | 36.4 | 39.2 | 26.5 | 30.8 |
| Debt/equity ratio | times | 0.01 | 0.40 | 0.53 | 1.10 | 0.66 |
| Return on capital employed | % | 11.0 | 4.0 | 0.4 | Neg | 6.3 |
| Interest coverage ratio | times | 8.9 | 2.4 | 0.1 | Neg | 2.4 |
| Return on equity after tax | % | 18.6 | 9.2 | Neg | Neg | 6.6 |

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

☐ DIRECT YIELD is defined as net operating profit/loss in relation to market value at the start of the year. Net operating profit/loss is calculated as rental income minus costs of operation and maintenance.

☐ TOTAL YIELD is defined as the sum of the net operating profit/loss and changes in market value minus investments divided by market value.

Comments on the accounts and notes

Note 1 Net sales

| MSEK | Group | |
|------------------------------|---------------|--------|
| | 2004 | 2003 |
| KF ekonomisk förening | 22,835 | 25,344 |
| KF Fastigheter ¹⁾ | 502 | 481 |
| KappAhl | 3,305 | 3,810 |
| KF Media | 2,229 | 1,978 |
| Other subsidiaries | 167 | 35 |
| Eliminations | - 47 | - 27 |
| Total net sales, KF Group | 28,991 | 31,621 |

¹⁾ Relates mainly to rent. The amount includes SEK 56 million (53) reported as sales in the KF Parent Society's income statement and that relates to rent from the Agreement Properties within the KF Parent Society.

Sales to foreign buyers account for SEK 2,100 million (1,712).

Note 2 Depreciation and write-downs

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

| MSEK | Group | | Parent company | |
|--------------------------|--------------|-------|----------------|------|
| | 2004 | 2003 | 2004 | 2003 |
| Cost of goods sold | - 148 | - 93 | 9 | 6 |
| Selling expenses | - 151 | - 217 | - 6 | 10 |
| Administrative expenses | - 35 | - 44 | - 2 | 1 |
| Other operating expenses | 0 | - | - | - |
| Total | - 334 | - 354 | 1 | 17 |

Leasing

The rental cost of assets financed through leasing for 2004 and the following four years amounts to:

| MSEK | 2004 | 2005 | 2006 | 2007 | 2008 |
|----------|------|------|------|------|------|
| KF Group | 8 | 8 | 7 | 7 | 7 |

The Group's cost of rented premises amounted to SEK 540 million (609) in 2004. The corresponding cost in the KF Parent Society was SEK 11 million (12). Most of the rental contracts in retail are sales-related with varying terms and periods of notice. Rental contracts are renegotiated on an ongoing basis. As rents for premises can therefore not be forecast with sufficient accuracy, these are not included in leasing costs.

Note 3 Other operating income

| MSEK | Group | | Parent company | |
|---|--------------|------|----------------|------|
| | 2004 | 2003 | 2004 | 2003 |
| Capital gain from sale of Group companies | 964 | - | - | - |
| Capital gain from sale of properties | 110 | 144 | 3 | 2 |
| Other | 11 | 37 | 7 | 27 |
| Total other operating income | 1,085 | 181 | 10 | 29 |

Note 4 Participation in the earnings of associated companies

| MSEK | Profit/loss before tax | |
|--|------------------------|------|
| | 2004 | 2003 |
| Barnens Bokklubb AB | 6 | 6 |
| Bibliotekstjänst AB ¹⁾ | - | 38 |
| Coop Bank AB ³⁾ | 2 | - 46 |
| Coop Elektro AB | 1 | 14 |
| Karlshamns AB (publ.) ²⁾ | - | 10 |
| Månadens Bok HB | 5 | 9 |
| Power Hemelektronik AB ⁴⁾ | - | - 6 |
| Other associated companies | 1 | 3 |
| Total participations in earnings of associated companies | 15 | 28 |

¹⁾ The holding in Bibliotekstjänst AB was divested during 2003.

²⁾ The profit in 2003 related to purchase price received. The holding was divested during 2001.

³⁾ Coop Bank AB was wound up during 2004.

⁴⁾ The holding in Power Hemelektronik AB was divested during 2004.

Note 5 Participation in the earnings of joint ventures

| MSEK | Profit/loss before tax | |
|--|------------------------|------|
| | 2004 | 2003 |
| Coop Norden AB | - 98 | - 63 |
| Total participations in the earnings of joint ventures | - 98 | - 63 |

Note 6 Operating profit/loss

The operating profit/loss in the Group is distributed as follows:

| MSEK | 2004 | | 2003 | |
|---|--------------|--|-------|--|
| | | | | |
| KF Fastigheter incl. Agreement Properties | 272 | | 303 | |
| KappAhl | 73 | | 120 | |
| KF Media | - 4 | | 64 | |
| KF Invest | - 3 | | - 3 | |
| Participation in the earnings of associated companies | 15 | | 28 | |
| Participation in the earnings of joint ventures | - 98 | | - 63 | |
| Capital gain from sale of Group companies | 964 | | - | |
| Other incl. eliminations | - 225 | | - 218 | |
| Total operating profit/loss | 994 | | 231 | |

Note 7

Financial income and expenses

| MSEK | Group | | Parent company | |
|---|-------|-------|----------------|-------|
| | 2004 | 2003 | 2004 | 2003 |
| PROFIT/LOSS FROM PARTICIPATIONS IN GROUP COMPANIES: | | | | |
| Capital gains | | | 1,343 | – |
| Write-downs | | | – 28 | – 73 |
| Total | | | 1,315 | – 73 |
| PROFIT/LOSS FROM PARTICIPATIONS IN ASSOCIATED COMPANIES: | | | | |
| Dividends | | | 6 | – |
| Capital gains | | | 1 | 5 |
| Write-downs | | | – | – 67 |
| Reversal of write-downs relating to fin. fixed assets | | | – | 15 |
| Total | | | 7 | – 47 |
| PROFIT/LOSS FROM OTHER FINANCIAL FIXED ASSETS: | | | | |
| Dividends | 20 | 13 | 14 | 13 |
| Interest | 38 | 62 | 37 | 62 |
| Capital gains | 0 | – | – | – |
| Write-downs | – 51 | – 64 | – 22 | – 52 |
| Reversal of write-downs relating to fin. fixed assets | 26 | 31 | – | – |
| Total | 33 | 42 | 29 | 23 |
| OTHER INTEREST INCOME AND SIMILAR PROFIT/LOSS ITEMS: | | | | |
| Dividends | 22 | 3 | – | – |
| Interest | 161 | 55 | 214 | 154 |
| Capital gains from sale of financial fixed assets | 11 | 56 | – | – |
| Reversal of write-downs relating to fin. current assets | – | 9 | – | 22 |
| Total | 194 | 123 | 214 | 176 |
| INTEREST EXPENSES AND SIMILAR PROFIT/LOSS ITEMS: | | | | |
| Group companies | – | – | – 48 | – 63 |
| Other companies | – 137 | – 168 | – 116 | – 148 |
| Total | – 137 | – 168 | – 164 | – 211 |
| Total financial income and expenses | 90 | – 3 | 1,401 | – 132 |
| OF WHICH PROFIT/LOSS FROM GROUP COMPANIES: | | | | |
| Other interest income and similar profit/loss items | – | – | 82 | 106 |
| Total | – | – | 82 | 106 |

Note 8

Tax

TAX ON PROFIT/LOSS FOR THE YEAR

| MSEK | Group | | Parent company | |
|--|-------|------|----------------|------|
| | 2004 | 2003 | 2004 | 2003 |
| Current tax | – 2 | – 4 | | – |
| Deferred tax | – 87 | 180 | 11 | 357 |
| Tax on participations in associated companies/joint ventures | – 80 | 3 | | – |
| Total | – 169 | 179 | 11 | 357 |

CORRELATION BETWEEN TAX FOR THE PERIOD AND REPORTED PROFIT/LOSS BEFORE TAX

| MSEK | Group | | Parent company | |
|---|-------|------|----------------|-------|
| | 2004 | 2003 | 2004 | 2003 |
| Reported profit/loss before tax | 1,084 | 228 | 1,232 | – 264 |
| Tax at applicable rate of 28% ¹⁾ | – 304 | – 64 | – 345 | 74 |

Tax effect of non-deductible expenses:

| | | | | |
|---|------|------|------|------|
| Depreciation/write-down of Group goodwill | – 17 | – 26 | | |
| Write-down of shares and properties | – 38 | – 45 | – 14 | – 54 |
| Allocation/provision, non-deductible | – 14 | – 12 | – 11 | – 5 |
| Other non-deductible expenses | – 28 | – 13 | – 3 | – 1 |

Tax effect of non-taxable income:

| | | | | |
|---|----|----|----|----|
| Utilisation of allocation/provision, non-deductible | 21 | | 11 | – |
| Dividend on shares and participations | 5 | 6 | 5 | 3 |
| Other non-taxable income | 15 | 51 | 1 | 46 |

Sales of shares, property and tenant-owned apartments:

| | | | | |
|--|-----|-----|-----|-----|
| Tax effect of sale of shares | 266 | 7 | 368 | – 2 |
| Tax effect of sale of property and tenant-owned apartments | 3 | – 5 | | 0 |

Tax loss carryforwards utilised:

| | | | | |
|--|-------|------|-----|-----|
| Utilisation of tax loss carryforwards not previously capitalised | 52 | 112 | | 55 |
| Deficit for which tax loss carryforwards have been revalued/not reported | – 24 | 193 | | 241 |
| Adjustment of current tax for previous periods | | – 2 | | – |
| Adjustment for tax in associated companies and joint ventures | – 106 | – 22 | | |
| Other, net | | – 1 | – 1 | – |
| Total tax reported | – 169 | 179 | 11 | 357 |

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

DEDUCTIBLE TEMPORARY DIFFERENCE/TAX LOSS CARRYFORWARDS THAT HAVE NOT LED TO REPORTING OF DEFERRED TAX ASSETS

| MSEK | Group | | Parent company | |
|------------------------|-------|------|----------------|------|
| | 2004 | 2003 | 2004 | 2003 |
| Tax loss carryforwards | 254 | 355 | 0 | 0 |
| Total | 254 | 355 | 0 | 0 |

Note 8, contd.

