



Swedish Cooperative Union (KF)



“Capital shall be generated to the extent that the development and independence of the association is secured and operations shall, to the greatest possible extent, be financed by capital contributed individually and collectively by members.”

Report by the Structural Committee, “Coordination for the future,” 1967

NOTES ON READING THE ANNUAL REPORT

KF's Annual Report for 2003 reflects KF's role in Swedish consumer-cooperative FMCG retail and the earnings and operations of the KF Group and its principal associated companies. The report comprises a general presentation of KF's undertakings and operations and its annual accounts for 2003.

The Annual Report is aimed at elected representatives within the consumer cooperatives, employees of the KF Group, associated companies and consumer cooperatives, as well as at suppliers, customers, cooperative partners and others. The Annual Report is also available at www.kf.se.

KF's 105th Annual General Meeting was held at the Vår Gård conference center in Saltsjöbaden on May 25, 2004.

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Cover and back cover: The cover image is a close-up of the security pattern on the Coop MedMera membership card



Photographer: Elliot Elliot, Etsabild.

Quote: Report by the Structural Committee, "Coordination for the future," 1967



Photographer: Pia Ulin, Etsabild.

Quote: Anders Örne, 1881-1956, from "The Cooperative Program, 1921"



Photographer: Pia Ulin, Etsabild.

Quote: Albin Johansson, 1886-1968, from address to KF's 50 years congress, 1949



Photographer: Jens Andersson, Etsabild.

Quote: George Jacob Holyoake, 1817-1906, British cooperative historian



Photographer: Anna Kern, Etsabild

Quote: Professor Ulf af Trolle in "Effective Board Work," 1989

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WITH THE FINANCIAL STRENGTH TO ACT

*I*n 2003, KF regained profitability. Following two years of losses totaling nearly SEK 1 billion, KF now reports a profit after financial items of SEK 228 M. In addition, KF is financed 100% by its members and does not borrow from the banking system. With a shareholders' equity of SEK 4.5 billion and extensive liquid assets of SEK 3 billion, KF is prepared to support efforts for the future. KF's debt is now as little as SEK 1.8 billion with a debt/equity ratio of 0.4.

The entire consumer cooperative concept is based on freedom from debt. The unsound dependence on credit provided fertile soil for the consumer-cooperative movement. The efficient procurement of goods through proprietary wholesale trading formed the foundation of KF's business operations in the early 20th century. The 1920s and 30s were characterized by efforts to curtail monopolies and build up strong, member-owned operations.

With new ideas, initiatives and capital, KF invested aggressively to develop a modern retail business during the 1950s and 60s.

During this period, competitors increased their efforts to counter strong consumer-cooperative development. The 1970s and 80s were characterized by a decline for department stores and substantially increased national competition in retailing.

During the 1990s, KF and the societies in the growth regions established integrated retail operations in Stockholm, central Sweden, Gothenburg and Malmö. In 2001, KF established Coop Norden as a joint venture with Norwegian and Danish consumer cooperatives.

With a 42-percent holding, KF is the largest owner in Coop Norden. The intention is to strengthen Swedish consumer-cooperative retailing both within Coop Norden and within consumer societies. About 40% of cooperative retailing in Sweden is operated by consumer societies, many with large market shares and considerable success.

KF'S HISTORIC RESPONSIBILITY

In the future, KF shall continue to use its regained financial strength, with sizeable shareholders' equity and favorable liquidity, to push forward the pace of investment throughout Swedish cooperative retailing.

Over a ten-year perspective, the number of societies conducting retail operations will decrease through continued mergers and closures. At the same time, strong regional societies conducting retail operations represent a long-term business concept for the Swedish cooperative movement. Strong, market-leading regional cooperative societies in full collaboration with Coop Norden's subsidiaries in Sweden provide a long-term sustainable structure for consumer cooperation in Sweden. The collaboration applies to everything from purchasing, product range, pricing strategy and marketing to the design of stores and concepts.

KF will be a driving force in these developments to achieve benefits for the collective Swedish consumer cooperation. This will require investments in new stores, increased efficiency in existing stores and in efficient forms of distribution. KF is well prepared to support a rapid pace of investment in Coop Norden/Coop Sweden and in the strong regional societies.

KF's historic mission has focused on FMCG retailing, that is, the grocery baskets of its many members. This mission have had a shifting emphasis during more than 100 years: Joint purchasing for societies, proprietary production for better goods and for breaking monopolies, training and competence development for improved retail operations, and investments in self-service stores, department stores and hypermarkets.

During the next five years, KF's continued assignment will be to allow the members of the Swedish consumer cooperation to purchase quality goods at attractive prices throughout the country.

CONSUMER INFORMATION

The classic assignment, which, according to

KF's statutes, is to influence opinion on matters of concern for members, will now be brought to the fore and accentuated. It is not particularly easy for consumers to find what they are looking for in the deluge of new products or to make sensible choices representing value for money or that are nutritionally, ecologically, ethically or socially beneficial. In this respect, the classic task of supporting members in their choices is also current. It is our joint task to ensure that our stores offer a good selection and correct information about products and their contents. Through pressure from 5.5 million informed and demanding members coordinated within the Nordic region, producers can be influenced to fulfill the values expressed by the cooperative "Compass."

These efforts will now be conducted collectively in Sweden, and also through structured collaboration between KF and FDB in Denmark and Coop NKL in Norway.

MEMBERSHIP

Another of KF's classic tasks is to contribute to making cooperative membership attractive. Since 1993, KF has operated and developed the MedMera concept. Membership takes the form of a well-functioning membership card that can be used in some 1,100 stores and 800 gas stations and that offers the industry's widest range of services and benefits.

Coop MedMera shall continue to be filled with attractive contents in terms of a wider range of stores and improved offerings. The concept also provides extensive opportunities for Nordic collaboration to further strengthen membership.

DEVELOPING NEW STORE LOCATIONS

In the continued rapid rate of transformation in the retail sector, attractive store locations and shopping sites represent important competitive factors.

The task of acquiring favorable store locations is primarily the responsibility of Coop Sweden and the regional societies. KF will use expertise

in the area of real estate to actively support these efforts. KF has sizeable property holdings and extensive experience in the development of retail properties. The combination of KF's financial strength and expertise in real estate is an asset for the entire Swedish consumer cooperative movement. Favorable examples of this during 2003 are to be found at Bäckebo in Gothenburg, Jägersro in Malmö and Lillänge in Östersund.

KF started strongly in 2004 and the possibilities of achieving profits in line with those of 2003 are favorable.



Börje Fors
President and CEO

THE ROLE OF ACTIVE OWNERSHIP

In addition to the principal mission in retailing, KF acts as an active owner in its subsidiaries KF Real Estate, KF Media, KappAhl and KF Invest.

KappAhl has achieved the Group's greatest improvement in earnings during 2003. KF Real Estate, KF Media and KF Invest also achieved considerable success during the year. The phasing out of Coop Bank was charged against earnings for 2003.

KF will further develop its fully owned subsidiaries and, at the same time, manage and secure this wealth, which has a current market value of approximately SEK 9 billion.


KF Media operates three classic KF companies: bookstores, book publishers and magazines. In addition, KF Media has invested in establishing a Nordic position in interactive entertainment. The aim is to capitalize on the synergies between the media companies and integrate a media group generating a net margin exceeding 4%.

KappAhl shall maintain stable profitability, providing a sustainable net margin of 5%.

KF Invest's manages listed shares, mutual fund holdings and bonds with a total value of approximately SEK 3 billion, and shall generate a stable net margin of 1 to 2% above the interest offered on bank deposits.

KF Real Estate shall contribute financially by generating a net margin of 7% but shall also contribute its expertise in real estate to the entire consumer cooperative movement.

Through these companies and assets, KF has an ownership portfolio providing favorable opportunities to generate a stable profit in the future.



"Cooperation is a financial system born from participants' immediate interest in goods and services. This expresses itself in the form of free enterprises, established by individuals wishing to make use of the actual operations conducted by these enterprises for the benefit of their private economy or professional activities."

Anders Örne, 1881-1956,
Editor-in-Chief, Kooperatören 1910-1918, founded Konsumentbladet in 1913.
From "The Cooperative Program, 1921"

THE YEAR IN BRIEF

- PROFIT**

Profit after financial items amounted to SEK 228 M, an improvement of SEK 508 M compared with a loss of SEK 280 M in 2002, and of SEK 890 M compared with the loss of SEK 662 M in 2001.

- STRONG DEVELOPMENT IN ALL OPERATIONS**

All subsidiaries and associated companies reported profits and a positive earnings trend.

- STABLE FINANCES**

Debt/equity ratio declined in the preceding year from 1.1 to 0.5 and declined further in 2003 to 0.4. Net debt amounted to SEK 1.8 billion (2.3) and the equity ratio to 36%. KF today is entirely financed by the members and the consumer cooperatives.

- NEW STRENGTH TO PROMOTE THE CONSUMER COOPERATIVE FMCG RETAILING**

During 2003, KF Real Estate completed or started the construction of seven retail sites in collaboration with Coop Sweden or a retail-operating society.

- SHARP MEMBERSHIP RISE**

The consumer cooperatives posted a sharp rise in membership for the third consecutive year. The net increase was nearly 86,000.

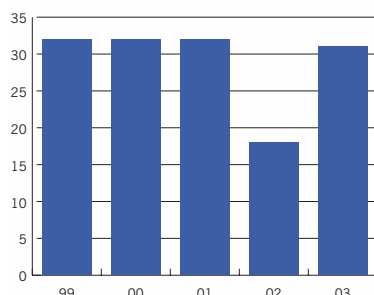
- PHASE-OUT OF COOP BANK**

The phase-out was accomplished at less cost than anticipated and the liquidation is expected to be completed in spring 2004. The MedMera accounts was retuned to KF during the year.

Five-Year summary	2003	2002	2001	2000	1999
KF Group					
Sales, excl VAT, SEK bn	31,4	18,5	32,2	31,8	32,1
Profit/loss after financial items, SEK M	228	-280	-662	402	328
Number of sales outlets in Sweden, KF	177	174	661	784	783
Average number of employees	3 576	3 758	17 361	17 988	17 606
Coop Sweden					
Number of sales outlets, Coop Sweden*	398	416			
Average no. of employees, Coop Sweden*	11 591	12 322			
* Through 2001, the KF group included Coop Sweden's operations, sales outlets and employees.					
Cooperative societies					
Retail sales, excl VAT, SEK bn	16,2	16,0	15,0	14,3	13,5
Number of sales outlets	502	520	547	574	575
Average number of employees	8 591	8 676	8 821	8 998	9 003
Number of cooperative societies	63	65	67	75	78
Number of members (000s)	2 876	2 791	2 678	2 563	2 489

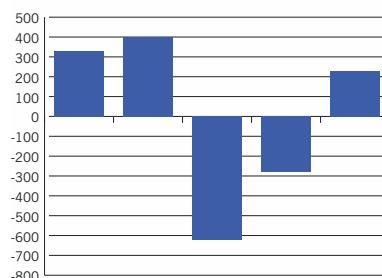
KEY FIGURES

Sales (SEK bn)



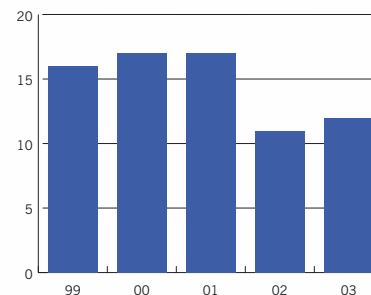
Sales shown for 2002 are not comparable due to formation of Coop Norden.

Profit/loss after financial items (SEK M)



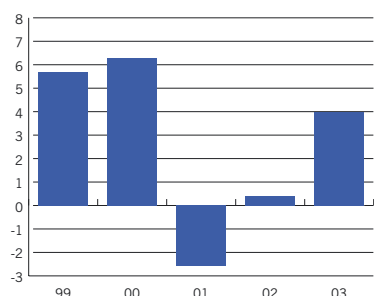
The earnings improvement continued during 2003 and the Group posted a profit of SEK 228 M.