DEFERRED TAX LIABILITIES AND TAX ASSETS CLASSIFIED PER BALANCE SHEET CATEGORY

| MSEK | Group | | Parent company | |
|---|------------|------|----------------|------|
| | 2004 | 2003 | 2004 | 2003 |
| <i>Deferred tax liability</i> ¹⁾ | | | | |
| Financial fixed assets | 37 | – | – | – |
| Other fixed assets (incl. any untaxed reserves) | 60 | 71 | 3 | 3 |
| Total | 97 | 71 | 3 | 3 |
| <i>Deferred tax assets</i> | | | | |
| Other fixed assets | 3 | 4 | – | – |
| Provisions and long-term liabilities | 2 | – | – | – |
| Tax loss carryforwards | 201 | 261 | 200 | 241 |
| Total | 206 | 265 | 200 | 241 |
| Difference | 109 | 194 | 197 | 238 |

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

Note 9

Party-related transactions

NET SALES TO ASSOCIATED COMPANIES AND JOINT VENTURES

| MSEK | Group | |
|--|------------|------|
| | 2004 | 2003 |
| Associated companies | 2 | – |
| Joint ventures | 324 | 238 |
| Total net sales to associated companies and joint ventures | 326 | 238 |

The KF Group provides property management services to joint ventures and associated companies. These services include accounting, technical and financial management, office services, heating agreements, tenant representation and support in setting up. Services are also provided on connection with major building projects. In 2004 the provision of such services to joint ventures totalled SEK 37 (48). Rent invoiced to joint ventures and associated companies totalled SEK 191 million and SEK 0 million (16) respectively.

In 2004 KF Media sold books and games to joint ventures for SEK 16 million (17).

MedMera AB provides services comprising administration and marketing in respect of the MedMera card (reward points) and transactions relating to bank cards and debit/credit cards. In 2004 the provision of such services to joint ventures and associated companies totalled SEK 93 million (92) and SEK 2 million (15) respectively.

Note 10

Intangible fixed assets

| GROUP MSEK | Capitalised development expenditure | Patents, licenses, trademarks and similar rights | Tenancy rights and similar rights | Goodwill | Other intangible fixed assets | Total intangible fixed assets |
|--|---|--|---|----------|-------------------------------------|-------------------------------------|
| ACCUMULATED ACQUISITION VALUES: | | | | | | |
| At beginning of year | 131 | 119 | 20 | 850 | – | 1,120 |
| New acquisitions | 62 | 13 | 22 | 36 | 1 | 134 |
| Divestments, scrapping, closures | – 18 | – 97 | – 42 | – 588 | – | – 745 |
| Reclassifications/acquired companies | – | – | – | 0 | 2 | 2 |
| Total acquisition value | 175 | 35 | – | 298 | 3 | 511 |
| ACCUMULATED DEPRECIATION ACCORDING TO PLAN: | | | | | | |
| At beginning of year | – 39 | – 54 | – 19 | – 325 | – | – 437 |
| Divestments, scrapping, closures | 11 | 51 | 31 | 312 | – | 405 |
| Reclassifications/acquired companies | – | – | – | 0 | 0 | 0 |
| Depreciation for the year according to plan | – 34 | – 8 | – 12 | – 53 | 0 | – 107 |
| Total depreciation according to plan | – 62 | – 11 | – | – 66 | 0 | – 139 |
| ACCUMULATED WRITE-DOWNS: | | | | | | |
| At beginning of year | – 28 | – 36 | – | – 203 | – | – 267 |
| Divestments, scrapping, closures | – | 36 | – | 77 | – | 113 |
| Write-downs for the year ¹⁾ | – 19 | – | – | – 27 | – | – 46 |
| Total write-downs | – 47 | – | – | – 153 | – | – 200 |
| Reported value at end of year | 66 | 24 | – | 79 | 3 | 172 |
| Reported value at beginning of year | 64 | 29 | 1 | 322 | – | 416 |

¹⁾ Of write-downs for the year, SEK 46 million is reported under cost of goods sold.

| PARENT COMPANY MSEK | Capitalised development expenditure | Patents, licenses, trademarks and similar rights | Total intangible fixed assets |
|--|---|--|-------------------------------------|
| ACCUMULATED ACQUISITION VALUES: | | | |
| At beginning of year | 10 | – | 10 |
| New acquisitions | 5 | 1 | 6 |
| Divestments, scrapping, closures | – 10 | – | – 10 |
| Total acquisition value | 5 | 1 | 6 |
| ACCUMULATED DEPRECIATION ACCORDING TO PLAN: | | | |
| At beginning of year | – 1 | – | – 1 |
| Divestments, scrapping, closures | 2 | – | 2 |
| Depreciation for the year according to plan | – 2 | 0 | – 2 |
| Total depreciation according to plan | – 1 | 0 | – 1 |
| Reported value at end of year | 4 | 1 | 5 |
| Reported value at beginning of year | 9 | – | 9 |

Note 11

Tangible fixed assets

| GROUP MSEK | Investment properties; buildings ¹⁾ | Investment properties; land and land improvements ¹⁾ | Equipment, tools, fixtures & fittings | Construction in progress | Total tangible fixed assets |
|--|--|---|---|-----------------------------|-----------------------------------|
| ACCUMULATED ACQUISITION VALUES: | | | | | |
| At beginning of year | 2,726 | 492 | 1,364 | 124 | 4,706 |
| New acquisitions, capitalised expenditure | 24 | 9 | 235 | 343 | 611 |
| Divestments, scrapping | - 130 | - 48 | - 1,141 | - | - 1,319 |
| Reclassifications/acquired companies | 249 | 48 | 32 | - 326 | 3 |
| Exchange rate differences | - | - | 0 | - | 0 |
| Total acquisition value | 2,869 | 501 | 490 | 141 | 4,001 |
| ACCUMULATED DEPRECIATION ACCORDING TO PLAN: | | | | | |
| At beginning of year | - 352 | - 19 | - 866 | - | - 1,237 |
| Divestments, scrapping | 13 | 0 | 746 | - | 759 |
| Reclassifications/acquired companies | - | - | 0 | - | 0 |
| Depreciation for the year according to plan | - 30 | - 4 | - 145 | - | - 179 |
| Exchange rate differences | - | - | 0 | - | 0 |
| Total depreciation according to plan | - 369 | - 23 | - 265 | - | - 657 |
| ACCUMULATED WRITE-DOWNS: | | | | | |
| At beginning of year | - 85 | - 3 | - 2 | - | - 90 |
| Divestments, scrapping | 20 | - | 2 | - | 22 |
| Reversal of write-downs during the year | 20 | - | - | - | 20 |
| Write-downs for the year | - 22 | - | - | - | - 22 |
| Total write-downs | - 67 | - 3 | - | - | - 70 |
| Reported value at end of year | 2,433 | 475 | 225 | 141 | 3,274 |
| Reported value at beginning of year | 2,289 | 470 | 496 | 124 | 3,379 |

| PARENT COMPANY MSEK | Investment properties; buildings ¹⁾ | Investment properties; land and land improvements ¹⁾ | Equipment, tools, fixtures & fittings | Construction in progress | Total tangible fixed assets |
|--|--|---|---|-----------------------------|-----------------------------------|
| ACCUMULATED ACQUISITION VALUES: | | | | | |
| At beginning of year | 317 | 59 | 115 | 5 | 496 |
| New acquisitions, capitalised expenditure | 0 | 2 | 8 | 8 | 18 |
| Divestments, scrapping | - | - 20 | - 51 | - | - 71 |
| Reclassifications/acquired companies | 4 | 3 | - | - 9 | - 2 |
| Total acquisition value | 321 | 44 | 72 | 4 | 441 |
| ACCUMULATED DEPRECIATION ACCORDING TO PLAN: | | | | | |
| At beginning of year | - 121 | - 8 | - 66 | - | - 195 |
| Divestments, scrapping | 0 | 0 | 27 | - | 27 |
| Depreciation for the year according to plan | - 3 | 0 | - 9 | - | - 12 |
| Total depreciation according to plan | - 124 | - 8 | - 48 | - | - 180 |
| ACCUMULATED WRITE-DOWNS: | | | | | |
| At beginning of year | - 15 | - | - | - | - 15 |
| Reversal of write-downs during the year | 15 | - | - | - | 15 |
| Total write-downs | - | - | - | - | - |
| Reported value at end of year | 197 | 36 | 24 | 4 | 261 |
| Reported value at beginning of year | 181 | 51 | 49 | 5 | 286 |

| ASSESSED VALUES MSEK | Group | | Parent company | |
|---|-------|-------|----------------|------|
| | 2004 | 2003 | 2004 | 2003 |
| Investment properties, buildings | 1,480 | 1,636 | 139 | 166 |
| Investment properties, land and land improvements | 481 | 460 | 57 | 69 |
| Total | 1,961 | 2,096 | 196 | 235 |

¹⁾ The entire holding of buildings, land and land improvements within the KF Group is classified as investment property.

Note 11, contd.

Tangible fixed assets

INVESTMENT PROPERTY – FAIR VALUE AND CHANGE IN FAIR VALUE

| MSEK | Group | | Parent company | |
|-------------------------|-------|-------|----------------|------|
| | 2004 | 2003 | 2004 | 2003 |
| At beginning of year | 3,776 | 3,618 | 509 | 479 |
| New acquisitions | 124 | 223 | 3 | – |
| Investments in property | 258 | 250 | 8 | 2 |
| Divestments | – 198 | – 430 | – 20 | – 1 |
| At end of year | 4,207 | 3,776 | 524 | 509 |
| Change in value | 247 | 115 | 24 | 29 |

Fair value was determined on internal assessments. Assessments were also checked against property sales executed during the year.