Assets (SEK bn)



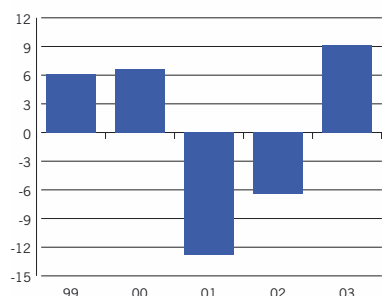
The increase in assets in 2003 is due mainly to the MedMera account portfolio being transferred back from Coop Bank in conjunction with the phase-out. The decline in 2002 was due to, among other factors, with the non-cash effects in conjunction with the formation of Coop Norden.

Return on capital employed (%)



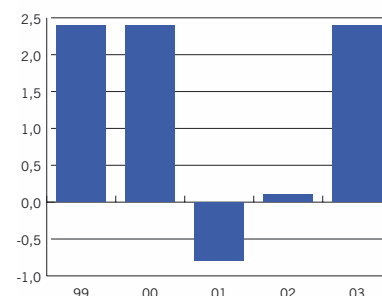
Improved earnings increased return on capital employed despite a rise in capital employed.

Return on equity (%)



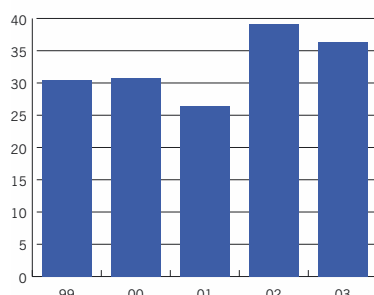
Return on shareholders' equity improved as a result of higher earnings.

Interest coverage (multiple)



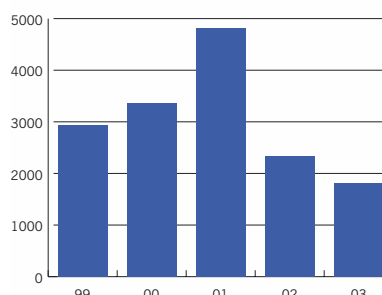
Interest coverage improved due to higher earnings and stronger financial position.

Equity/assets ratio (%)



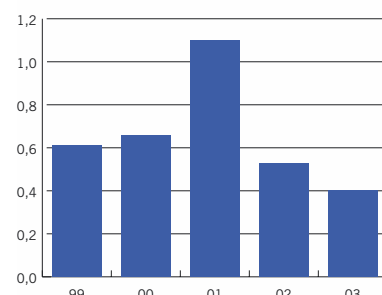
The equity ratio weakened due to the reversal of the MedMera account portfolio from Coop Bank. Excluding this, the equity ratio improved by 0.8 percentage points.

Net debt (SEK M)



Net debt declined due to positive earnings and cash flow.

Debt/equity ratio (multiple)



The debt/equity ratio declined from 0.53 to 0.40 as a result of reduced net debt.

ABOUT KF

Almost 2.9 million people are members of one of the 63 consumer societies that, in turn, are members of KF. Through their membership, the societies own the Swedish Cooperative Union (KF). The societies and KF are controlled through representative democracy, by which members elect representatives for general meetings and boards. The assignment from the members, as formulated in the statutes and the “Compass,” is the guiding light for all operations within KF and the societies. In collaboration with the societies, KF is responsible for securing and developing business operations, generating financial and other added value for members, securing members’ influence and affecting public opinion on matters concerning consumers and consumption.

THE KF GROUP

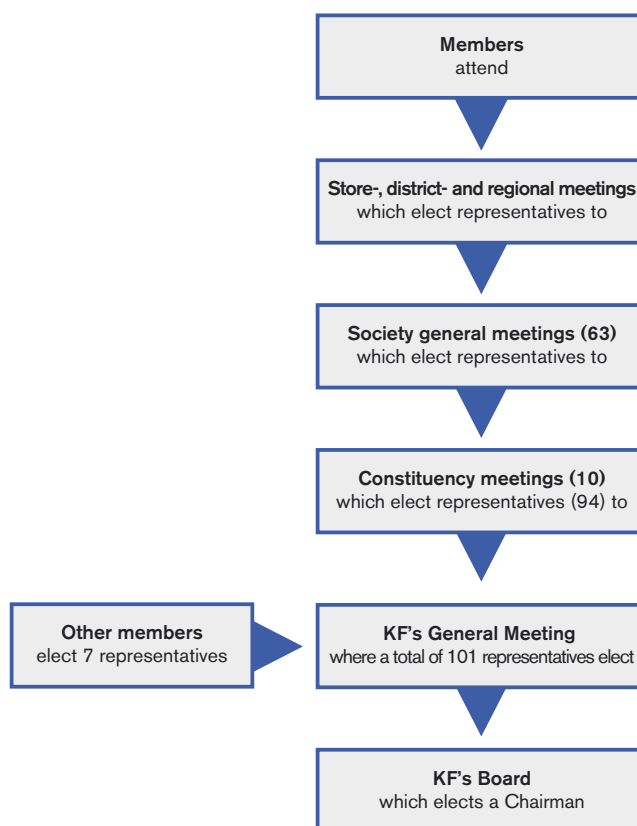
The KF economic association is the Parent Company in the KF Group, which comprises KappAhl, KF Media, KF Real Estate, KF Invest, the Vår Gård conference center and KF Society Audit. The Parent Company also includes KF Card with KF Savings Association and the MedMera concept.

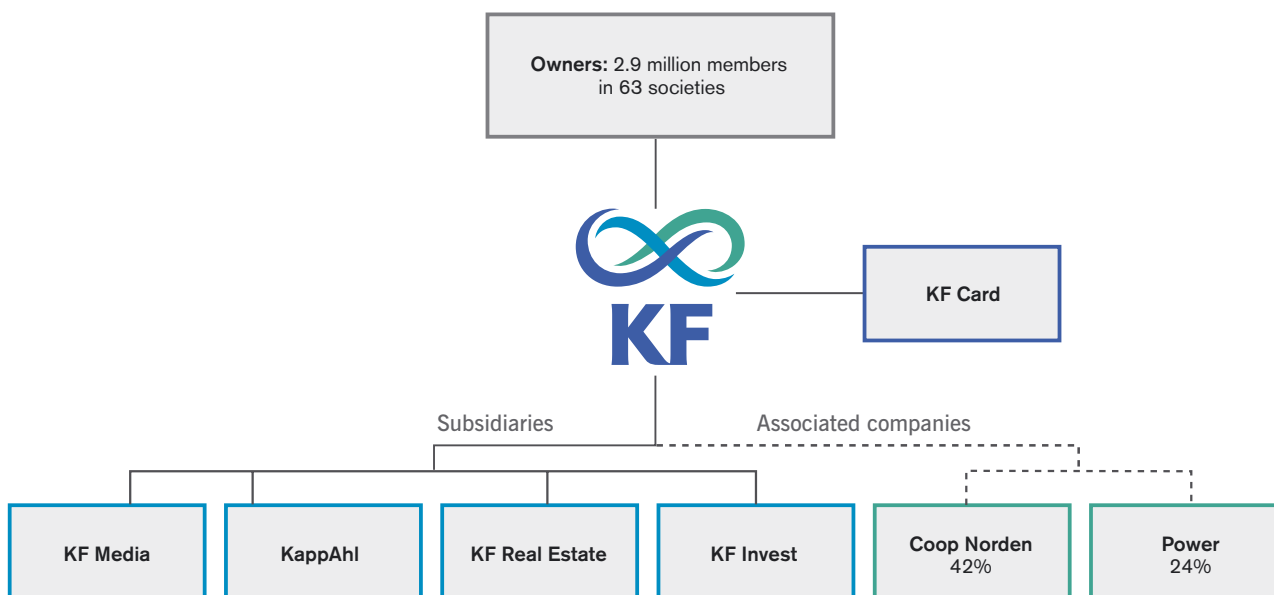
In 1992, five consumer societies with 1.8 million members – Stockholm, Svea, Väst, Solidar and Norrort – integrated their business operations with KF. Since 2002, FMCG retailing in these societies’ areas have been integrated within Coop Norden, which is 42-percent owned by KF. Swedish FMCG operations within Coop Norden are placed organizationally within the fully owned subsidiary Coop Sweden.

There are 58 societies conducting retail operations. These have 1.1 million members. They own and operate approximately 40% of consumer-cooperative FMCG retail in Sweden.

KappAhl, Akademibokhandeln and Coop Sweden comprise the remainder of consumer-cooperative retailing in Sweden.

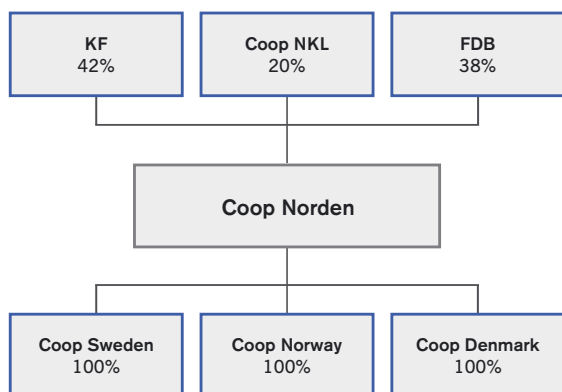
KF is also part owner of Power Hemelektronik (24%).





THE COOP NORDEN GROUP

Coop Norden is the Parent Company of the Coop Norden Group, which, in addition to the Parent Company, comprises the wholly owned subsidiaries Coop Sverige AB (Coop Sweden), Coop Danmark A/S (Coop Denmark) and Coop Norge AS (Coop Norway). The Group is the largest FMCG retailer in Scandinavia. Coop Norden is owned jointly by the consumer cooperative movements in Sweden, Norway and Denmark with a combined membership of 5.5 million people. Operations began on January 1, 2002.



KF owns 42% of Coop Norden. Coop NKL, the national association for the 218 Norwegian cooperative societies, with 0.8 million members, owns 20%. FDB, the national association for 401 Danish cooperative societies, with a total of 1.6 million members, owns 38%.

Coop Norden is a limited liability company whose General Meeting comprises a representative from each of its three owners, KF, FDB and Coop NKL. These three representatives act on behalf of their respective national associations in relation to their ownership share – KF, 42%, FDB, 38%, and Coop NKL, 20%.

In addition, each country has the right to send at most 59 representatives to the advisory Coop Norden conference. Formally, these are deputies for the three owner representatives at the Coop Norden General Meeting.

The General Meeting appoints a Board comprising five members from KF, four from FDB and three from Coop NKL. These are joined by employee representatives.

The Boards of the subsidiaries are appointed by the Board of Coop Norden. The three owner associations can propose representatives to sit on the Boards of subsidiaries.

KF AND CONSUMER-COOPERATIVE FMCG RETAILING

COOPERATION AS DRIVING FORCE

Members' interest is to obtain advantages by coordinating their purchases through consumer cooperation. For more than 100 years, this has been the driving force in consumer-cooperative retailing.

The consumer societies are members of the Swedish Cooperative Union (KF), the association bringing together all of the societies. KF nurtures the interests of the societies and their members by promoting consumer-cooperative FMCG retailing generally.

KF is involved in Swedish FMCG retailing in two ways:

- As the national association for the 58 societies, which own and operate proprietary regional or local retail operations.
- As part owner of Coop Norden, which through its wholly owned subsidiaries Coop Denmark, Coop Norway and Coop Sweden, is the Nordic region's largest FMCG company, representing, in Sweden, approximately 60 percent of cooperative FMCG-based retailing.

CONSUMER-COOPERATIVE FMCG RETAILING IN SWEDEN

Members shop at the 502 stores and hypermarkets owned and operated by 58 retail-operating consumer societies and at the 398 stores and hypermarkets owned and operated by Coop Sweden.