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

- Yield valuation through cashflow calculations, in which the property's future operating net and assessed residual value are computed at present value.
- In certain cases the yield has been valued using the net capitalisation method, where a normalised operating net is divided by a market-adjusted direct yield requirement.
- 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 ON INVESTMENT PROPERTIES ON PROFIT/LOSS FOR THE PERIOD

| GROUP MSEK | Rental income | | Operating net | | Direct yield | |
|--------------------------|---------------|------|---------------|------|--------------|--------|
| | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 |
| Shopping centres | 218 | 214 | 126 | 119 | 7.3% | 7.9% |
| Hypermarkets | 61 | 42 | 44 | 30 | 7.0% | 6.8% |
| Supermarkets | 18 | 14 | 8 | 10 | 6.6% | 8.4% |
| Storage and distribution | 57 | 57 | 42 | 38 | 12.5% | 12.3% |
| Development/retail | 11 | 5 | 7 | – 1 | 3.8% | – 0.4% |
| Development/non-retail | 24 | 23 | 4 | 4 | 0.9% | 0.9% |
| Other | 22 | 21 | 7 | 7 | 3.2% | 3.2% |
| Total | 411 | 376 | 238 | 207 | 6.6% | 6.5% |

| PARENT COMPANY MSEK | Rental income | | Operating net | | Direct yield | |
|--------------------------|---------------|------|---------------|------|--------------|--------|
| | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 |
| Storage and distribution | 40 | 43 | 32 | 33 | 12.7% | 13.5% |
| Development/retail | 7 | 1 | 4 | – 2 | 3.4% | – 2.1% |
| General | 9 | 9 | 5 | 6 | 4.1% | 4.2% |
| Total | 56 | 53 | 41 | 37 | 8.4% | 7.7% |

Direct costs of unlet floor space in the Group amount to SEK 13.3 million (16.5), most of which pertains to vacant floor space in development/non-retail properties. Direct costs for unlet floor space in KF Parent Society amount to SEK 2.6 million (4.6). This cost pertains mainly to development/non-retail properties.

Note 12

Financial fixed assets

| GROUP | Partici- pations in associated companies | Receivables from associated companies | Partici- pations in joint ventures | Receivables from joint ventures | Other investments held as assets | Deferred tax receivables | Other long-term receivables | Total financial fixed assets |
|---|---|--|---|--|--|--------------------------------|-----------------------------------|------------------------------------|
| MSEK | | | | | | | | |
| ACCUMULATED ACQUISITION VALUES: | | | | | | | | |
| At beginning of year | 96 | 11 | 1,593 | 600 | 495 | 194 | 112 | 3,101 |
| Additional assets/receivables during the year | 15 | | 1 | 19 | 21 | 7 | 2 | 65 |
| Deductible assets/settled receivables | - 69 | - 2 | - 178 | - 222 | - 296 | - 56 | - 5 | - 828 |
| Reclassifications/acquired companies | 1 | - | 389 | 331 | 0 | - | 45 | 14 |
| Effect of change in accounting principle | - | - | - 40 | - | - | - 36 | 135 | 59 |
| Exchange rate differences | - | - | 3 | - | 0 | - | - | 3 |
| Total acquisition value | 43 | 9 | 1,768 | 66 | 220 | 109 | 199 | 2,414 |
| ACCUMULATED WRITE-DOWNS: | | | | | | | | |
| At beginning of year | - 22 | - | 0 | - | - 144 | - | - 1 | - 167 |
| Deductible assets/settled receivables | 19 | - | - | - | 66 | - | - | 85 |
| Write-downs for the year | 0 | - | - | - | - 24 | - | - 1 | - 25 |
| Total write-downs | - 3 | - | 0 | - | - 102 | - | - 2 | - 107 |
| Reported value at end of year | 40 | 9 | 1,768 | 66 | 118 | 109 | 197 | 2,307 |
| Reported value at beginning of year | 74 | 11 | 1,593 | 600 | 351 | 194 | 111 | 2,934 |

| PARENT COMPANY | Partici- pations in Group companies | Receiv- ables from Group companies | Partici- pations in associated companies | Receiv- ables from associated companies | Partici- pations in joint ventures | Receiv- ables from joint ventures | Other investments held as assets | Deferred tax receivables | Other long-term receivables | Total financial fixed assets |
|---|--|---|---|--|---|--|---|--------------------------------|-----------------------------------|------------------------------------|
| MSEK | | | | | | | | | | |
| ACCUMULATED ACQUISITION VALUES: | | | | | | | | | | |
| At beginning of year | 3,366 | - | 490 | 11 | 2,237 | 600 | 318 | 241 | 38 | 7,301 |
| Additional assets/receivables during the year | 165 | 2,438 | - | - | - | - | 0 | - | - | 2,603 |
| Deductible assets/settled receivables | - 658 | - | - 289 | - 2 | - | - 222 | - 301 | - 41 | - 3 | - 1,516 |
| Reclassifications/acquired companies | - | - | - | - | 378 | - 378 | 0 | - | - | 0 |
| Total acquisition value | 2,873 | 2,438 | 201 | 9 | 2,615 | 0 | 17 | 200 | 35 | 8,388 |
| ACCUMULATED WRITE-DOWNS: | | | | | | | | | | |
| At beginning of year | - 734 | - | - 440 | - | - 336 | - | - 128 | - | - | - 1,638 |
| Deductible assets/settled receivables | 454 | - | 257 | - | 0 | - | 150 | - | - | 861 |
| Write-downs for the year | - 28 | - | 0 | - | 0 | - | - 22 | - | - | - 50 |
| Total write-downs | - 308 | - | - 183 | - | - 336 | - | 0 | - | - | - 827 |
| Reported value at end of year | 2,565 | 2,438 | 18 | 9 | 2,279 | - | 17 | 200 | 35 | 7,561 |
| Reported value at beginning of year | 2,632 | - | 50 | 11 | 1,901 | 600 | 190 | 241 | 38 | 5,663 |

Summary of minority interest (42%) in the financial results of Coop Norden

| MSEK | 2004 | 2003 |
|------------------------------|--------|--------|
| INCOME STATEMENT: | | |
| Operating income | 36,341 | 36,143 |
| Operating profit | 75 | 191 |
| Net financial items | - 169 | - 182 |
| Tax | - 80 | 4 |
| Minority share | 0 | - 1 |
| Net profit/loss for the year | - 174 | 12 |
| BALANCE SHEET: | | |
| Fixed assets | 4,583 | 4,811 |
| Current assets | 4,289 | 4,892 |
| Total assets | 8,872 | 9,703 |
| Equity | 1,770 | 1,603 |
| Minority share | 5 | 6 |
| Provisions | 224 | 196 |
| Long-term liabilities | 1,150 | 2,700 |
| Current liabilities | 5,723 | 5,198 |
| Total equity and liabilities | 8,872 | 9,703 |

Note 13

Current receivables

| MSEK | Group | | Parent company | |
|--|-------|-------|----------------|-------|
| | 2004 | 2003 | 2004 | 2003 |
| Accounts receivable | 418 | 373 | 73 | 74 |
| Lending, MedMera | 119 | 133 | – | 133 |
| Other receivables | 741 | 852 | 368 | 278 |
| Prepaid expenses and accrued income | 283 | 223 | 9 | 21 |
| Current account receivables, external | 39 | 9 | 39 | 9 |
| Receivables from associated companies | 13 | 96 | 11 | 10 |
| Receivables from joint ventures | 159 | 114 | 31 | 47 |
| Receivables from Group companies | | | 671 | 360 |
| Current account receivables, Group companies | | | 2,562 | 2,206 |
| Total current receivables | 1,772 | 1,800 | 3,764 | 3,138 |
| <i>Prepaid expenses and accrued income comprise:</i> | | | | |
| Prepaid rents | 24 | 78 | – | – |
| Other | 259 | 145 | 9 | 21 |
| Total | 283 | 223 | 9 | 21 |

Note 14

Deposits from and lending to MedMera card holders

MedMera card holders are able to deposit money into their account. Account holders can also be granted credit, subject to a credit check. As of 1 July 2004 all MedMera accounts were transferred from KF to MedMera AB.

Note 15

Current investments

| MSEK | Group | | Parent company | |
|---------------------------------------|-------|-------|----------------|-------|
| | 2004 | 2003 | 2004 | 2003 |
| Bank investments | 664 | 1,300 | 664 | 1,300 |
| Current investments in joint ventures | – | 60 | – | 60 |
| Bonds and certificates | 3,657 | 864 | – | 864 |
| Shares and participations | 818 | 387 | – | – |
| Total current investments | 5,139 | 2,611 | 664 | 2,224 |

Note 16

Equity

KF's statutes state that each member must pay a contribution of SEK 10,000. When a surplus is reported, 2/3 of this is transferred to the members' accounts in the form of 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 investments. The purpose of debenture investments is to provide KF with risk-bearing equity that, in the event of the dissolution of the union, carries the right to payment out of the assets of the union after payment to the union's creditors but before reimbursement of members' contributions. The debenture investment 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 investments in accordance with the certificate issued.

The purpose of the statutory reserve is to save a portion of the net profit that is not used to cover the loss carried forward. Profit carried forward is made up of the non-restricted equity from the previous year after possible transfers to the statutory reserve and after possible payment of dividends.

Note 17

Untaxed reserves

| PARENT COMPANY MSEK | At beginning of year | Appro- priations | At end of year |
|------------------------|----------------------------|---------------------|-------------------|
| | | | |

Note 18

Guaranteed capital

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

Note 19

Provisions for benefit-based pensions and similar obligations

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

There was also a benefit-based plan for KappAhl's Norwegian business.

Below are details of the most important benefit-based pension plans.

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

AMOUNTS REPORTED IN THE INCOME STATEMENT

| GROUP | |
|--|------|
| MSEK | 2004 |
| Expenses relating to service during current period | - 39 |
| Interest expense | - 37 |
| Expected return on managed assets | 39 |
| Actuarial profits/losses, net ¹⁾ | 0 |
| Reductions and regulations | 0 |
| Total | - 37 |

¹⁾ As KF started to apply RR 29 as from 1 January 2004, the amortisation of actuarial profits and losses will not be brought up to date until 2005.

Actual return on managed assets during the year was 8%.

PROVISION FOR PENSIONS

| GROUP | |
|---|------|
| MSEK | 2004 |
| Invested pension plans are reported as a long-term receivable | 107 |
| Total | 107 |

RECONCILIATION OF BALANCE SHEET

| GROUP | |
|--|------|
| MSEK | 2004 |
| Net debt at beginning of year | - 49 |
| Effect of changed accounting principle | 109 |
| Net expense posted in the income statement | - 37 |
| Fees paid in | 25 |
| Divestments/reclassifications ¹⁾ | 59 |
| Net receivables at end of year ²⁾ | 107 |

¹⁾ This amount relates to the effect resulting from the sale of the holding in KappAhl AB.

²⁾ A special payroll tax has also been booked to net receivables at the end of the year.

COMMITMENTS

| GROUP | |
|--|-------|
| MSEK | 2004 |
| Current value of wholly or partly invested obligations | - 704 |
| Actual value of managed assets | 778 |
| Net value | 74 |
| Unreported actuarial profits and obligations | 33 |
| Net debt at year end | 107 |

MOST SIGNIFICANT ACTUARIAL ASSUMPTIONS

| GROUP | | Sweden | Norway |
|---|--|--------|--------|
| % | | 2004 | 2004 |
| Discount rate | | 4.3% | 7.0% |
| Expected return on managed assets ¹⁾ | | 4.3% | |
| Expected wage increase | | 3.0% | 3.3% |
| Expected inflation | | 2.0% | 2.5% |

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

Note 20

Provisions

| GROUP | | | | | |
|-------------------------------|------------------------|-------------------------------|--------------------------------|---------------------|---------------------|
| MSEK | Pensions ²⁾ | Guarantee commit- ments | MedMera bonus ¹⁾ | Other provisions | Total provisions |
| At beginning of year | 53 | 5 | 9 | 75 | 142 |
| Provisions for the year | – | – | 0 | 44 | 44 |
| Provisions utilised | 0 | – | – | – 27 | – 27 |
| Divestments/reclassifications | – 52 | – | – 7 | – 49 | – 108 |
| Reversed provisions | – | – 5 | – | – 4 | – 9 |
| Exchange rate differences | – | – | – | 0 | 0 |
| At end of year | 1 | – | 2 | 39 | 42 |

| PARENT COMPANY | | | |
|-------------------------|-------------------------------|---------------------|---------------------|
| MSEK | Guarantee commit- ments | Other provisions | Total provisions |
| At beginning of year | 5 | 41 | 46 |
| Provisions for the year | – | 7 | 7 |
| Provisions utilised | – | – 27 | – 27 |
| Reversed provisions | – 5 | – 3 | – 8 |
| At end of year | – | 18 | 18 |

¹⁾ Purchases made via the Coop MedMera membership card generate points for the card holder. A provision has been made based on points generated but not redeemed at the year-end and taking into account redemption frequency and period of validity.

²⁾ See also note 19 regarding benefit-based pension plans.

Note 21

Assets pledged

| | Group | | Parent company | |
|--|------------|------------|----------------|-----------|
| MSEK | 2004 | 2003 | 2004 | 2003 |
| FOR OWN BENEFIT: | | | | |
| <i>Assets pledged for liabilities to credit institutions:</i> | | | | |
| Property mortgages | 23 | – | – | – |
| Corporate mortgages | 6 | – | – | – |
| <i>Total assets pledged for liabilities to credit institutions</i> | 29 | – | – | – |
| <i>Assets pledged for unutilised bank overdraft facilities:</i> | | | | |
| Property mortgages | 389 | 478 | 51 | 28 |
| <i>Assets pledged for purposes other than debt:</i> | | | | |
| Corporate mortgages | 123 | 147 | – | – |
| Other assets pledged | 102 | 20 | 102 | 20 |
| <i>Total assets pledged for purposes other than debt</i> | 225 | 167 | 102 | 20 |
| Total assets pledged | 643 | 645 | 153 | 48 |

Note 22

Long-term liabilities

| | Group | | Parent company | |
|---|------------|------------|----------------|------------|
| MSEK | 2004 | 2003 | 2004 | 2003 |
| <i>Deposits from members:</i> | | | | |
| 5-year loan ¹⁾ | 196 | 202 | 196 | 202 |
| Total deposits from members | 196 | 202 | 196 | 202 |
| <i>Other long-term liabilities: ²⁾</i> | | | | |
| Liabilities to credit institutions | 15 | 51 | 0 | 50 |
| Total long-term liabilities | 211 | 253 | 196 | 252 |

¹⁾ The portion of KF's 5-year loan that falls due after more than one year. See also note 23 for information regarding members' deposits.

²⁾ All other long-term liabilities fall due between 1 and 5 years from the year-end.

Note 23

Current liabilities

| MSEK | Group | | Parent company | |
|--|-------|-------|----------------|-------|
| | 2004 | 2003 | 2004 | 2003 |
| <i>Deposits from members:</i> ¹⁾ | | | | |
| Savings Association | 3,389 | 2,962 | 3,389 | 2,962 |
| 5-year loan | 232 | 248 | 232 | 248 |
| Total deposits from members | 3,621 | 3,210 | 3,621 | 3,210 |
| <i>Other current liabilities:</i> | | | | |
| Deposits, MedMera | 1,383 | 1,410 | 0 | 1,410 |
| Liabilities to credit institutions | 37 | 9 | 0 | – |
| Advance payment from customers | 41 | 71 | 11 | 3 |
| Accounts payable | 443 | 595 | 96 | 141 |
| Liabilities to Group companies | | | 142 | 902 |
| Liabilities to associated companies | 0 | 54 | 0 | 49 |
| Liabilities to joint ventures | 238 | 360 | 119 | 355 |
| Current account liabilities, external | 856 | 810 | 856 | 810 |
| Tax liabilities | 2 | 4 | – | – |
| Other liabilities | 550 | 317 | 403 | 98 |
| Accrued expenses and prepaid income | 577 | 709 | 142 | 86 |
| Current account liabilities, Group companies | | | 1,412 | 263 |
| Total other current liabilities | 4,127 | 4,339 | 3,181 | 4,117 |
| Total current liabilities | 7,748 | 7,549 | 6,802 | 7,327 |
| <i>Accrued expenses and prepaid income comprise:</i> | | | | |
| Personnel-related costs | 96 | 251 | 6 | 10 |
| Premium reserve, insurance | 135 | 128 | – | – |
| Goods delivered but not yet invoiced | 1 | 46 | – | – |
| Other | 345 | 284 | 136 | 76 |
| Total | 577 | 709 | 142 | 86 |

¹⁾ Deposits from members mainly comprise savings deposited by members of the consumer societies, and also investments from certain affiliated member organisations. Savings in KF's Savings Association are distributed over a number of different accounts. Customers depositing funds in KF's 5-year loan are entitled to allow the funds to remain in the account after the end of the first 5-year period at a somewhat reduced rate of interest with a one-year period of notice. Customers may also choose to leave the funds in place for a new 5-year period on the same terms. The portion of KF's 5-year loan 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

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

Within the framework of its asset management activities KF also uses short-term, interest-bearing instruments, commercial papers with a short term and bonds for the purpose of generating a yield that matches interest expenses of borrowing. KF also has quoted and unquoted shares, as well as participations in venture capital companies and funds with absolute yield targets. The total market value of the managed portfolio at the year-end totalled SEK 4,613 million.

The following table shows reported and fair values for each type of financial instrument. The table does not include non interest-bearing instruments for which the reported value does not match the fair value, for example accounts receivable and accounts payable.

Note 24, contd.

FINANCIAL INSTRUMENTS REPORTED IN THE BALANCE SHEET:

| MSEK | Reported value | | Fair value ¹⁾ | |
|---|----------------|-------|--------------------------|-------|
| | 2004 | 2003 | 2004 | 2003 |
| <i>Assets:</i> | | | | |
| Bonds | 2,900 | 647 | 2,895 | 661 |
| Holdings in venture capital companies and unquoted shares | 118 | 351 | 118 | 351 |
| Shares and financial assets with absolute yield targets | 818 | 386 | 843 | 392 |
| Convertible loans | | 636 | | 721 |
| Certificates | 757 | 219 | 757 | 219 |
| Investments in banks and other short-term, interest-bearing instruments | 676 | 1,380 | 676 | 1,380 |
| Lending, MedMera | 119 | 133 | 119 | 133 |
| Cash and bank balances | 280 | 541 | 280 | 541 |
| Other | 504 | 346 | 504 | 348 |
| Total assets | 6,172 | 4,639 | 6,192 | 4,746 |
| <i>Liabilities:</i> | | | | |
| Savings Association | 3,817 | 3,412 | 3,817 | 3,412 |
| Deposits, MedMera | 1,382 | 1,410 | 1,382 | 1,410 |
| Other | 1,031 | 1,226 | 1,031 | 1,223 |
| Total liabilities | 6,230 | 6,048 | 6,230 | 6,045 |

¹⁾ Interest-bearing financial instruments are valued by discounting future cashflows.

Quoted assets are valued at the market value. Unquoted holdings have been valued in accordance with the EVCA's valuation principles.

OFF-BALANCE SHEET FINANCIAL INSTRUMENTS:

| MSEK | Fair value | |
|---------------------|------------|------|
| | 2004 | 2003 |
| Interest rate swaps | | – 2 |
| Currency futures | – 28 | – 20 |
| Total | – 28 | – 22 |

FINANCING AND FINANCIAL RISK MANAGEMENT PRINCIPLES

KF is exposed to various types of financial risks in its business. KF has a centralised financial services function with an internal bank. The financial services function is conducted by KF Invest on behalf of KF's finance department (KF Finance). KF Finance is responsible for the Group's dealings with the financial markets, managing financial risks within the Group and all interest-bearing items in the balance sheet. The internal bank works not only for the Group, but also for the consumer societies. The centralised financial services function enables professional management of risks, payment flows and bank relations.

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

CURRENCY RISK

Currency risk is the risk of exchange rate changes having a negative impact on the consolidated income statement and balance sheet. Total currency exposure in the portfolio may be a maximum of 10% of the value of the asset portfolio, i.e. SEK 462 million. At the year-end KF Finance only had positions in the form of hedging transactions.

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

Note 24, contd.

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 POSITIONS AS AT 31 DECEMBER 2004:

| MSEK | | 2005 | 2006 | Later |
|------------|-----|-------|------|-------|
| Sell | EUR | 179 | | |
| Sell | NOK | 228 | 1 | |
| Sell | USD | 622 | | |
| Sell total | | 1,029 | 1 | 0 |
| Buy | EUR | 165 | | |
| Buy | GBP | 1 | | |
| Buy | NOK | 252 | 9 | |
| Buy | USD | 269 | | |
| Buy total | | 687 | 9 | 0 |
| Net | | 342 | -8 | 0 |

Conversion exposure

KF's conversion exposure derives mainly from KF's shares in Coop Norden and from foreign assets in the wholly owned subsidiary Pan Vision Holding AB. Exposure is mainly in DKK, NOK and EUR. KF does not normally hedge its conversion exposure.

INTEREST RATE RISK

Interest rate risk is defined as the risk of changes in the general interest rates having a negative impact on KF's earnings. The KF Group's primary sources of financing are member contributions, debenture investments, deposits via the Savings Association and MedMera, as well as other equity. KF's debt portfolio is subject to relatively short fixed-interest terms.