Members meet either the national store concepts Coop Konsum, Coop Forum or Coop Extra, which was launched during the year, or by local concepts such as Prix, Obs! and Konsum. The stores in the national chains follow shared guidelines for design and product range. Locally, there is room for adaptation to members' wishes and viewpoints. Through the democratic process open to members, they are able to affect their local stores.

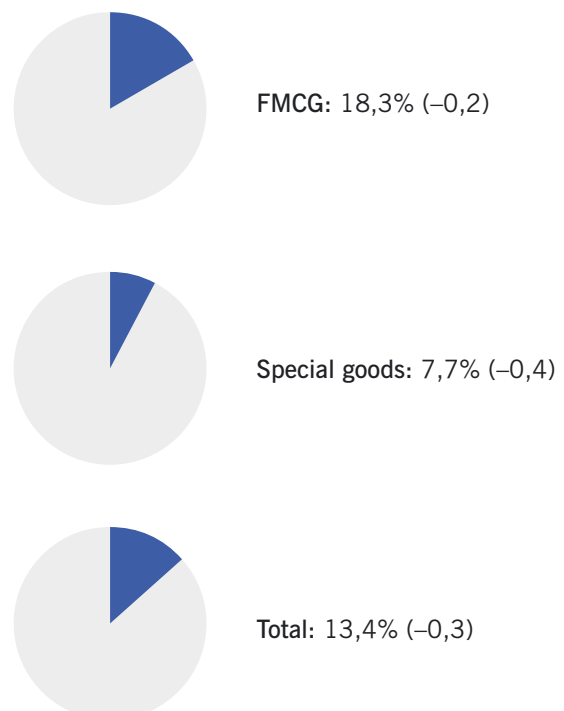
Stores operated by retail societies are controlled by decisions made by those societies. Stores operated by Coop Sweden are affected by local store councils whose purpose is to promote the interests of members.

Swedish consumer-cooperative FMCG retailing implements partly shared national marketing based on the MedMera concept and disseminated via KF Card.

During the year, consumer-cooperative FMCG retailing in Sweden generated total sales of approximately SEK 39 billion, of which SEK 16 billion (40%) in stores operated by retail consumer societies and SEK 23 billion (60%) in stores operated by Coop Sweden. The consumer-cooperation share of FMCG retailing in Sweden amounted to 18.3% in 2003, a decrease of 0.2 percentage points.

The consumer-cooperative share of retailing in special goods in Sweden was 7.7%. This includes sales of special goods by Coop Sweden and retail societies, as well as KF's specialist retailing companies.

Consumer-cooperative market share in Sweden (as a share of the market defined by Statistics Sweden)



During the year, Swedish FMCG retailing grew by 2.0% in volume, while retail in special goods rose by fully 5.9% in volume. Increasing competition, primarily from low-price stores and hypermarkets and a continued shift towards specialty goods, particularly in building supplies and gardening, place extensive demand on continued structural development and improvement in consumer-cooperative retailing. KF is working to promote this renewal in collaboration with the retail societies and through its ownership in Coop Norden.

RETAIL-OPERATING SOCIETIES

Sales for the 58 retail-operating societies amounted in total to SEK 16.2 billion. FMCG volumes increased by 1.5%. For comparable units, the increase was 2.5%. Special goods showed a decrease in volumes of 0.8% but an increase of 1.6% in comparable units. The average market share for FMCG goods is 28% in the regions where the societies maintain operations.

The eight largest retail-operating societies are Konsum Nord, Konsum Värmland, Ktf Bohuslän-Älvsborg, Konsum Norbotten, Ktf Göta, Ktf Gävleborg, Ktf Kristianstad-Blekinge and Konsum Jämtland. These generated 84% of the total sales of all of the retail-operating societies.

The combined profit for the retail-operating societies amounted to SEK 130 M, a decline of SEK 55 M compared with 2002. The decline in profits is attributable to increased overheads and investments in new and existing retail units.

Examples of major projects and new establishments completed during 2003 include Konsum Värmland's expansion of the Bergvik shopping center in Karlstad, one of Sweden's largest retail sites with more than 50,000 square meters of space, and Ktf Bohuslän-Älvsborg's new store in central Åmål with a retail area of 1,800 square meters. Other examples are Konsum Nord's major new store Konsum Extra in Sollefteå and Konsum Jämtland's new Konsum store in Storlien.

During the year, several societies carried out renewal programs and extensions. For example,

Ktf Bohuslän-Älvsborg extended the Nordby Supermarket. Sales increased by SEK 60 M to SEK 638 M during the year, making Nordby the country's second largest FMCG store. During the year, Konsum Nord invested SEK 90 M in 17 stores, including the addition of completely new building-supplies and garden departments at Obs! in Umeå and Skellefteå.

In addition, the planning and building of the following projects began during the year:

- Konsum Jämtland's retail center in Lillänge, Östersund
- Konsum Nord's establishment of a major store in Hörnätt, Örnköldsvik
- Konsum Norbotten's new hypermarket in Örnästet, Luleå

The number of members in the retail-operating societies rose by 1.8% to 1.1 million.



MEMBER-PROMOTIONAL SOCIETIES

In the early 1990s, the consumer societies Stockholm, Svea, Solidar, Väst and Norrort coordinated their FMCG operations with KF and these are now part of Coop Sweden.

Since then, the operations of these societies have primarily focused on membership-, environmental- and consumer-political issues. Members' influence over retail operations is channeled through store councils, including select members, the store manager and a personnel representative, and through regional councils and the retail council where the societies' representatives meet KF's and Coop's management and the managers of the national chains.



The societies play a significant role in affecting public opinion. During 2003, the societies have pursued issues such as the marking of origin for delicatessen and meat products, the treatment of livestock, misleading marketing, diet and nutrition, foodstuff safety and environmental aspects.

The societies organize activities such as meetings with a theme relating to current consumer and health issues and study circles on subjects such as dietary habits and international solidarity. In addition, members are offered benefits such as cultural and entertainment events and travel, administrated by KF Card.

During the year, a cooperative effort was developed between the consumer societies Stockholm, Väst and Norrort regarding member panels, a way for members to participate in surveys on consumer and environmental issues via the Internet. Solidar has initiated collaboration with 52 immigrant associations on consumer issues. Svea conducted more than 1,000 store activities during the year.

The membership trend has been highly positive in the five consumer societies and during 2003, almost 70,000 new members joined, an increase of 4%. There are 1.8 million members in these societies.

COOP SWEDEN

Coop Sweden is a wholly owned subsidiary of Coop Norden, which is 42%-owned by KF. Coop Sweden is responsible for the FMCG retail operations in the regions covered by the member-promotional societies.

Coop Sweden's retail operations are conducted in the store concepts Coop Konsum, Coop Forum and Coop Extra, which was established during 2003 and which involves large FMCG stores. Coop Konsum, with 355 stores is Sweden's largest integrated FMCG chain. Coop Forum operates 43 hypermarkets and is the largest hypermarket chain in Sweden. Coop Sweden's market share is approximately 14% in the regions in which it operates FMCG retailing.

Coop Sweden's sales to the retail-operating societies increased by 5% and amounts to approximately SEK 5 billion.

To increase efficiency and substantially reduce costs, savings measures were implemented during the year in the central organization, terminal structure and in the chains. A project has been begun to almost halve central costs in Coop Sweden.

Coop Sweden's revenues rose by 1% compared with 2002. Coop Forum's revenues increased and Coop Konsum saw a slight decline due to a reduced number of stores.

Operating profit before structural costs increased by SEK 156 M to SEK 225 M, partly attributable to sizeable provisions to the company's pension fund in 2002 and property sales in 2003.

MEMBERSHIP AND COOP MEDMERA

The Coop MedMera membership card acts as members' key to the cooperative premium program and other services and offerings from the societies, KF and Coop Sweden. Benefits in collaboration with partners outside the consumer cooperation are also linked to the card.

When shopping at cooperative stores, members are able to register points for their purchases according to the rule that SEK 1 provides one point. These points generate premium checks. For 7,500 points, a check is given, worth SEK 50 or providing a 5 or 10% discount for a single purchase occasion, depending on the chain of stores.

During 2003, 156 million point-registering purchases were made, representing sales of slightly more than SEK 37.5 billion.

In total, 7.3 million premium checks were generated, which members cashed in for discounts for a total value of approximately SEK 440 M.

In addition to premium checks, members are given other benefits and offers connected to Coop MedMera, such as hotel accommodation, travel, and museum tickets. During 2003, hotel premiums were introduced as a new area in which premium checks could be used. Members used hotel premiums for 51,000 reserved nights at hotels.

Nearly 480,000 members have chosen to use their MedMera cards as an account-linked debit card. The card can be used at approximately 1,100 sales points and at about 800 OKQ8 gas stations.

Coop MedMera offers favorable interest on household budgets. The account gives 2.2% interest (March 2004) on deposits up to SEK 15,000. The magazine Mersmak is distributed to all members using the Coop MedMera account. Other members can collect the magazine free of charge from stores and hypermarkets. During 2003, the Mersmak magazine attracted more than 780,000 readers per issue.

In October 2001, Bistånd På Köpet (aid as you buy) was introduced. This provides an opportunity for members with Coop MedMera accounts to automatically round-up payments to the nearest full krona, thereby contributing to cooperative aid programs.

The funds are shared between the aid organizations Vi-skogen (the "We" forest) and Kooperation Utan Gränser (Cooperation Without Frontiers). Since its inception in October 2001, 121,000 members have joined Bistånd På Köpet, generating more than SEK 6.2 M in aid.

KF SAVINGS ASSOCIATION

Since 1908, the KF Savings Association has offered members long-term saving at advantageous interest rates. A capital account provides 2.70% and KF's five-year loan 3.10% (March 2004). At the end of 2003, the KF Savings Association had deposits of slightly more than SEK 3.4 billion.



KF PROMOTES COOPERATIVE RETAIL

With its reestablished financial strength and stability, KF is prepared to increase its efforts to promote the entire consumer-cooperative FMCG retailing movement.

By managing and developing Coop MedMera, KF creates a platform by which members are able to benefit from their membership.

KF's wholly owned subsidiary, KF Real Estate works to establish new stores and retail sites. During 2003, KF Real Estate began and completed the construction of seven retail sites in collaboration with Coop Sweden or a retail-operating association.

In addition, planning and retail analyses were begun for ten new establishments or extensions. As Sweden's largest store-management organization, KF Real Estate is able to contribute expertise in real estate, project management and project financing in collaboration with KF's internal bank function, KF Finance.

KF Finance manages the internal banking function for all companies within the KF Group and for the consumer societies in Sweden. For subsidiaries, KF Finance also contributes liquidity planning, transaction management, bank relations, currency management and financial risk management.

Through a project on consumer issues begun during the year, KF is extending its efforts to affect public opinion on matters of concern for its members.

KF also works with consumer-cooperative FMCG retail as an active owner of Coop Norden.

KF SOCIETY AUDIT

KF and the consumer societies form a federal organization with extensive internal financial relations. The KF Society Audit is the societies' and KF's instrument to reduce the shared business risk that exists in a federal organization with internal dependencies.

KF Society Audit shall help to ensure that the operations of the consumer societies are conducted securely and efficiently. The assignment is, to the extent required by good auditing practices, to review the annual accounts of the consumer societies, their accounting and the management conducted by the Board and President.

In accordance with the statutes of each society, the assignment also includes the review of the society's operation. The society's management bodies are informed of the audit's observations regarding the condition of the society.

The audit report is submitted to the general meeting of the consumer society. Details from the financial accounts of the consumer societies are also presented in summary to the Board of KF.

NORDIC INTEGRATION

Coop Norden was founded in 2002 by Coop NKL of Norway, FDB of Denmark and KF of Sweden by merging their FMCG operations. These operations included chains of stores and central functions for purchasing, logistics and marketing.

The integration into a Nordic FMCG group is ongoing and necessary to meet increased internationalization in retail and substantially increased competitive pressure in the Nordic market. At the same time, efforts are under way between Coop Norden and its owner associations to identify ways of maintaining the necessary local rooting.

With the founding of Coop Norden in 2002, the consumer cooperative movement in the Nordic region is the first to establish a totally integrated Nordic structure, thereby taking the initiative in developments.

MARKET ADAPTATION IN COOP NORDEN'S CHAINS

The Nordic market shows major differences with regard to the frequency of different store types and the types of stores in which growth is taking place. Although some of these differences are fixed for historic or geographic reasons, pressure is largely in favor of market adaptation and harmonization. Stores focusing on hard discount represent a dynamic segment, primarily in Denmark. In Norway, low-price stores with a less aggressive profile represent almost half of all retail sales in the country, although, despite this, price levels are generally higher than in the rest of the Nordic region. The low-price segment is also expanding in Sweden. In Sweden, there are also highly efficient FMCG hypermarket concepts with wide ranges, good quality and low prices. Traditional supermarkets are under extensive pressure from various angles – service/ convenience stores and low-price stores. There will be room for traditional supermarkets in the future too, but location and local competition will be decisive. Accessibility has grown increasingly important. High acces-

sibility in terms of proximity and opening hours motivates higher prices. Many of Coop's current supermarkets will be developed into service/ convenience stores. Hypermarkets are the area in which the Scandinavian markets show the greatest similarities. This is also the segment in which Coop is currently most dominant with Coop Obs! in Norway, Coop Forum in Sweden and Kvickly X-tra in Denmark.



FISCAL 2003

Fiscal 2003 was the first full year with joint operations in the Coop Norden Group. Operating revenues rose by 2.5% to SEK 86 billion. Adjusted for currency effects, the increase was 4.1%. Growth was strongest in sales to the Norwegian societies, particularly to hypermarkets and low-price stores.

The Coop Norden Group's profit after financial items for 2003 was SEK 22 M, compared with a loss of SEK 353 M for 2002, representing an improvement of SEK 375 M. Operating profit amounted to SEK 457 M, representing an increase of SEK 348 M compared with 2002. Earnings for 2003 were burdened with costs of a structural and nonrecurring nature of SEK 553 M. Earnings were affected positively by nonrecurring income items totaling SEK 296 M from the sale of the Norwegian Margarine Plant and the taking up as revenue of KF's

guarantee regarding Coop Sweden's earnings in 2002. Structural costs are primarily attributable to Coop Sweden's efficiency program and the establishment of a Group-wide goods-supply function in Denmark.

NORDIC SYNERGIES

The Nordic merger builds on the concept of consolidating, utilizing and strengthening the strong market position held by the consumer-cooperative movement in the Nordic region. It generates synergies by exploiting the combined strength and volume of FMCG operations in these three Nordic countries.

To generate synergies and make use of the possible advantages in the Nordic merger, Coop Norden has established joint functions. During the year, a new joint organization for the supply of goods was introduced within Coop Norden. In Sweden, the supply of goods applies to Coop Sweden stores, societies' stores and the hypermarkets. The category organization Food is located primarily in Copenhagen, although there are also national mirror organizations to ensure that the differences existing between the markets and local requirements within consumer cooperatives are taken into account.

Special Goods represent an entirely integrated function headquartered in Copenhagen for all of the Group's purchasing of special goods, with the exception of Building and Garden Supplies. Building and Garden Supplies is a segment in which Coop Norden is strong in Norway and Sweden. The function is located in Stockholm and Oslo. The Indirect Goods function purchases all products, goods and services that are not sold on to customers. Coordination is also taking place in the area of logistics, in the direction of a joint logistics organization.

PROPRIETARY BRANDS


Over the years, the consumer-cooperative movement in the Nordic countries has developed an increasing knowledge of what customers want. On the basis of this, proprietary brands have been developed in the three countries.

An important driving force behind the establishment of Coop Norden is the utilization of synergies generated by joint purchasing. Further synergies can be achieved by coordinating the proprietary cooperative brands in the Nordic region.

Coop Norden's proprietary brands are based on customer requirements and purchasing behavior and are developed with these aspects in focus. With the brands Änglamark (Sweden), Natura Økologi (Denmark) and Coop Natur, ecological alternatives have been developed in a number of product categories.

Coop is the new Nordic brand for quality products at prices lower than those of leading brands in the market. In Sweden, this means that Signum brand products will change name to Coop. X-tra is Coop Norden's new joint low-price brand with prices among the lowest in each market. The Finnish cooperative movement is also participating in the X-tra cooperation, further increasing purchasing volumes and strengthening synergies.

Joint purchasing and brands entail shared requirements. For this reason, the Board of Coop Norden has determined policies in the areas of environment, ethics, product safety and health.



"In the future, we should try to avail ourselves of all the tools available that can help us improve the efficiency of our work. I am not saying that we should try to grow large, since I am afraid that the cooperative movement would hanker after greatness. Let that thought guide you - that we should be as efficient as possible. Imagine yourselves sitting at the dinner table in the home of an individual member and consider your actions from that perspective."

Albin Johansson, 1886-1968, KF's business manager 1920 and CEO 1924-1957
From address to KF's 50-year anniversary congress, 1949



P.A. NORSTEDT & SÖNER AB

KF MEDIA

*K*F Media's business concept is to build a modern book and media group through development and acquisitions in strategic areas. Operations shall be integrated and synergies between the different companies made use of while the inherent energy and goodwill of the individual companies, established over many years, are maintained and further developed. KF Media comprises bookstores, book publishers, interactive media and magazines.

Group sales for 2003 amounted to SEK 1,978 M, an increase of 2%.

Fiscal 2003 was of a level comparable to 2002, which was, on the whole, a highly successful year for the book industry. During 2002, VAT on books was lowered and this had an effect in almost all consumer categories. Prices fell by almost 15% and volumes increased by about the same amount in many sales channels.

A STRONG YEAR FOR AKADEMIBOKHANDELN

The Akademibokhandeln group of 53 bookstores enjoyed continued favorable development following the record rate of growth of 2002. Four new stores joined operations during the spring of 2003. These are located in Helsingborg, Väla, Gävle, and Kalmar. In the store in downtown Stockholm, space was increased and a new paperback section, adjacent to a wine bar was opened. In the Gleerups store in Lund and in the stores in Gothenburg, Växjö and Örebro, extensive remodeling was carried out. At 22 stores, the children's book department has been redesigned in accordance with a new concept.

On January 1, 2004, the Domus bookstore in Karlstad was taken over.

Akademibokhandeln actively uses the MedMera card in its marketing. For example, MedMera members are invited to special VIP evenings.



BOKUS CONTINUES TO DEVELOP

During the year, Bokus was transferred to KF Media as a wholly owned subsidiary. Operations report favorable earnings.

During the autumn of 2003, Bokus initiated a successful cooperation with the MedMera card, providing beneficial offers to members. The collaboration will continue and be further developed during 2004.

CONTINUED PROFITABLE PUBLISHING

P.A. Norstedt & Söner continued to show a favorable trend, despite the fact that comparative figures for 2001 and 2002 include major successes such as Harry Potter and The Lord of the Rings, as well as the 2002 Nobel Prize winner Imre Kertész.

As a whole, the associated companies are developing highly positively and all are reporting a profit.

The Hem & Trädgård (Home & Garden) book club, launched in 2001, continued to grow. During 2002, a further book club, Mat & Njutning (Food & Pleasure) was launched, receiving a positive reception from the market. Pan Hörböcker (audio books), which was established during 2002, has secured a strong position in the market.

PAN VISION CONTINUES TO REAP SUCCESS

Pan Vision has undergone a couple of years of strong consolidation. Despite this process of change, the energy of its sales and marketing organization has been maintained.

Pan Vision's game Backpacker 3 was the autumn's great sales success in games. The development of additional games with new adventures was begun and these will be launched during 2004. Pan Vision also achieved major successes in the DVD area with products such as Parlamentet (Parliament) and Hip Hip. Operations report favorable earnings.

VI MAGAZINE TURNED 90

During the autumn of 2003, the magazine Vi (We) turned 90. The magazine is enjoying a favorable trend in its subscriber stock, which is its most important source of revenue.

A decision has been made to switch to monthly publication as of 2005.

EXPANSION CONTINUES

During 2003, investments within KF Media amounted to a total of SEK 112 M. A large portion of this was used for the renewal and development of Akademibokhandeln's stores. Akademibokhandeln will continue to open new stores and remodel others during 2004.



President: Börje Fors

Sales, KF Media: SEK 1,978 M (1,935)

Av. no. of empl.: 944, of which 618 women and 326 men

Number Akademibokhandeln bookstores: 53 (49)

KappAhl®

KAPPAHL



KappAhl's vision is to become the Nordic region's leading fashion chain for the customer group "married women and mothers aged 30-50"

At the end of 2003, the KappAhl group comprised 237 stores situated in Sweden, Norway, Finland and Poland. A purchasing company is operated in China with branch offices working with purchasing support and quality control in several other countries. Operations are divided into four business areas: Women's Wear, Men's Wear, Children's Wear and Cosmetics.



STRONGLY IMPROVED PROFITS

KappAhl's extensive improvement program, launched during the spring of 2002, has continued to strengthen profits. A large number of measures were undertaken during the year to improve sales and gross margin. The most significant was the effort to adjust the product range to KappAhl's focused customer groups and to increase full-price sales. In addition, work has been conducted on the various components contributing to the cost of products to further improve margins.

Exchange-rate trends also affected gross margins positively, since a large part of purchases are made in US and Hong Kong dollars. KappAhl's total sales amounted to SEK 3,810 M, excluding VAT (3,869). Sales developed weakly during the first half of the year but enjoyed a strong rise during the second half. The decline in sales is attributable to the divestment of operations in Denmark. In comparable stores, sales increased by 6%. The proportion of sales generated abroad decreased to 44% (48).

Operating margin improved from negative 5.6% in 2001 to negative 2.0% in 2002 and positive 3.2% in 2003. In May 2003, KappAhl reached break-even on a rolling 12-month basis. For the full-year 2003, profit before financial items amounted to SEK 120 M, an increase of SEK 326 M in two years.

FOCUS ON CUSTOMER INTERFACE

During 2003, KappAhl focused on its customer interface. Here, store personnel play the foremost role. Their manner in meeting those who enter the store can be decisive in whether or not the visitor leaves as a satisfied customer. Investments were focused on existing stores. The purpose of this is to further strengthen KappAhl stores as attractive meeting places. Three new stores were opened during the year. Six stores were closed, including the only store in the Czech Republic.

Pants represent a strategic product group for KappAhl. The changed pants concept, with fewer models and improved fit, has been appreciated by customers and has brought an increased market share.

For the first time in KappAhl's modern history, an external brand has been launched in the form of U.S. Polo Association.

ACTIVE MEDMERA CUSTOMERS

During 2003, KappAhl further developed the MedMera concept as a significant channel for providing extra benefits for MedMera customers, thereby enhancing loyalty to KappAhl and MedMera. During most months of 2003, KappAhl distributed discount offers to MedMera customers, who frequently made use of them.

More than half of KappAhl's sales in Sweden during 2003 were to MedMera customers. During the year, the number of active MedMera customers at KappAhl increased by about 100,000. Relations with MedMera customers and their purchases at KappAhl contributed to the improvement in profits in 2003.

CODE OF CONDUCT

Each year, KappAhl sells approximately 40 million items of clothing. All products are manufactured by independent companies in Europe and Asia. To monitor production conditions, a Code of Conduct has been applied since 1997. This addresses aspects including

working environment, health and safety, child labor, wages and working hours. The Code of Conduct is based on The UN Declaration of Human Rights, the UN Children's Convention and the ILO conventions on rights at work and working conditions. Suppliers undertake to implement gradual improvements to meet the requirements set by KappAhl.



President: Christian W Jansson
Total number of stores: 237 (124 in Sweden, 31 in Finland, 73 in Norway and 9 in Poland)
Sales: SEK 3,810 M (3,869)
Average number of employees: 2,393, of which 2,131 are women and 262 men



KF INVEST – STABLE MANAGEMENT OF FINANCE AND CAPITAL

The Swedish Cooperative Union shall work actively and vigorously in favor of Swedish consumer-cooperative FMCG retail. This entails, in part, acting as a strong partner in its role as the umbrella association for the country's consumer societies and, in part, to act credibly as a long-term owner of the Nordic region's largest FMCG group, Coop Norden.