The fixed-interest terms in KF's asset portfolio is dimensioned to meet the short duration in the debt portfolio. According to the Group's Finance Policy the duration must be 0-3 years, with a benchmark of 1.5 years. At the year-end the duration was 1.52 years, which corresponds to an interest rate risk relative to the benchmark of SEK 0.75 million (calculated as a 1% shift in the interest rate curve).

OTHER MARKET RISK

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

Within the framework of KF's asset management activities, at the year-end KF had quoted shares and shares in funds with absolute yield targets to a market value of SEK 843 million. The shares are managed partly by external managers, partly by KF Finance. KF also had SEK 117 million in venture capital companies and unquoted shares.

LIQUIDITY RISK

KF's liquidity is good. As at 31 December 2004 the Group's liquid assets totalled SEK 4,601 million (2,764). Liquidity is managed within the framework of asset management.

A liquidity shortage may arise within KF due to unforeseen withdrawals from the Savings Association, MedMera or the Current Account, and through incorrect liquidity reporting from wholly owned subsidiaries. To avoid a liquidity shortage, liquidity is followed up on a daily basis by KF Finance. KF Finance's investments in certificates, bonds and quoted shares must be made

primarily in securities that can be paid within three working days with no risk of increased expenses. KF Finance must also guarantee 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 380 million, which was only used to a limited extent during the year.

COUNTERPARTY AND CREDIT RISK

KF has counterparty risk mainly through derivative contracts in the currency, interest rate, share and electricity markets. The counterparties in these transactions are banks, stockbrokers, electricity trading companies and retail societies.

KF's counterparty risk is limited by means of financial transactions only being 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.

The biggest single counterparty exposure as at 31 December 2004 was with Nordea Hypotek AB and totalled SEK 944 million.

KF has a very limited credit risk in its accounts receivable, which is a natural consequence of the nature of the business.

Note 25

Contingent liabilities

| MSEK | Group | | Parent company | |
|---|-------|------|----------------|------|
| | 2004 | 2003 | 2004 | 2003 |
| <i>For own benefit:</i> | | | | |
| Guarantees | 32 | 18 | 32 | - |
| Other | 67 | 40 | 97 | 107 |
| <i>For the benefit of subsidiaries:</i> | | | | |
| Guarantees | - | - | - | 31 |
| <i>For the benefit joint ventures:</i> | | | | |
| Guarantees | 107 | 157 | 35 | 35 |
| Total | 206 | 215 | 164 | 173 |

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

| MSEK | Group | | Parent company | |
|-------------------------|-------|------|----------------|------|
| | 2004 | 2003 | 2004 | 2003 |
| Audit assignments, KPMG | 5 | 5 | 1 | 1 |
| Other assignments, KPMG | 2 | 2 | 1 | 1 |
| Total | 7 | 7 | 2 | 2 |

Note 27

Cashflow information

INTEREST PAID AND DIVIDENDS RECEIVED

| MSEK | Group | | Parent company | |
|-------------------|-------|-------|----------------|-------|
| | 2004 | 2003 | 2004 | 2003 |
| Dividend received | 58 | 33 | 14 | 13 |
| Interest received | 199 | 117 | 252 | 216 |
| Interest paid | - 140 | - 163 | - 171 | - 208 |
| Net | 117 | - 13 | 95 | 21 |

ADJUSTMENTS FOR ITEMS NOT INCLUDED IN CASHFLOW

| MSEK | Group | | Parent company | |
|---|-------|-------|----------------|------|
| | 2004 | 2003 | 2004 | 2003 |
| Less participation in earnings in associated companies/joint ventures ¹⁾ | 83 | 80 | | |
| Dividend received from associated companies/joint ventures | 17 | 17 | | |
| Depreciation and write-downs of assets | 358 | 409 | 50 | 193 |
| Unrealised exchange rate differences | - 1 | 2 | | |
| Capital losses on sale of fixed assets | - 105 | - 190 | - 4 | - 8 |
| Capital losses on sale of operations/subsidiaries | - 964 | | - 1,343 | |
| Pension provisions | - 1 | 2 | | |
| Other provisions | - 2 | 28 | - 26 | 23 |
| Other profit items not affecting liquidity | - 31 | | | |
| Total | - 646 | 348 | - 1,323 | 208 |

¹⁾ Excluding capital gain/loss from divestment of associated companies/joint ventures

ACQUISITION OF SUBSIDIARIES AND OTHER BUSINESS UNITS

| MSEK | Group | | Parent company | |
|---|-------|------|----------------|------|
| | 2004 | 2003 | 2004 | 2003 |
| <i>Acquired assets and liabilities:</i> | | | | |
| Intangible fixed assets | 53 | 9 | | |
| Tangible fixed assets | 121 | 6 | | |
| Financial assets | 1 | | | |
| Inventories | 57 | 11 | | |
| Operating assets | 109 | 13 | | |
| Liquid assets | 5 | 16 | | |
| Total assets | 346 | 55 | 0 | 0 |
| Provisions | 5 | 3 | | |
| Loans | 130 | 5 | | |
| Operating liabilities | 142 | 22 | | |
| Total minority, liabilities and provisions | 277 | 30 | 0 | 0 |
| Purchase price | 69 | 25 | | |
| Less: share issue in kind | - 19 | | | |
| Purchase price paid | 50 | 25 | 0 | 0 |
| Less: liquid assets in the acquired operation | - 5 | - 16 | 0 | |
| Effect on liquid assets | 45 | 9 | 0 | 0 |

DIVESTMENT OF SUBSIDIARIES AND OTHER BUSINESS UNITS

| MSEK | Group | | Parent company | |
|--|-------|------|----------------|------|
| | 2004 | 2003 | 2004 | 2003 |
| <i>Divested assets and liabilities:</i> | | | | |
| Intangible fixed assets | 219 | | 7 | |
| Tangible fixed assets | 374 | | 26 | |
| Financial assets | 0 | | 120 | |
| Inventories | 461 | | 2 | |
| Operating assets | 173 | | 104 | |
| Liquid assets | 42 | | 1,260 | |
| Total assets | 1,269 | 0 | 1,519 | 0 |
| Provisions | 123 | | | |
| Loans | 79 | | 1,421 | |
| Operating liabilities | 193 | | 98 | |
| Total liabilities and provisions | 395 | 0 | 1,519 | 0 |
| Sales price | 1,844 | | | |
| Purchase price received | 1,844 | 0 | 0 | 0 |
| Less: liquid funds in the divested operation | - 42 | 0 | - 1,260 | 0 |
| Effect on liquid assets | 1,802 | 0 | - 1,260 | 0 |

LIQUID ASSETS

| MSEK | Group | | Parent company | |
|--|-------|-------|----------------|-------|
| | 2004 | 2003 | 2004 | 2003 |
| <i>The following components are included in liquid assets:</i> | | | | |
| Cash and bank balances | 280 | 541 | 226 | 452 |
| Current investments, equivalent to liquid assets ¹⁾ | 4,321 | 2,223 | 664 | 2,224 |
| Total | 4,601 | 2,764 | 890 | 2,676 |

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

TRANSACTIONS THAT DO NOT GENERATE PAYMENTS

| MSEK | Group | | Parent company | |
|--|-------|------|----------------|------|
| | 2004 | 2003 | 2004 | 2003 |
| Acquisition of operation through share issue in kind | 19 | | | |
| Conversion of debenture loan into shares in Coop Norden AB | 378 | | 378 | |

CHANGE IN NET DEBT

| MSEK | Group | | Parent company | |
|---|---------|---------|----------------|---------|
| | 2004 | 2003 | 2004 | 2003 |
| Net debt at beginning of year | 1,812 | 2,329 | 1,027 | 1,228 |
| New interest-bearing debts incurred | 129 | 1,073 | 475 | 608 |
| Other changes in interest-bearing debts | 52 | 5 | - 1,308 | 73 |
| Changes in pension provisions | - 52 | - 4 | | |
| Investments in new interest-bearing assets | - 624 | - 439 | - 3,192 | |
| Divestment/reduction of interest-bearing assets | 222 | | - 1,623 | 186 |
| Other changes in interest-bearing assets | 366 | 84 | 2,565 | 183 |
| Change in liquid assets | - 1,837 | - 1,236 | 1,786 | - 1,251 |
| Net debt at year end | 68 | 1,812 | - 270 | 1,027 |

Note 28

Employees and salaries

| Average number of employees | Group | | Parent company | |
|-----------------------------|--------------|-------|----------------|------|
| | 2004 | 2003 | 2004 | 2003 |
| Women | 818 | 2,879 | 38 | 62 |
| Men | 503 | 697 | 26 | 34 |
| Total | 1,321 | 3,576 | 64 | 96 |

Of which active abroad:

| | | | | |
|----------------|-----------|-------|--|--|
| <i>Europe:</i> | | | | |
| Women | 28 | 978 | | |
| Men | 60 | 69 | | |
| Total Europe | 88 | 1,047 | | |

| | | | | |
|--------------|---|----|--|--|
| <i>Asia:</i> | | | | |
| Women | – | 31 | | |
| Men | – | 29 | | |
| Total Asia | – | 60 | | |

| | | | | |
|----------------------|-----------|-------|--|--|
| <i>Total abroad:</i> | | | | |
| Women | 28 | 1,009 | | |
| Men | 60 | 98 | | |
| Total abroad | 88 | 1,107 | | |

| Salaries and remuneration MSEK | Group | | Parent company | |
|--|--------------|-------|----------------|------|
| | 2004 | 2003 | 2004 | 2003 |
| Group, Board and President ²⁾ | 29 | 28 | 1 | 2 |
| Others | 1,194 | 1,004 | 34 | 48 |
| Total | 1,223 | 1,032 | 35 | 50 |