This requires that KF's own balance sheet is strong in terms of equity/assets ratio, liquidity and debt/equity ratio, and, in addition, that KF maintains a positive cash flow. As an association, KF shall act as a competent advisor on strategic financial and real-estate related matters and, as an owner in Coop Norden, shall play an active role in the Board work of Coop Norden and in the subsidiary Coop Sweden.

KF shall also be able to act as a financial partner for investments in FMCG retail and store properties and, through project financing, in development projects. In addition, KF shall be a strong and active owner in the wholly owned companies KF Real Estate, KF Media and KappAhl. The provision of long-term financial and capital management through KF and the provision of economic and financial expertise within KF are central in being able to fulfill these assignments.

KF FINANCE

KF Finance acts as an internal bank for subsidiaries within the KF Group and for the country's consumer societies through a joint Group account system. Together with KF Invest, the finance department is responsible for the management of the Group's financial assets, bank relations, interest and exchange rate exposure and for financial risk control. The finance department also acts as advisor to subsidiaries and consumer societies in various types of financial matters. By employing central finance management, KF gains access to better conditions from banks, lower transaction costs and a higher yield on financial assets. Central management is also a prerequisite for being able to ensure complete financial risk control and risk management.

KF Finance participates in project financing related to consumer-cooperative investments in FMCG operations. With financial guarantees, advice and the provision of credits, the finance department participated during 2003 in the financing of projects including Tuna Park in Eskilstuna and Lillänge in Östersund, with an investment volume totaling approximately SEK 600 M.

KF Finance currently purchases certain services linked to internal banking operations from Coop Norden. Effective September 2004, KF will operate the internal bank with its own resources, requiring increased staffing within the finance department. Primarily, the strengthening of the finance department is being carried out to cope with the Group's increased liquidity and the demand that this be managed effectively. The change will also entail increased resources for subsidiaries and societies.

KF INVEST

KF Invest's assignment is to manage KF's liquidity and financial investments. The Board of KF Invest has established a portfolio strategy for the management of liquid funds. This is conservative and is based on balancing investments with KF's other financial and operational undertakings with regard to business risk, fixed interest rates, liquidity and exchange-rate risk.



return on the portfolio is 1 to 2% above interest on deposits. The Group's holdings of interest-bearing securities are also managed through investment decisions made by the Board of KF Invest. In total, KF Invest manages an assets portfolio valued at SEK 3 billion.

Market monitoring, analysis, implementation of individual transactions, accounting and reporting of these investments are conducted by KF Finance on assignment from KF Invest. The level of activity in capital management will increase in conjunction with the strengthening of KF Finance's staffing during the year. The ambition during the year is to complete the implementation of the established portfolio strategy with regard to portfolio composition, diversification, management, risk review and reporting.

President: Magnus Håkansson
Assets under management: SEK 3.0 billion

KF Fastigheter AB

KF FASTIGHETER AB (KF REAL ESTATE)

*K*F Real Estate's business concept is to create, operate, rationalize and develop attractive and profitable retailing sites in collaboration with its customers. The focus is on consumer-cooperative retailing. KF Real Estate has two assignments – in part, to act as the consumer-cooperative movement's competence center on real-estate matters, and to develop its own real-estate portfolio focusing on retail properties.



SERVICE OPERATIONS

During 2002, service operations concentrated on launching service offerings and formalizing the assignment from Coop Sweden, which is KF Real Estate's largest service customer. In

2003, KF Real Estate continued to development of services in four areas of expertise: portfolio management, retailing-site development, construction-project management and facilities management, which includes property management, tenant representation and electricity procurement. During the year, service operations were also launched directed towards the consumer societies. These resulted in new assignments, primarily focused on development and real-estate advisory services. In this way, collaboration with consumer-cooperative FMCG operations was intensified during the year. This is true of both Coop Sweden and the retail-operating societies.

Notable projects during the year include two jointly operated retailing-site development projects where KF Real Estate collaborated with Konsum Jämtland (Lillänge in Östersund) and Konsum Gävleborg (Valbo Volymhandel in Gävle). In addition, KF Real Estate is developing Hökaren in Borlänge on assignment from the owner of the property, Coop Sverige Fastigheter AB (Coop Sweden Real Estate). During the year, Konsum Nord also ordered two retailing analyses evaluating certain possible new establishment projects. Within facilities management, new assignments were initiated with Konsum Norrort and Ktf Karlskoga among others. Konsum Norrort has a management-subcontracting agreement with KF Real Estate. For Ktf Karlskoga, KF Real Estate is acting as an advisor and conducting operational and maintenance planning and

analyses of energy consumption.

KF Real Estate is helping Konsum Bjursås with portfolio advice. Revenues from service operations in 2003 amounted to approximately SEK 90 M.

PROPERTY OPERATIONS

The proprietary property portfolio comprises 80 properties with a market value of SEK 3.8 billion. Leasable floor space amounts to approximately 600,000 square meters. In 2003, KF Real Estate continued its efforts to refine its proprietary property portfolio. During the year, the company invested slightly less than SEK 500 M in remodeling and new construction, as well as in property acquisitions. Sales form another part of efforts to increase return and during the year properties and shares in properties valued at approximately SEK 500 N were divested. Revenues, which primarily comprise rent, amounted to SEK 434 M.

Profitability remained strong and yield increased from 5.8% in 2002 to 6.5% in 2003. The increase in profits can be attributed, in part, to the completion of two shopping centers, the Bäckebol Homecenter and Jägersro Center and, in part, to the reduction in vacancy levels from 6% in 2002 to 3.6% at the close of 2003. The reduction is mainly due to large-scale rental agreements for warehousing space in Backaplan, Årsta and Lammhult.

RETAIL DEVELOPMENT PROJECTS

KF Real Estate continues to maintain a high level of development and is conducting about ten of Sweden's largest retail development projects. During 2003, investments at Jägersro in Malmö, the Bäckebol Homecenter in Gothenburg and Stadion in Malmö were completed. In the autumn, three major projects entered the construction phase. The first of these was Värmdö Marknad, outside Gustavsberg, closely followed by Tuna Park in Eskilstuna and Lillänge in Östersund. KF Real Estate owns these retailing sites, which all have a Coop Forum hypermarket as a strong attraction. Lillänge is co-owned with Konsum Jämtland, the first of the retail-operating societies



to open a hypermarket with the Coop Forum concept.

During the year, work also began on planning the Kronan shopping center in Mora, Brommastaden in Stockholm, Arninge in Täby, Mårtens-torget in Lund and Boländerna in Uppsala.

ENVIRONMENTAL EFFORTS

Environmental efforts at KF Real Estate are primarily focused on improving energy efficiency, environmentally friendly energy use and environmental adaptation in the construction and operation of properties, including environmental requirements in the selection of construction materials and sorting at source in the handling of waste. Company management has earlier decided to implement organized, goal-oriented and measurable environmental efforts. This is being achieved through the introduction of an environmental management system designed in accordance with the ISO 14001 standard and the long-term goal of achieving certification in accordance with this system. During 2003, internal auditors were given complementary training. An inventory was conducted of the chemicals used in operations and how these are handled.

President: Bernt-Olof Gustavsson

Revenues: SEK 481 M (556)

Av. no. of empl.: 97, of whom 36 women and 61 men



THE VÅR GÅRD CONFERENCE CENTER

Vår Gård's business concept is to offer attractive conference and meeting solutions for companies, authorities and organizations. The concept encompasses a high level of service, first-rate cuisine, a beautiful and functional environment, and conference activities focusing on art, culture and gastronomy.

Since 1993, Vår Gård has been solely a conference center receiving mainly external guests. A conscious drive in gastronomy and the center's own art collection has given Vår Gård a clear profile in the conference industry and the concept is constantly being developed.

Competition in the Stockholm region is intensive. There are some 60 facilities affiliated to the sector organization within a radius of 60 kilometers. What distinguishes Vår Gård compared with other facilities is the high standard of the culinary experience, the art collection and the beautiful environment.

Despite increased competition in the conference industry, demand for Vår Gård's services remained favorable and bookings were fairly high during the year. However, sales decreased by 8 percent and amounted to SEK 34 M (37). Despite the decline in sales, operating profit improved.

BUSINESS DEVELOPMENT

During the past ten years, Vår Gård has cooperated with the classical-music organizer Musica Amandi. The concept involving an art showing, concert and supper is highly appreciated.

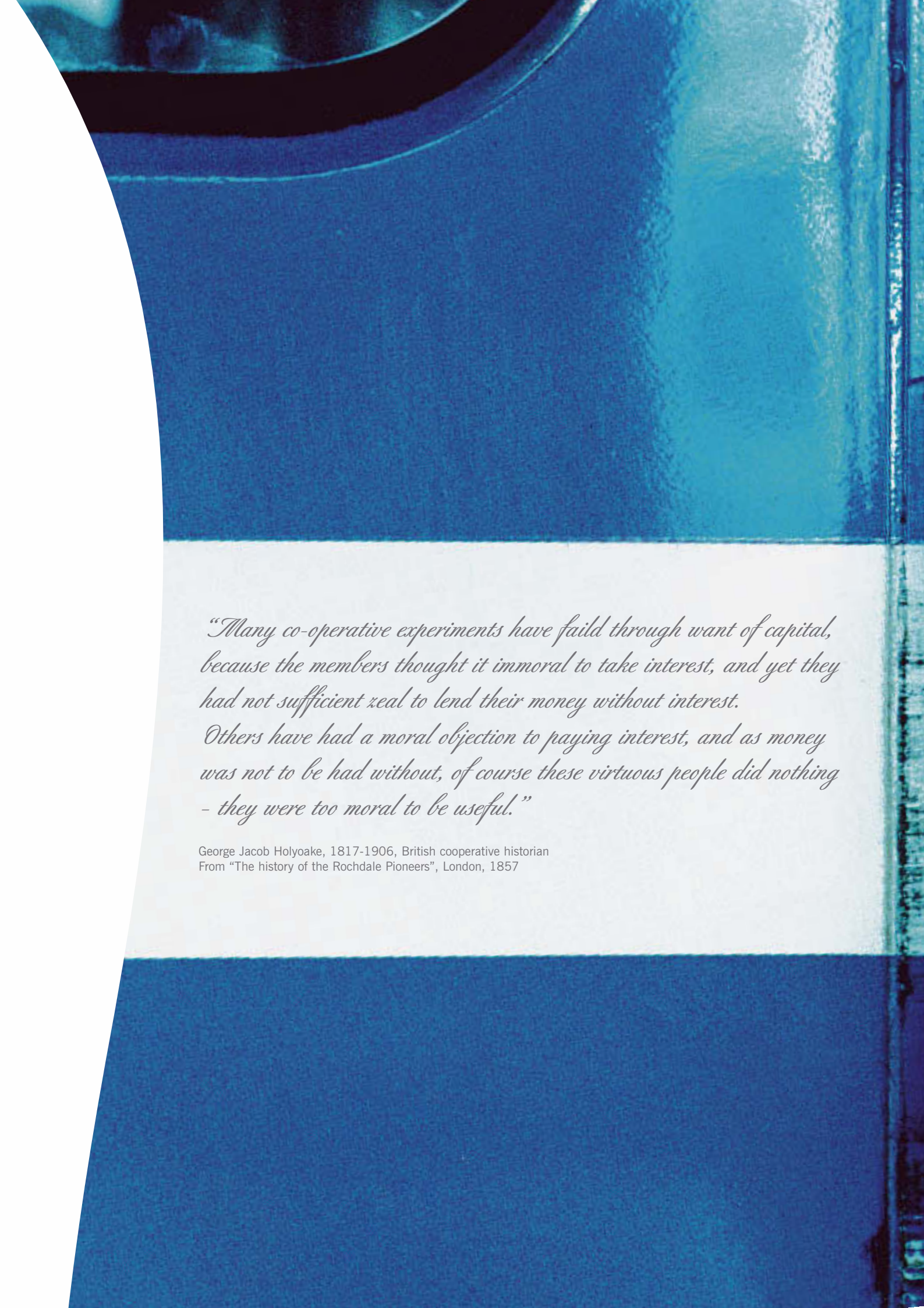
To further enhance the gastronomic experience, an investment has been made in an in-house bakery. Investments to raise the hotel standard have begun. The rooms will have entirely new decorations and furnishings and the wall-to-wall carpeting will be replaced with oak parquet.