Of which active abroad:

| | | | | |
|----------------------------|------------|-----|--|--|
| <i>Europe:</i> | | | | |
| Group, Board and President | 4 | 6 | | |
| Others | 239 | 286 | | |
| Total Europe | 243 | 292 | | |

| | | | | |
|----------------------------|----------|---|--|--|
| <i>Asia:</i> | | | | |
| Group, Board and President | 1 | 1 | | |
| Others | 8 | 8 | | |
| Total Asia | 9 | 9 | | |

| | | | | |
|----------------------------|------------|-----|--|--|
| <i>Total abroad:</i> | | | | |
| Group, Board and President | 5 | 7 | | |
| Others | 246 | 294 | | |
| Total abroad | 251 | 301 | | |

| Social costs MSEK | Group | | Parent company | |
|------------------------------------|------------|------|----------------|------|
| | 2004 | 2003 | 2004 | 2003 |
| Social costs | 360 | 418 | 24 | 33 |
| <i>Of which pension costs for:</i> | | | | |
| Group, Board and President | 10 | 13 | 1 | 4 |
| Others | 195 | 95 | 7 | 13 |

| Gender distribution in executive management % | Group | | Parent company | |
|---|------------|------|----------------|------|
| | 2004 | 2003 | 2004 | 2003 |
| <i>Proportion of women:</i> | | | | |
| Board | 20% | 26% | 30% | 30% |
| Other senior executives | 30% | 38% | 0% | – |

| Absence due to illness, parent company | | |
|---|-------------|--------------------|
| % | 2004 | 2003 ¹⁾ |
| Absence due to illness as a proportion of normal hours worked | | |
| Absence due to illness, 60 days or more | | |
| <i>Absence due to illness, by gender:</i> | | |
| Men | 0.0% | 3.9% |
| Women | 4.6% | 7.7% |
| <i>Absence due to illness, by age category:</i> | | |
| Aged 29 or under | 1.8% | 2.5% |
| Aged 30–49 | 4.2% | 4.8% |
| Aged 50 or over | 5.4% | 8.0% |

¹⁾ Refers to the period 1 Jan – 31 Dec 2003.

²⁾ The President's salary is only included in the Group total.

The Board was paid a total fee, in accordance with the General Meeting's decision, of SEK 1,100,000 (1,081,000), of which the Chairman, in accordance with the Board's decision, received SEK 330,000 (324,000). In addition to fees, compensation is paid for loss of earnings. An annual pension provision is made for the Chairman of 35% of the total fee.

The President received a salary of SEK 4,022,000 (4,230,000). A bonus was paid of SEK 295,000 (228,000). The retirement age is 62. An annual pension provision is made of 35% based on salary and other benefits. The pension commitment included in the President's contract, corresponding to 36 months' salary, has been secured in full as at 31 December 2004.

The period of notice from the company is 6 months, and pension contributions are payable in full during this period. There is also a severance payment of 30 months, net of the above-mentioned pension commitment.

Note 29

Shares and participations¹⁾

| Company | Corporate reg. number | Registered office | Holding % | Number of shares/ participations | Book value |
|--|--------------------------|----------------------|--------------|--|------------------|
| KSEK | | | | | |
| SHARES AND PARTICIPATIONS IN SUBSIDIARIES/ SUB-SUBSIDIARIES | | | | | |
| KF PARENT SOCIETY | | | | | |
| KF Fastigheter AB | 556033-2446 | Stockholm | 100 | 10,000 | 1,112,219 |
| Bopec Progress AB | 556189-4592 | Stockholm | 100 | | |
| Fastighets AB Kvarnholmen | 556001-2477 | Stockholm | 100 | | |
| Fastighets AB Partille | 556518-4354 | Stockholm | 100 | | |
| KF Centrumfastigheter AB | 556405-6405 | Stockholm | 100 | | |
| KF Stormarknadsfastigheter AB | 556409-2533 | Stockholm | 100 | | |
| KF Supermarketfastigheter AB | 556090-0366 | Uppsala | 100 | | |
| Kvarn AB Juvel | 556024-4815 | Gothenburg | 100 | | |
| Stockholms Dykeri AB | 556001-9092 | Stockholm | 100 | | |
| KF Invest AB | 556027-5488 | Stockholm | 100 | 800,000 | 1,194,372 |
| KF Invest Förvaltning AB | 556174-7717 | Stockholm | 100 | | |
| KF Media AB | 556398-2387 | Stockholm | 100 | 25,000 | 126,909 |
| Akademibokhandelsgruppen AB | 556046-8448 | Stockholm | 100 | | |
| Levande böcker i Norden AB | 556481-4274 | Stockholm | 100 | | |
| P.A. Norstedt&Söner AB | 556045-7748 | Stockholm | 100 | | |
| PAN Vision Holding AB | 556531-8879 | Stockholm | 100 | | |
| Tidningen Vi AB | 556041-3790 | Stockholm | 100 | | |
| Bokus AB | 556538-6389 | Lund | 100 | | |
| MedMera AB | 556091-5018 | Stockholm | 100 | 500,000 | 55,040 |
| Tranbodarna AB | 556005-2788 | Borlänge | 100 | 100 | 330 |
| KF Föreningsrevision AB | 556198-2330 | Stockholm | 100 | 1,000 | 100 |
| KF Försäkrings AB | 516401-8417 | Stockholm | 100 | 10,000 | 20,000 |
| Vår Gård Saltsjöbaden AB | 556035-2592 | Saltsjöbaden | 100 | 35,000 | 4,200 |
| Other and dormant companies | | | | | 52,219 |
| Total subsidiaries, KF Parent Society | | | | | 2,565,389 |

| Company | Corporate reg. number | Registered office | Holding % | Number of shares/ participations | Book value, Parent company | Equity share in Group |
|---|--------------------------|----------------------|--------------|--|-------------------------------|--------------------------|
| KSEK | | | | | | |
| ASSOCIATED COMPANIES | | | | | | |
| KF PARENT SOCIETY | | | | | | |
| <i>Direct ownership</i> | | | | | | |
| Coop Elektro AB | 556589-3731 | UpplVäsby | 47 | 468,692 | 14,693 | 15,296 |
| Kooperativa Institutet, Ek förening | 716421-4186 | Stockholm | 49 | 21 | 450 | 450 |
| Nord Coop Invest Ltd | | Slovakia | 50 | | 108 | 108 |
| Strykjärnet i Norrköping, HB | 916694-5544 | Norrköping | 25 | 5 | 2,744 | 2,744 |
| Total associated companies, KF Parent Society | | | | | 17,995 | 18,598 |
| <i>Indirect ownership</i> | | | | | | |
| Barnens Bokklubb AB | 556103-0445 | Stockholm | 50 | 1,525 | | 7,994 |
| Böckernas klubb med journalen AB | 556317-0629 | Stockholm | 43 | 7,658 | | 5,264 |
| HB Månadens bok | 902003-8106 | Stockholm | 30 | | | 5,400 |
| Other associated companies | | | | | | 3,217 |
| Total indirect ownership | | | | | | 21,875 |
| Total associated companies, KF Group | | | | | | 40,473 |

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

Note 29, contd.

| Company KSEK | Corporate reg. number | Registered office | Holding % | Number of shares/ participations | Book value, Parent company | Equity share in Group |
|---|--------------------------|----------------------|--------------|--|-------------------------------|--------------------------|
| JOINT VENTURES | | | | | | |
| <i>Direct ownership</i> | | | | | | |
| Coop Norden AB | 556585-8585 | Stockholm | 42 | 257,250 | 2,279,312 | 1,767,670 |
| Total joint ventures, KF Parent Society | | | | | 2,279,312 | 1,767,670 |
| <i>Indirect ownership</i> | | | | | | |
| Kilen Syd AB ¹⁾ | 556621-6361 | Strängnäs | 50 | 750 | | - 11,376 |
| Other joint ventures | | | | | | 0 |
| Total indirect ownership | | | | | | - 11,376 |
| Total joint ventures, KF Group | | | | | | 1,756,294 |

¹⁾ Negative equity share in Kilen Syd AB has been reported in balance sheet as other provisions.

| Company KSEK | Corporate reg. number | Registered office | Holding % | Number of shares/ participations | Book value |
|--|--------------------------|----------------------|--------------|--|----------------|
| OTHER COMPANIES | | | | | |
| <i>Holding in KF Parent Society:</i> | | | | | |
| Riksbyggen Svenska, för upa | 702001-7781 | Stockholm | | 3 | 15,000 |
| Bilda Förlag Ek för | 702000-2601 | Stockholm | | 11 | 5,250 |
| Other holdings | | | | | 1,236 |
| Total other companies in KF Parent Society | | | | | 17,264 |
| <i>Holdings by subsidiaries:</i> | | | | | |
| Accent Equity | | | | | 9,023 |
| Baltic Rim Fund, Jersey | | | | | 28,698 |
| IDI KB | 969640-9631 | Stockholm | | 10 | 5,400 |
| Litorina kapital KB | 969653-7555 | Stockholm | | 22 | 32,044 |
| Nordico Invest II KB | 969660-1500 | Stockholm | | 12 | 21,684 |
| Other holdings | | | | | 3,434 |
| Holdings by subsidiaries | | | | | 100,283 |
| Total other companies in KF Group | | | | | 117,547 |

Stockholm, March 10, 2005

Nina Jarlbäck
Board chairman

Jan Andersson

Hans Eklund

Lena Ingren

Curt Johansson

TorBjörn Jonsson

Ingrid Karlsson

Göran Lindblå

Mats Lundquist

Anders Stake

Börje Fors
President

Auditor's Report

To the General Meeting of the Swedish Co-operative Union (KF).

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 Co-operative Union for the year 2004. 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 reasonable degree that the annual accounts and the consolidated accounts do not contain any significant errors. An audit involves inspecting a selection of sources of base information relating to amounts and other information in the accounting documents. An audit also involves checking the accounting principles used and their application by the Board and the President, as well as assessing the significant estimations made by

the Board and the President when drawing up the annual accounts and the consolidated accounts, and evaluating all of the information in the annual accounts and the consolidated accounts. As a basis for our statement on discharge from liability, we have reviewed significant decisions, measures and relationships in the company so that we could determine whether any member of the Board or any of the Presidents 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 Co-operative Societies Act, the Annual Accounts Act or the society'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 Annual Accounts Act, and thus provide a fair view of the Union's and the Group's financial results and status in accordance with accepted accounting principles 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.

Stockholm, March 10 2005

Bertil Hammarstedt

Carina Röjdner

KPMG Bohlins AB

Per Bergman
Authorised Public Accountant

Bernhard Öhrn
Authorised Public Accountant

This audit report relates to the annual accounts as shown in pages 26–56.

The members control KF

Behind KF are 2.9 million members in the 60 Swedish consumer societies. Membership is open to all. Membership makes them KF's owners and enables them to influence KF's business. Every member is a holder of the Coop MedMera membership card. The seven OK unions, Folksam Liv, Folksam Sak and Fonus are also members of KF. KF's statutes define the principles by which KF is managed.

KF's base – the consumer societies

Each society's statutes are based on KF's so-called template statutes, but are adapted to the society's conditions. The fundamental principle for member control is that every member has one vote.

The society's general meeting is the highest decision-making body, corresponding to a limited company's annual general meeting. The meeting elects the board, auditors and an election committee. At the meeting members also take a view on the past year's operations and any motions submitted by members. In smaller societies all members can be invited to a joint society general meeting. Larger societies first have district general meetings, which elect a representative for the society general meeting.

KF's General Meeting

Each consumer society is a part of a constituency. The division into constituencies is defined annually by KF's meeting. Every year the societies in a constituency appoint representatives to the constituency meeting. At this meeting representatives and deputies are elected for KF's General Meeting and members are nominated for the meeting's election committee.

KF's General Meeting comprises 101 representatives. Of these, 94 are appointed at the consumer societies' constituency meetings. These are distributed so that each constituency is given a number of representatives corresponding to the constituency's proportion of the total number of members in the societies. The remaining seven representatives are appointed by the other members. At KF's General Meeting the members of KF's

Board are elected together with deputies for them according to suggestions from the election committee. The General Meeting also elects auditors and sets the fees and other remuneration for KF's Board.

The meeting also elects the chairman, deputy chairman and three members and three deputies for the election committee. The Board submits suggested names based on nominations from the constituency meetings. At the 2004 meeting Ulla Hultén (chairman), Jan Bohlin (deputy chairman), Sune Dahlqvist, Hans Ahnell and Sune Grahn were elected onto the election committee.

Information och diskussion

För att ge samtliga föreningar möjlighet att få information i angelägna frågor och delta i diskussioner före stämman, bjuder KFs styrelse, i enlighet med stadgarna, varje år in till regionala konferenser. 2004 hölls fem sådana konferenser. Dagen före stämman hölls 2004 ett ombudsseminarium för alla stämmoombud. Årets tema var kooperativ dagligvaruhandel.

Coop Norden – control and influence

Coop Norden's AGM comprises one representative from each owner, who represents the relevant societies as follows: KF 42 per cent, FDB 38 per cent and Coop NKL 20 per cent. The General Meeting appoints the Board of Coop Norden, which by agreement consists of five members from KF, four from FDB, three from Coop NKL and employees' representatives.

Coop Norden's advisory conference is held in conjunction with the formal General Meeting. In accordance with the shareholder agreement, the owners can send a maximum of 59 elected representatives as deputies for the formal owners' representatives. KF's Board appoints the representative to the formal General Meeting and nine of the elected representatives. The remaining 50 representatives are appointed by KF's General Meeting following nominations from the constituencies.

Every year the boards of KF, FDB, Coop NKL and Coop Norden hold joint Nordic board conferences. In 2004 two conferences were held, at which discussions took place on business development in Coop Norden and joint work on consumer policy.

The Board's activities

KF's Board consists of at least nine and at the most thirteen members, elected by KF's General Meeting, and KF's President. In 2004 the Board consisted of nine members who were elected by the meeting. The Commercial Employees' Union also appointed two employee representatives and one deputy. One of these and a deputy left the Board in connection with the sale of KappAhl in autumn 2004.

The Board's work routines

KF's statutes define and regulate principles for the Board's tasks and decision-making competence. The Board defines an annual meeting plan.

The Board appoints the President and every year confirms a set of procedural rules for this post. The work allocation between the President and the Board is specified in KF's statutes. These state that the Board defines KF's budget and policies of a general nature, and passes decision on matters 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 in turn is responsible for day-to-day management of KF. The President takes the initiative for the development and rationalisation of the business and makes sure that KF exercises an active owner's role in subsidiaries and associated companies. The President provides the Board with current information at each board meeting.

Reports cover KF's sales, financial results and liquidity, as well as matters and projects of significance to the business.

The Board's fees and other remuneration are decided every year by KF's General Meeting on the basis of a proposal from the election committee. The President's remuneration is decided by the Board. The Chairman produces information as a basis for decision-making and then gains acceptance for this among other members at a special meeting before KF's General Meeting. As far as other members of executive management are concerned, the President decides on salary and other terms of employment. The President then provides the Board with an annual status report on the outcome.

KF's statutes also define principles for the elec-

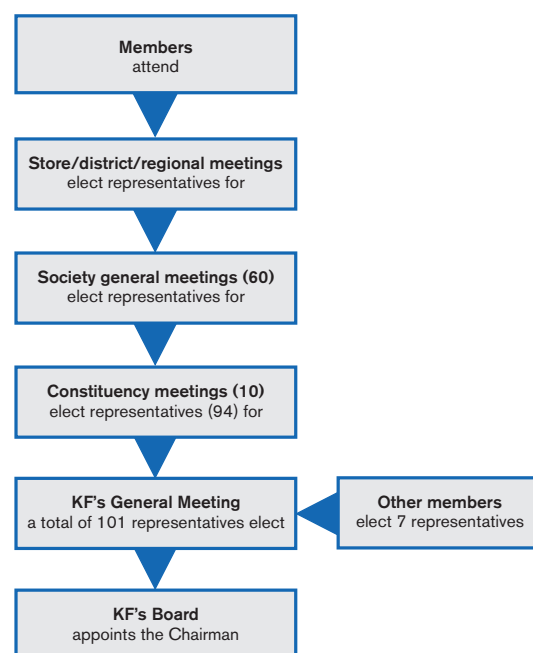
tion of auditors. The General Meeting appoints one registered audit company and two elected auditors. The Board takes charge of the procurement of audit services. The auditors are appointed for a two-year period, but are assessed annually. The auditors are responsible for the annual audit review at the meeting about KF's year-end accounts.

Work during 2004

During 2004 the Board held thirteen meetings at which minutes were kept, one of which was a per capsulam meeting. Attendance at these meetings was high. Regular items on the agenda were reporting on the Group's sales, financial results and liquidity, as well as the President's report.

Throughout the year the Board has received ongoing reporting on developments in Coop Norden. During the year's meetings the Board also dealt with matters including the winding up of Coop Bank, the sale of KappAhl and Power, the formation of MedMera and decided on the creation of KF Consumer.

In 2004 fees were paid to the Board to the order of SEK 1,100,400 (1,081,000), of which SEK 329,800 (324,000) to the Chairman of the Board. In addition to these fees, compensation is paid to all Board members for loss of earnings. The Chairman of the Board also receives a pension contribution of 35 per cent of total remuneration during the year.



KF's Board

Nina Jarlbäck (1946)

Chairman of KF's Board since 2002,
board member since 1995.



Store assistant in the consumer co-operative.
Former municipal commissioner and member of public boards.
Chairman of the Board of KF Media AB, board member at
KF Invest AB, Deputy Chairman of Coop Norden AB,
Chairman of Svea Co-operative,
Chairman of the Board of the Vi Agroforestry Foundation,
Chairman of Folksam Liv, board member at Riksborgen.

Jan Andersson (1944)

Deputy Chairman of KF's Board since 2001,
Board member since 1979.



Degree in Pedagogics and business
Qualified in education and economics.
Chairman of the Board of the Nord Co-operative,
board member at Coop Norden AB,
board member at Folksam Sak,
board member at Co-operative's
Negotiating Body (KFO),
Deputy Director.

Hans Eklund (1954)

Board member since 1997



Ph D, Law

Board member at KF Fastigheter AB, board member at Svea
Co-operative, Chairman of the Board of Co-operative
Development, Uppsala County, lay auditor at Folksam and
KP Pension & Försäkring.

University professor and Director of Studies at the
Institute of Law, Uppsala University.

Börje Fors (1943)

President and board member since 2001



MBA

Chairman of the Board of KF Fastigheter AB,
Vår Gård Saltsjöbaden AB, KF Invest AB, MedMera AB
and KF Föreningsrevision AB. President and board member
at KF Media AB, Chairman of the Board of
Akademibokhandelsgruppen AB, Bokus AB,
P.A. Norstedt & Söner AB, PAN Vision Holding AB and
PAN Vision Distribution AB, board member at Coop
Norden AB, board member at Folksam Liv.
Chairman of the Board of KappAhl AB and board member
at SABA Trading AB until December 2004.

Lena Ingren (1939)

Board member since 2002



High school graduate, qualified as banking official,
post-school courses including bookkeeping,
business economics and supervision.

Chairman of the Board of the Stockholm Co-operative,
Chairman of the Board of Fastighets AB Atrium,
board member at Vår Gård Saltsjöbaden AB.

Curt Johansson (1942)

Board member since 2001



Degree in business administration
(advanced Economics, Salaried Employees'
Educational Association)
Chairman of the Board of Konsum Norrbotten,
board member at KF Fastigheter AB,
board member at the Vi Agroforestry Foundation.
Former hospital director.

Ingrid Karlsson (1959)

Board member since 2004



High school graduate, qualified mental health nurse,
Business administration at Komvux, management training at
Sahlgrenska University Hospital, 2002-2003.

Board member at the Väst Co-operative.
Cleaning Manager, Sahlgrenska Gothenburg.

Göran Lindblå (1954)

Board member since 1999



Degree in Journalism

Board member at KF Media AB, board member at
Folksam Sak,
Chairman of the board of KP Pension & Försäkring,
Deputy Chairman of the Board of KFO, board member at
the Co-operative Institute, KOOPI.

Working Chairman of the Board of OK-Q8 AB,
President and CEO of OK Co-operative Association

Mats Lundquist (1949)

Board member since 2001



MBA

Deputy Chairman of the Board of the Stockholm
Co-operative, board member at KF Media AB,
Senior Consultant at Ipsos Sweden AB.

Anders Stake (1956)

Board member since 2004

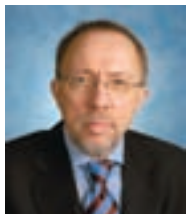


MBA

Board member at KF Fastigheter AB,
board member at Folksam Liv, board member at
the Co-operative's Negotiating Body (KFO).
President of Gävleborg Co-operative.

TorBjörn Jonsson, (1941)

Board member since 1990
Employees' representative



Commercial training

Board member at KF Invest AB,
board member at Coop Norden AB.