During 2003, Vår Gård was given the task of acting as custodian for all of the art owned by the Swedish Cooperative Union. Certain works will be included in Vår Gård's public collection, increasing the attractiveness of its showings.

President: Monica Rasmussen

Sales: SEK 34 M (37)

Av. no. of empl.: 40, of whom 31 women and 9 men



"Many co-operative experiments have failed through want of capital, because the members thought it immoral to take interest, and yet they had not sufficient zeal to lend their money without interest.

Others have had a moral objection to paying interest, and as money was not to be had without, of course these virtuous people did nothing - they were too moral to be useful."

George Jacob Holyoake, 1817-1906, British cooperative historian
From "The history of the Rochdale Pioneers", London, 1857

BOARD OF DIRECTORS' REPORT

The Board of Directors and the President hereby submit the following annual report on the operations of the Swedish Cooperative Union (KF).

THE KF GROUP

KF is the joint union for Swedish consumer cooperatives. Its main task is to work with the cooperatives to ensure that their members throughout Sweden can shop at affordable prices in attractive stores that operate at a profit. KF primarily achieves this objective by being the largest owner (42%) of the Coop Norden retail group. In Sweden, Coop Norden operates supermarkets (Coop Konsum) and hypermarkets (Coop Forum) through its subsidiary, Coop Sweden. Approximately 60% of members are members of Coop Norden. The remaining 40% of members are in areas where the consumer cooperatives own and operate retail stores. The number of members in the consumer cooperative movement rose by about 86,000 and amounted to nearly 2.9 million at year-end.

The union and the cooperatives are jointly responsible for furthering knowledge, shaping opinion and ensuring a democratic membership process. KF represents the common interests of the consumer cooperatives in dealings with various public institutions.

KF undertakes development work to create added value for members and to improve the attractiveness of membership. All business development emanates from the membership base.

To fulfill its commitments, KF must be profitable and financially stable. KF exercises an active ownership policy and possesses the competence for strategic and financial owner-management in subsidiaries and associated companies. Special importance is attached to KF's ownership stake in Coop Norden as the most wide-ranging and crucial commitment for the future of the consumer cooperative movement in Sweden.

The KF Parent Society is the parent company of the KF Group, which encompasses KappAhl, KF Media, KF Real Estate, KF Invest, the KF Vår Gård conference center, KF Insurance and KF Society Audit. The Parent Company includes KF Card and KF Savings Association. KF Card is responsible for the Coop MedMera concept.

GROUP EARNINGS AND SALES

The fiscal years 2002 and 2003 represented a turning point for KF, with earnings improvements in all operations within the KF Group. All wholly-owned operations report profits for 2003.

The two-year action program approved by the Board at the beginning of 2002 has led to an earnings improvement of about SEK 900 M since 2001. In 2003, profit before tax amounted to SEK 228 M, an improvement of SEK 508 M compared with 2002 (loss: 280). Profit after tax amounted to SEK 407 M, an improvement of SEK 688 M compared with 2002 (loss: 281).

The Group's total sales in 2003 amounted to SEK 31,394 M. Reported sales in 2002 (SEK 18,494 M) are not comparable due to the establishment of Coop Norden.

Of the Group's sales in 2003, SEK 25,103 M relates to retailing to members of the consumer cooperatives and SEK 6,304 M pertains to sales by KF's subsidiaries. KappAhl accounts for 60% of sales by subsidiaries, reporting a 6% increase in sales for comparable units. KF Media accounts for 31% and reports a sales increase of 2%.

The Group's financial position is satisfactory. Net debt declined from SEK 4,814 M in 2001 to SEK 2,329 M in 2002 and SEK 1,812 M in 2003. This resulted in a continued decline in the debt/equity ratio, from 1.10 in 2001 to 0.53 in 2002 and 0.40 in 2003. The equity/assets ratio amounted to 26.5% in 2001 and increased to 39.2% in 2002, partly due to the formation of Coop Norden. In 2003, the equity/assets ratio declined to 36.4%, due entirely to the MedMera accounts being transferred from Coop Bank, thus increasing total. Assets. Excluding this change, the equity/assets ratio increased to 40.0% in 2003.

Liquidity is satisfactory and KF does not have any bank loans.

THE KF PARENT SOCIETY

The KF Parent Society is the Parent Company of the KF Group and comprises the following functions: Union Secretariat, Cooperative Matters, Accounting, Finance & IT, KF Card and KF Savings Association.

KF FINANCE AND KF SAVINGS ASSOCIATION

KF Finance functions as the Group's internal bank and works with both cooperatives and subsidiaries. KF Finance is responsible for overall liquidity planning and for ensuring that the Group's financial assets are managed in a professional manner. KF Finance also acts as financial advisor to subsidiaries and cooperatives. KF Finance is responsible for managing accounts and transactions, bank relations, currency handling and financial risk control.

The KF Savings Association manages deposits from members and offers competitive rates of interest on deposit accounts and 5-year loans. Deposits have increased, totaling SEK 3.4 billion (3.0) at year-end. During the year, all MedMera accounts, encompassing a net of about SEK 1.3 billion in member deposits, were transferred back to KF from Coop Bank.

It has been decided to further strengthen operations by expanding the KF Finance organization.

KF CARD

KF Card is responsible for KF's card operations, involving the issue of MedMera cards to members and the development of new membership benefits, as well as the redemption of card transactions on behalf of the consumer cooperatives and development of new ways to provide added value for members. Through the MedMera concept, KF Card also coordinates to a certain extent the joint marketing initiatives of the consumer cooperatives.

The Group's retail companies use the MedMera card in their marketing. For example, Akademibokhandeln book stores use the MedMera concept to invite their members to VIP evenings. Over the past five years, KappAhl has increased its usage of the MedMera concept to reach customers, with more than half of sales now deriving from MedMera card holders. In 2003, Bokus launched special MedMera offers that also award bonus points for every purchase from Bokus. The bonus scheme also applies in Akademibokhandeln stores, KappAhl, Power Hemelektronik, Coop Sverige supermarkets and in the retail cooperatives. Various partners also offer bonus points and discounts for members who buy electricity and telephony services via Coop MedMera. In addition, members can use their points via partners to obtain discounts for hotel stays.

KF Card reported a small surplus for 2003. The objective is to cover costs and to achieve a profit margin that enables continuous business development.

KF INVEST

KF Invest's task is to manage KF's liquid assets. The company invests in listed shares as well as in mutual funds and unlisted shares.

At year-end, the market value of the company's investments in listed shares was SEK 193 M (123). KF Invest's investments in venture capital funds and unlisted shares had a book value of SEK

159 M (126). KF Invest also manages the Parent Company's holdings in Nordico Invest I and II, with a book value of SEK 31 M (19). In addition to the holdings in venture capital funds and unlisted shares, KF Invest also invested SEK 199 M in hedge funds during the year.

KAPPAHL

For the second consecutive year, KappAhl increased its earnings, generating an operating profit of SEK 120 M, an increase of SEK 326 M since 2001. Christmas sales in 2003 amounted to SEK 504 M, the best result in the history of the company. Comparable store sales rose by 6% during the year. Several efficiency programs have produced results, the most important being the adaptation of KappAhl's product range to suit the "married women and mothers aged 30-50" customer group. The measures have led to substantial increases in market share in the ladieswear and children's segments. More efficient logistics have improved delivery reliability and resulted in "fresher goods" in stores, reducing the need for sales and improving the gross margin. During the autumn, US Polo Assn was launched to enhance the attractiveness of KappAhl's menswear department.

KF MEDIA

KF Media reported an operating profit of SEK 64 M in 2003. The Group includes Akademibokhandeln (book stores), the P.A. Norstedt & Söner publishing group, Pan Vision (interactive media), Bokus (online bookstore) and the Tidningen Vi magazine.

Akademibokhandeln's sales and earnings were in line with the record results achieved in 2002. Four new stores were acquired during the year. A new general store was opened in Kalmar in February and stores were acquired in Helsingborg, Väla and Gävle in May. The store in Stockholm city expanded its premises to include a new paperback section adjacent to a wine bar. Akademibokhandeln now has a total of 53 stores (49).

P.A. Norstedt & Söner showed a positive development, despite the fact that the comparative figures for 2002 include Harry Potter and the Nobel prizewinner, Kertész. The associated companies are showing a very positive trend, with all of them posting profits in 2003.

The Hem & Trädgård book club continued to grow. Another book club, Mat & Njutning, was launched in 2002 and was well received in 2003.

Pan Vision reported figures in the black follow-

ing a couple of years of consolidation. Despite the changes, Pan Vision managed to retain the strength of its market organization and has further reinforced its market position. Pan Vision's "Backpacker 3" computer game was a best-seller in the autumn.

The Bokus online book store showed a positive trend, reporting its first full-year profit in 2003.

KF REAL ESTATE

KF Real Estate's operations comprise its own property portfolio of 80 properties with a total book value of SEK 3.0 billion (including Agreement Properties), corresponding to an estimated market value of SEK 3.8 billion, and a range of property-related services to companies both within the cooperative movement and externally. Development projects in 2003 included the Bäckebo and Jägersro commercial centers and planning of the Lillänge commercial center in Östersund as a joint project with Konsum Jämtland. Profitability remained strong and direct yield rose from 5.8% in 2002 to 6.5% in 2003. The total yield rose from slightly more than 10% to slightly less than 13%.

VÅR GÅRD CONFERENCE CENTER

The Vår Gård conference center offers conference solutions for companies, authorities and organizations. Vår Gård is characterized by its accessible location, high standard of cuisine, art collection and beautiful environment. Investments have been initiated to raise the standard of the hotel accommodation.

KF SOCIETY AUDIT

KF Society Audit's task is to audit the consumer cooperatives' annual accounts and accounting records, as well as the administration of the Board of Directors and the President. This task also includes reviewing the cooperatives' management and reporting to the cooperative's management body.

COOP NORDEN

Coop Norden, the FMCH Group in which KF has a 42% holding, reported an operating profit of SEK 457 M (109) for 2003 and a pretax profit of SEK 22 M (loss: 353). KF's share of Coop Norden's earnings amounted to a loss of SEK 63 M (loss: 148). Adjustment has been made for the profit guarantee that KF paid to Coop Norden after Coop Sverige's earnings for 2002 failed to reach the level that was agreed when Coop Norden was formed.

Earnings were burdened by weak results in several of Coop Norden's chains and substantial structural costs. However, the synergy effects of the merger – both in terms of purchases and the structural measures currently being taken in the subsidiaries – are now started to show. Efficiency programs and synergies are expected to gradually have a greater impact during the coming 12-18 months.

POWER HEMELEKTRONIK

Cooperation with Expert, the electronics group from Norway that acquired 49% of the shares in Power Hemelektronik in 2002, was intensified in 2003, resulting in lower costs and a partially renewed range. Comparable store sales were unchanged and earnings improved during the year.

OTHER OPERATIONS

Coop Elektro has been in liquidation since February 2003 and its operations have been transferred to Power Hemelektronik. Coop Bank has been in liquidation since June 2003. The liquidation process is expected to be complete during the first half of 2004. During the year, the holding in Bibliotekstjänst was divested and the remaining 50% of shares in Bokus were acquired.

PROPOSED DISPOSITION OF UNAPPROPRIATED EARNINGS

Non-restricted equity in the Group at year-end amounted to SEK 892 M. In accordance with the Parent Company balance sheet, the following funds are at the disposal of the Annual General Meeting:

Profit brought forward	SEK 519,713,880.39
Net profit for the year	SEK 92,843,690.62
	SEK 612,557,571.01

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

Transfer to statutory reserve	SEK 13,926,553.59
Interest on member contributions	SEK 80,822,089.31
Interest on debenture investments	SEK 77,867,912.20
Profit carried forward	SEK 439,941,015.91
	SEK 612,557,571.01

INCOME STATEMENT FOR THE KF GROUP

SEK M	Note	2003	2002
Net sales	1	31,394	18,494
Cost of goods sold	2	-28,371	-15,515
GROSS PROFIT		3,023	2,979
Selling expenses	2	-2,587	-2,702
Administrative expenses	2	-574	-656
Other operating income	3	408	663
Other operating expenses	2	-4	-131
Participation in the earnings of associated companies	4	28	23
Participation in the earnings of joint ventures	5	-63	-297
OPERATING PROFIT/LOSS	2, 6, 25, 27	231	- 121
Financial income and expenses	7	-3	-159
PROFIT/LOSS AFTER FINANCIAL ITEMS		228	- 280
Tax	8	179	-1
NET PROFIT/LOSS FOR THE YEAR	9	407	- 281

BALANCE SHEET FOR THE KF GROUP

SEK M	Note	Dec 31, 2003	Dec 31, 2002
ASSETS			
FIXED ASSETS			
Capitalized development expenditure		64	53
Patents, licenses, trademarks and similar rights		29	29
Tenancy rights and similar rights		1	1
Goodwill		322	462
INTANGIBLE FIXED ASSETS	10	416	545
Buildings and land		2,759	2,726
Equipment, tools and fixtures and fittings		496	476
Construction in progress		124	76
TANGIBLE FIXED ASSETS	11	3,379	3,278
Participations in associated companies	28	74	97
Receivables from assoc. companies, interest-bearing		11	–
Participations in joint ventures	28	1,593	1,697
Receivables from joint ventures, interest-bearing		600	684
Other investments held as fixed assets	28	351	341
Deferred tax assets		194	17
Other long-term receivables, interest-bearing		111	188
FINANCIAL FIXED ASSETS	12	2,934	3,024
TOTAL FIXED ASSETS		6,729	6,847
CURRENT ASSETS			
Raw materials and consumables		3	5
Work-in-progress		13	14
Finished goods and goods for resale		781	887
Advance payment to suppliers		4	1
INVENTORIES		801	907
Accounts receivable		373	287
Receivables from assoc. companies, interest-bearing		8	104
Receivables from assoc. companies, noninterest-bearing		88	35
Receivables from joint ventures, noninterest-bearing		114	99
Other current receivables, interest-bearing		408	71
Other current receivables, noninterest-bearing		586	971
Prepaid expenses and accrued income		223	191
CURRENT RECEIVABLES	13, 14	1,800	1,758
CURRENT INVESTMENTS	15	2,611	1,163
CASH AND BANK BALANCES		541	488
TOTAL CURRENT ASSETS		5,753	4,316
TOTAL ASSETS	23	12,482	11,163

BALANCE SHEET FOR THE KF GROUP

SEK M	Note	Dec 31, 2003	Dec 31, 2002
EQUITY, PROVISIONS AND LIABILITIES			
EQUITY			
Capital invested		1,616	1,565
Debenture investments		1,147	1,145
Restricted reserves		863	876
RESTRICTED EQUITY		3,626	3,586
Non-restricted reserves		485	1,056
Net profit/loss for the year		407	-281
NON-RESTRICTED EQUITY		892	775
TOTAL EQUITY	16	4,518	4,361
GUARANTEED CAPITAL	18	20	20
Provisions for pensions and similar commitments, interest-bearing		53	57
Other provisions, noninterest-bearing		89	61
PROVISIONS	19	142	118
Long-term liabilities, interest-bearing		253	272
LONG-TERM LIABILITIES	21	253	272
Liabilities to credit institutions		9	540
Advance payment from customers		71	0
Accounts payable		595	599
Liabilities to associated companies, noninterest- bearing		54	58
Liabilities to joint ventures, interest-bearing		337	606
Liabilities to joint ventures, noninterest-bearing		23	23
Tax liabilities		4	5
Other current liabilities, interest-bearing		5,430	3,532
Other current liabilities, noninterest-bearing		317	321
Accrued expenses and prepaid income		709	708
CURRENT LIABILITIES	14, 22	7,549	6,392
TOTAL EQUITY, PROVISIONS AND LIABILITIES	23	12,482	11,163
MEMORANDUM ITEMS			
PLEDGED ASSETS AND CONTINGENT LIABILITIES			
Pledged assets	20	590	587
Contingent liabilities	24	296	108

CHANGES IN EQUITY FOR THE KF GROUP

SEK M	Member contri- butions	Debenture invest- ments	Restricted reserves	Non- restricted reserves	Net profit/ loss for the year	Total
CLOSING BALANCE, DEC 31, 2001	1,514	963	853	1,670	-604	4,396
Exchange rate difference ¹⁾			1	163		164
<i>Total change not reported in the income statement</i>	0	0	1	163	0	164
Interest on member contrib. and debenture investments				-100		-100
Transfer to reserves of capital invested	51			-51		0
Other allocation of the preceding year's profit/loss				-604	604	0
Increase in debenture investments		182				182
Net profit/loss for the year					-281	-281
Transfer between restricted and non-restricted reserves			22	-22		0
CLOSING BALANCE, DEC 31, 2002	1,565	1,145	876	1,056	- 281	4,361
Exchange rate difference			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
Consolidation of member contributions	52			-52		0
Other allocation of the preceding 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 restricted and non-restricted reserves			-14	14		0
CLOSING BALANCE, DEC 31, 2003	1,616	1,147	863	485	407	4,518

¹⁾ The accumulated exchange rate difference at January 1, 2001, reported directly against equity, amounted to a reduction of SEK 11 M.

CASH-FLOW STATEMENT FOR THE KF GROUP

SEK M	Note	2003	2002
OPERATING ACTIVITIES			
Profit/loss after financial items	26	228	-280
Adjustment for items not included in cash flow	26	348	391
		576	111
Tax paid		-4	-2
CASH FLOW FROM OPERATING ACTIVITIES BEFORE CHANGES IN WORKING CAPITAL		572	109
CASH FLOW FROM CHANGES IN WORKING CAPITAL			
Increase (-)/Decrease (+) in inventories		119	27
Increase (-)/Decrease (+) in operating assets		62	-471
Increase (+)/Decrease (-) in operating liabilities		64	98
CASH FLOW FROM OPERATING ACTIVITIES		817	-237
INVESTING ACTIVITIES			
Shareholders' contribution paid		-151	-1,137
Acquisition of subsidiaries	26	-9	
Divestment of subsidiaries	26		-303
Acquisition of intangible fixed assets		-62	-70
Acquisition of tangible fixed assets		-757	-693
Divestment of tangible fixed assets		816	238
Investment in financial assets		-505	-130
Divestment/reduction of financial assets	*	114	4,520
CASH FLOW FROM INVESTING ACTIVITIES		-554	2,425
FINANCING ACTIVITIES			
Increase in debenture investments		2	182
Change in deposits in KF Savings Association/MedMera	14	1,641	-681
Other increase/decrease in loans		-568	-1,066
Interest on member contributions and debenture investments		-100	-99
CASH FLOW FROM FINANCING ACTIVITIES		975	-1,664
CASH FLOW FOR THE YEAR		1,238	524
LIQUID ASSETS AT JAN 1		1,528	1,006
EXCHANGE RATE DIFFERENCE		-2	-2
LIQUID ASSETS AT DEC 31	26	2,764	1,528

*) The change for 2002 is largely since KF no longer finances the operations transferred to Coop Norden AB.

INCOME STATEMENT FOR THE KF PARENT SOCIETY

SEK M	Note	2003	2002
Net sales	1	25,156	12,020
Cost of goods sold	2	-25,126	-11,994
GROSS PROFIT		30	26
Selling expenses	2	-270	-320
Administrative expenses	2	-128	-176
Other operating income	3	270	377
Other operating expenses	2	-34	-120
OPERATING LOSS	2, 25, 27	- 132	- 213
Financial income and expenses	7	-132	-929
PROFIT/LOSS AFTER FINANCIAL ITEMS		- 264	- 1,142
Appropriations	17	0	1
Tax	8	357	144
NET PROFIT/LOSS FOR THE YEAR		93	- 997

BALANCE SHEET FOR THE KF PARENT SOCIETY

SEK M	Note	Dec 31, 2003	Dec 31, 2002
ASSETS			
FIXED ASSETS			
Capitalized development expenditure		9	–
Patents, licenses, trademarks and similar rights		–	2
INTANGIBLE FIXED ASSETS	10	9	2
Buildings and land		232	236
Equipment, tools and fixtures and fittings		49	57
Construction in progress		5	1
TANGIBLE FIXED ASSETS	11	286	294
Participations in Group companies	28	2,632	2,632
Participations in associated companies	28	50	115
Receivables from associated companies, interest-bearing		11	–
Participations in joint ventures	28	1,901	1,803
Receivables from joint ventures, interest-bearing		600	684
Other investments held as fixed assets	28	190	213
Deferred tax assets		241	–
Other long-term receivables, interest-bearing		38	62
FINANCIAL FIXED ASSETS	12	5,663	5,509
TOTAL FIXED ASSETS		5,958	5,805
CURRENT ASSETS			
Raw materials and consumables		3	5
Advance payment to suppliers		3	–
INVENTORIES		6	5
Accounts receivable		74	18
Receivables from Group companies, interest-bearing		2,563	2,873
Receivables from Group companies, noninterest-bearing		3	3
Receivables from associated companies, interest-bearing		8	104
Receivables from associated companies, noninterest-bearing		2	1
Receivables from joint ventures, noninterest-bearing		47	57
Other current receivables, interest-bearing		204	70
Other current receivables, noninterest-bearing		216	309
Prepaid expenses and accrued income		21	7
CURRENT RECEIVABLES	13, 14	3,138	3,442
CURRENT INVESTMENTS	15	2,224	1,040
CASH AND BANK BALANCES		452	384
TOTAL CURRENT ASSETS		5,820	4,871
TOTAL ASSETS	23	11,778	10,676

BALANCE SHEET FOR THE KF PARENT SOCIETY

SEK M	Note	Dec 31, 2003	Dec 31, 2002
EQUITY, PROVISIONS AND LIABILITIES			
EQUITY			
Capital invested		1,616	1,565
Debenture investments		1,147	1,145
Statutory reserve		747	747
RESTRICTED EQUITY		3,510	3,457
Profit brought forward		520	1,370
Net profit/loss for the year		93	-997
NON-RESTRICTED EQUITY		613	373
TOTAL EQUITY	16	4,123	3,830
UNTAXED RESERVES	17	10	10
GUARANTEED CAPITAL	18	20	20
Other provisions, noninterest-bearing		46	22
PROVISIONS	19	46	22
Long-term liabilities, interest-bearing		252	272
LONG TERM LIABILITIES	21	252	272
Liabilities to credit institutions		-	274
Advance payment from customers		3	-
Accounts payable		141	56
Liabilities to Group companies, interest-bearing		1,089	1,743
Liabilities to Group companies, noninterest-bearing		76	30
Liabilities to associated companies, noninterest-bearing		49	54
Liabilities to joint ventures, interest-bearing		337	606
Liabilities to joint ventures, noninterest-bearing		18	18
Other current liabilities, interest-bearing		5,430	3,532
Other current liabilities, noninterest-bearing		98	105
Accrued expenses and prepaid income		86	104
CURRENT LIABILITIES	14, 22	7,327	6,522
TOTAL EQUITY, PROVISIONS AND LIABILITIES	23	11,778	10,676
MEMORANDUM ITEMS			
PLEDGED ASSETS AND CONTINGENT LIABILITIES			
Pledged assets	20	48	274
Contingent liabilities	24	173	148