From the left: Per Agefeldt, Ivar Fransson, Bernt-Olof Gustavsson, Börje Fors, Lars Hillbom, Magnus Håkansson

KF's executive management

Börje Fors (1943)

MBA

President and board member since 2001

PREVIOUS POSITIONS HELD MD of Brio AB, Divisional Manager at Pharmacia AB, Sales Manager at Esselte Förlag AB, Sales Manager at Arabia Rörstrand AB

(see also page 60.)

Per Agefeldt (1948)

Commercial college, internal co-operative training at Vår Gård Manager of KF Society Relations since 2002

PREVIOUS POSITIONS HELD President of Karlskoga Co-operative

Ivar Fransson (1957)

Degree in business administration and law. President of MedMera AB (Manager of KF Kort) since 2000

PREVIOUS POSITIONS HELD Advisor for new co-operatives at KOOPi, Manager of KoopService Föreningsbanken, Business and Sales Developer at Föreningsbanken, Sales Manager at FöreningsSparbanken

Bernt-Olof Gustavsson (1960)

M Sc, engineering

President of KF Fastigheter AB since 2000

PREVIOUS POSITIONS HELD Real Estate Manager at Fastighets AB Viggen, Business Area Manager at Fastighets AB Förvaltaren

Lars Hillbom (1946)

MBA

Manager of KF Union Secretariat since 2002, employed at KF since 1987, including assignments in the International Co-operative Alliance

PREVIOUS POSITIONS HELD Economist at Swedish TUC, DG of the Swedish Price and Cartel Board

Magnus Håkansson (1963)

MBA, M.Sc.

CFO since 2002

PREVIOUS POSITIONS HELD MD of MTG Modern Interactive, Finance Director at Södra Cell

Member organisations

At the end of 2004 60 consumer societies were members of the Swedish Co-operative Union. Through their membership, the societies own KF. During the past year one society, Konsum Svedala, merged with Ktf Solidar and two societies, KpF Framåt in Broakulla and Mattmars kf, went into liquidation.

The societies can report a continued, healthy increase in the number of members. The net increase was 63,637 members, making the total number of members 2,940,094. The number of members in each society forms the basis of the allocation of the 94 representatives at the Co-operative Union's General Meeting.

| Society | Location | No of members | Tåsjö kf | Hoting | 931 |
|----------------------------|----------------|---------------|---|---------------|-----------|
| Stockholm, Ktf | Stockholm | 564 279 | Framåt, Hf | Tvååker | 851 |
| Svea, Ktf | Uppsala | 561 118 | Sollerö ktf | Sollerön | 799 |
| Solidar, Ktf | Malmö | 316 234 | Kågeröds hf | Kågeröd | 788 |
| Väst, Koop. ktf | Göteborg | 308 431 | Möja Kf | Möja | 695 |
| Nord, Konsum | Umeå | 213 816 | Morups hf | Glommen | 652 |
| Göta, Ktf | Växjö | 187 535 | Fågelmara ktf | Fågelmara | 497 |
| Kristianstad-Blekinge, Ktf | Kristianstad | 119 179 | Hajoms koop hf | Hajom | 449 |
| Värmland, Ktf | Karlstad | 106 396 | Styrsö kf | Styrsö | 411 |
| Gävleborg, Ktf | Gävle | 96 173 | Åmots kp hf | Åmotsbruk | 330 |
| Norrbottn, Konsum | Luleå | 87 998 | Svensby koop hf | Svensbyn | 315 |
| Bohuslän-Älvsborg, Ktf | Uddevalla | 79 618 | Klippan, Koop. hf | Bohus-Malmön | 289 |
| Norrort, Konsum | Upplands Väsby | 57 644 | Glava, ktf | Glava | 285 |
| Jämtland, Konsum | Östersund | 43 526 | Garda-Lau, hf | Ljugarn | 204 |
| Oskarshamn, Ktf | Oskarshamn | 29 009 | Sörsjöns koop hf | Älvdalen | 200 |
| Gotland, Ktf | Visby | 27 630 | Centrum, Hf | Källö-Knippla | 169 |
| Malmfälten, Ktf | Gällivare | 27 092 | Östbjörka ktf | Rättvik | 120 |
| Norra Östergötland, K | Finspång | 23 840 | Axmarby hf | Axmar | 107 |
| Karlskoga, Ktf | Karlskoga | 16 852 | | | |
| Karlshamns ktf | Karlshamn | 11 251 | Total number of members | | 2 940 094 |
| Varbergs ktf | Varberg | 8 187 | | | |
| Tabergsdalens ktf | Norramhammar | 4 740 | Besides the consumer societies, the following are mem | | |
| Mellersta Nissadalens ktf | Hyltebruk | 4 691 | of the Swedish Co-operative Union. | | |
| Norra Dalarna ktf | Älvdalen | 3 816 | | | |
| Färingsö, Konsum | Stenhamra | 3 123 | OK ekonomisk förening | | |
| Veberöds kf | Veberöd | 2 924 | OK Köping | | |
| Mörum, Ktf | Mörum | 2 699 | OK Norrbotten | | |
| Mellersta Dals kf | Mellerud | 2 468 | OK Piteå | | |
| Oskarström m o, kf | Oskarström | 2 416 | OK Värmland | | |
| Dalsjöfors ktf | Dalsjöfors | 2 238 | OK Västerbotten | | |
| Bjursås, Ktf | Bjursås | 1 771 | OK Örnsköldsvik | | |
| Långsele kf | Långsele | 1 716 | Folksam Liv | | |
| Billesholm, Ktf | Billesholm | 1 672 | Folksam Sak | | |
| Forsbacka, Kf | Forsbacka | 1 478 | Fonus | | |
| Lönsboda kp hf | Lönsboda | 1 386 | | | |
| Skärplinge, Konsum | Skärplinge | 1 341 | | | |
| Lenhovda kf | Lenhovda | 1 229 | | | |
| Orrefors m o, Kf | Orrefors | 1 224 | | | |
| Svängsta ktf | Svängsta | 1 141 | | | |
| Frillesås, Ktf | Frillesås | 1 110 | | | |
| Knäred m o, kf | Knäred | 1 030 | | | |
| Vislanda kp hf | Vislanda | 1 020 | | | |
| Getinge kp hf | Getinge | 961 | | | |

Besides the consumer societies, the following are members of the Swedish Co-operative Union.

OK ekonomisk förening
OK Köping
OK Norrbotten
OK Piteå
OK Värmland
OK Västerbotten
OK Örnsköldsvik
Folksam Liv
Folksam Sak
Fonus



From the Chairman

Efficiency improvements in our own business operations and planned structural measures have laid the foundation for a new, financially stronger KF. This creates the necessary conditions for KF to be able to fulfil its task, partly as the societies' joint union with overall responsibility for consumer co-operative development, and partly as an active owner of business operations. Not least with regard to the joint Nordic FMCG company Coop Norden. KF's financial strength and expertise must be used to strengthen and develop the business operations in both Coop Norden and the consumer societies.

Coop Norden is based on commitment and co-operation to generate financial benefits for members. In the increasingly tough competitive situation that prevails, the co-operative approach must be to give members access to good products at competitive prices. KF must exercise active ownership in Coop Norden on behalf of its members.

The increase in the number of members continued during the year. A clear signal that membership on the whole continues to be attractive.

At the end of 2004 there were 2.9 million members, who between them own the consumer co-operative. This membership base constitutes a significant difference from other companies.

It is important that we live up to our members' desires. A modern, value-based organisation requires both dialogue and quick decisions. Price is an important issue for members, while at the same time it is important to retain an ethical approach and to act responsibly towards the environment. KF Consumer and the societies must together assume responsibility for developing the members' involvement in food, the environment and health. In addition to low, competitive prices, it is KF's task as a union to drive opinion on consumer and consumption issues through knowledge development and information.

The fundamental business concept of KF and the consumer societies is to create financial and other added value for members. Our responsibility for this and for our basic values is clear. We must be as efficient as possible, be receptive to, be aware of and understand the everyday issues that are important to our members.

Contact

Swedish Co-operative Union

Box 15200
SE-104 65 Stockholm
Visiting address: Stadsgården 10
Tel. +46 (0)8-743 25 00
Fax: +46 (0)8-644 30 26
www.kf.se
e-mail: info@kf.se
Corporate organisation number 702001-1693.
Order number 304-003 S
Order fax: +46 (0)8-643 95 90

MedMera AB

Box 15200
SE-104 65 Stockholm
Tel.: +46 (0)8-743 25 00
Visiting address: Stadsgården 10
www.coopmedmera.se

Coop MedMera Customer Service

Questions about MedMera Account points, etc.
Hours of business: Monday-Friday, 09:00-17:00
Tel.: +46 (0)20-63 36 00
From mobile phone: +46 (0)8-743 38 00
e-mail: medmera@coop.se

KF Sparkassa: +46 (0)20-53 77 27
e-mail: sparkassan@kf.se
Member Service: +46 (0)20-97 59 59
Coop Contact: +46 (0)20-71 10 10
e-mail: kundtjanst@coopmedmera.se

KF Fastigheter AB

Box 15 200
SE-104 65 Stockholm
Tel.: +46 (0)8-743 25 20
www.kff.se

KF Invest AB

Box 15 200
SE-104 65 Stockholm
Tel.: +46 (0)8-743 25 00

KF Media AB

Box 15200
SE-104 65 Stockholm
Tel.: +46 (0)8-769 80 00
www.kfmedia.se

KF Föreningsrevision AB

Box 15200
SE-104 65 Stockholm
Tel.: +46 (0)8-743 25 00
www.kf.se

Vår Gård Saltsjöbaden

Ringvägen 6
SE-133 80 Saltsjöbaden
Tel.: +46 (0)8-748 77 00
www.vargard.se

Coop Norden AB

Box 21
SE-101 20 Stockholm
Visiting address: Kungsgatan 49, Stockholm
Tel.: +46 (0)8-743 54 00
www.coopnorden.com

Coop Norden Sverige

SE-171 88 Solna
Visiting address: Englundavägen 4, Solna
Tel.: +46 (0)8-743 10 00
www.coop.se

At www.kf.se there are addresses and contact details for all consumer societies.

Swedish Co-operative Union (KF)

Box 15 200

SE-104 65 Stockholm

Tel.: +46 (0)8-743 25 00

www.kf.se

Corporate organisation number 702001-1693

Order number 304-004 E

Order fax: +46 (0)8-643 95 90