CHANGES IN EQUITY FOR THE KF PARENT SOCIETY

SEK M	Member contri- butions	Debenture invest- ments	Statutory reserve	Profit/loss brought forward	Net profit/loss for the year	Total
CLOSING BALANCE, DEC 31, 2001	1,514	963	747	1,756	-604	4,376
Interest on member contrib. and debenture investments				-100		-100
Transfer to reserves of capital invested	51			-51		0
Other allocation of the preceding year's profit/loss				-604	604	0
Increase in debenture investments		182				182
Group contribution				513		513
Tax effect on Group contribution				-144		-144
Net profit/loss for the year					-997	-997
CLOSING BALANCE, DEC 31, 2002	1,565	1,145	747	1,370	-997	3,830
Interest on member contrib. and debenture investments				-99		-99
Consolidation of member contributions	52			-52		0
Other allocation of the preceding 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, DEC 31, 2003	1,616	1,147	747	520	93	4,123

CASH-FLOW STATEMENT FOR THE KF PARENT SOCIETY

SEK M	Note	2003	2002
OPERATING ACTIVITIES			
Profit/loss after financial items	26	-264	-1,142
Adjustment for items not included in cash flow	26	208	930
CASH FLOW FROM OPERATING ACTIVITIES BEFORE CHANGES IN WORKING CAPITAL		-56	-212
CASH FLOW FROM CHANGES IN WORKING CAPITAL			
Increase (-)/Decrease (+) in inventories		2	-1
Increase (-)/Decrease (+) in operating assets		29	-22
Increase (+)/Decrease (-) in operating liabilities		104	-72
CASH FLOW FROM OPERATING ACTIVITIES		79	-307
INVESTING ACTIVITIES			
Shareholders' contribution paid		-138	-1,127
Divestment of subsidiaries		-	112
Acquisition of intangible fixed assets		-8	-
Acquisition of tangible fixed assets		-8	-193
Divestment of tangible fixed assets		2	182
Investment in financial assets		-	-745
Divestment/reduction of financial assets	*	301	4,642
CASH FLOW FROM INVESTING ACTIVITIES		149	2,871
FINANCING ACTIVITIES			
Increase in debenture investments		2	182
Change in deposits in KF Savings Association/MedMera	14	1,641	-681
Other increase/decrease in loans		-1,033	-1,461
Interest on member contributions and debenture investments		-100	-99
Group contribution received		517	513
Group contribution paid		-4	-1
CASH FLOW FROM FINANCING ACTIVITIES		1,023	-1,547
CASH FLOW FOR THE YEAR		1,251	1,017
LIQUID ASSETS AT JAN 1		1,425	408
LIQUID ASSETS AT DEC 31	26	2,676	1,425

*) The change for 2002 is largely since KF no longer finances the operations transferred to Coop Norden AB.

ACCOUNTING PRINCIPLES

The annual report for 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 January 1, 2003, the following recommendations of the Swedish Financial Accounting Standards Council have been applied:

RR 2:02 *Inventories*, RR 7 *Accounting for cash flows*, RR 22 *Presentation of financial statements*, RR 24 *Investment property*, RR 26 *Events after the balance sheet date*, RR 27 *Financial instruments: Disclosure and classification*, and RR 28 *Government grants*. The introduction of these recommendations has not given cause to restate the income statement and balance sheet for the comparative year.

CONSOLIDATED ACCOUNTS

The consolidated year-end accounts include the Parent Company and all subsidiaries in which the Parent Company holds more than 50% of the voting rights or otherwise exerts a controlling influence.

The consolidated accounts were prepared in accordance with the purchase method, which means that equity – including the calculated proportion of equity in untaxed reserves – contained in the subsidiary on the acquisition date is eliminated in its entirety. Only 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 period after the acquisition. Earnings for companies divested during the year are included for the period during which the companies were owned.

ASSOCIATED COMPANIES AND JOINT VENTURES

Companies in which KF has a significant influence are classified as associated companies. Companies in which cooperation 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 consist of the Group's proportion of reported earnings before tax, adjusted for minority interest and, where relevant, also adjusted for amortization of surplus/deficit value. The Group's share of the tax paid by associated companies and joint ventures is reported under the Group's tax expense.

TRANSLATION OF FOREIGN SUBSIDIARIES AND ASSOCIATED COMPANIES

The income statements and balance sheets of foreign subsidiaries and associated companies were translated in accordance with the current method, which means that all balance sheet items were translated at the rate on the balance sheet date, while all income statement items were translated at the average rate for the period. Any exchange rate differences that arose were not reported over the income statement but directly affected the Group's restricted and non-restricted reserves.

CLASSIFICATIONS

Fixed assets, long-term liabilities and provisions essentially only comprise amounts expected to be recovered or paid after more than twelve months from the balance sheet date. Current assets and current liabilities essentially only comprise amounts expected to be recovered or paid within twelve months from the balance sheet date.

GENERAL VALUATION PRINCIPLES

Assets, liabilities, provisions and derivatives are reported as acquisition values unless stated otherwise below.

RECEIVABLES AND LIABILITIES IN FOREIGN CURRENCY

In the year-end accounts, receivables and liabilities in foreign currencies are valued at the rate on the balance sheet date or at the rate secured under a forward contract. Exchange gains/losses on operating assets and liabilities are reported net under operating profit/loss, while the corresponding exchange gains/losses are reported under financial items. The corresponding net of financial receivables and liabilities is reported under 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 against changes in exchange rates. Interest rate derivatives, FRAs and futures are used to change the interest rate structure of the underlying financial net debt.

Unrealized changes in value of derivative instruments used for hedging commercial flows and for hedging interest rate risk are not revalued on the balance sheet date but are reported at acquisition value. Interest income and interest expense resulting from these derivatives are reported on a continuous basis under net interest income/expense.

INTANGIBLE AND TANGIBLE FIXED ASSETS

Intangible and tangible fixed assets are valued at acquisition cost less depreciation according to plan and any writedowns. Depreciation according to plan is based on the assets' acquisition values and estimated useful economic 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/amortization rates are applied for tangible and intangible fixed assets:

Buildings and land improvements	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, such as to gain access to new markets, goodwill is amortized over a period of up to 10 years.

FINANCIAL FIXED ASSETS

Shares and participations that are fixed assets are valued individually. If there is any indication 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 acquisition value and net sales value and in accordance with the first-in first out (FIFO) method. Risks of obsolete inventories are taken into account.

ACCOUNTS RECEIVABLE

Accounts receivable are reported at the amounts which, after a cautious assessment, are expected to be paid.

CURRENT INVESTMENTS

Short-term equity investments are valued collectively in accordance with the portfolio method at the lower of acquisition value and market value on the balance sheet date of the overall equity portfolio. Short-term interest-bearing investments are valued at the lower of accrued acquisition value and fair value.

PENSIONS

Pension commitments that have not been transferred to insurance companies or are otherwise secured through an external party are entered as liabilities in the balance sheet.

TAX

The Group's tax comprises the sum of current tax and deferred tax. Current tax comprises payable or receivable tax pertaining to the current year and adjustments of current tax pertaining to prior years. Deferred tax is computed 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 utilized within the foreseeable future.

LEASING

Leasing agreements whereby the financial risks and benefits associated with ownership are essentially transferred to the lease holder are defined as financial leasing agreements. The KF Group does not have any financial leasing agreements. All leasing agreements are reported as operational leasing agreements.

INTEREST-BEARING AND NONINTEREST-BEARING

Assets and liabilities are divided into those that are interest-bearing and those that are noninterest-bearing. Interest is not equivalent to a dividend, and for this reason shares held for

investment purposes are reported as noninterest-bearing. Short-term equity investments are reported as interest-bearing since the holding is intended to be short-term and the investment is made to generate a return that can be comparable with 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 cooperatives have a joint settlement system – the current account system. This system is used for settlement of goods deliveries and other invoicing.

CASH-FLOW STATEMENT

The indirect method was used for reporting cash flow from operating activities. Liquid assets are calculated as the sum of cash and bank balances and current investments. Current investments are classified as liquid assets as the risk of fluctuations in value 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 and write-downs.

COMPARABILITY WITH PRIOR YEARS

To facilitate comparability between years, certain adjustments have been made to the figures for 2002.

NEW ACCOUNTING RECOMMENDATIONS FOR 2004

As of 2004, KF will apply the Swedish Financial Accounting Standards Council's recommendation RR 29, Employee benefits. The transition is not expected to have any significant effect on equity.

ADOPTION OF THE INCOME STATEMENT AND BALANCE SHEET

The income statement and balance sheet will be adopted by the Annual General Meeting.

CHANGES IN GROUP STRUCTURE IN 2003

- ☐ The KF Parent Society transferred shares in the associated company Bibliotekstjänst AB to BTJ Intressenter AB.
- ☐ The KF Parent Society acquired the remaining 50% of shares in Bokus AB. The entire holding was subsequently transferred internally within the Group to KF Media AB.
- ☐ The operations of Coop Elektro AB were transferred to Power Hemelektronik AB. In conjunction with this, the KF Parent Society acquired 24% of the shares in Power Hemelektronik AB.

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, guaranteed capital, debenture loans and minority equity as a percentage of total assets.
- ☐ THE DEBT/EQUITY RATIO is calculated as net debt divided by equity. Net debt is calculated as total interest-bearing liabilities including guaranteed capital and debenture loans, minus total interest-bearing assets.
- ☐ CAPITAL EMPLOYED is calculated as the sum of assets less noninterest-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 profit after tax as a percentage of average reported equity.

		2003	2002	2001	2000	1999
Equity/assets ratio	%	36.4	39.2	26.5	30.8	30.4
Debt/equity ratio	times	0.40	0.53	1.10	0.66	0.61
Return on capital employed	%	4.0	0.4	Neg	6.3	5.7
Interest coverage ratio	times	2.4	0.1	Neg	2.4	2.4
Return on equity after tax	%	9.2	Neg	Neg	6.6	6.1

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

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

NOTE 1

NET SALES

SEK M	Group	
	2003	2002
KF Parent Society ¹⁾	25,103	11,970
KF Real Estate ²⁾	481	556
KappAhl	3,810	3,869
KF Media	1,978	1,935
Other subsidiaries	35	201
Eliminations	- 13	-37
Total net sales, KF Group	31,394	18,494

¹⁾ As of June 2002, operations within the KF Parent Society were extended to include sales to members and retail associations.

²⁾ Relates mainly to rent. The amount includes SEK 53 M (50) 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 1,712 M (1,231).

NOTE 2

DEPRECIATION AND WRITEDOWNS

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

SEK M	Group		Parent Company	
	2003	2002	2003	2002
Cost of goods sold	93	125	6	6
Selling expenses	217	176	10	3
Administrative expenses	44	44	1	1
Total	354	345	17	10

LEASING

The rental cost of assets financed through leasing for 2003 and the following four years amounts to:

SEK M	2003	2004	2005	2006	2007
KF Group	8	8	7	6	6

The Group's cost for leased premises amounted to SEK 609 M in 2003. The corresponding cost in the KF Parent Society was SEK 12 M. Most of the lease contracts in retail are sales-related and have varying terms and notice periods. Lease contracts are renegotiated on an ongoing basis. As it is therefore not possible to forecast rents for premises with sufficient accuracy, these are not included in leasing costs.

NOTE 3

OTHER OPERATING INCOME

SEK M	Group		Parent Company	
	2003	2002	2003	2002
Capital gain on property divestment	144	208	2	84
MedMera card administration and marketing	197	154	197	154
Other	67	301	71	139
Total other operating income	408	663	270	377

NOTE 4

PARTICIPATION IN THE EARNINGS OF ASSOCIATED COMPANIES

SEK M	Profit/loss before tax	
	2003	2002
Atrium Fastigheter AB ³⁾		22
Barnens Bokklubb AB	6	4
Bibliotekstjänst AB ¹⁾	38	4
Bokus AB ⁷⁾	0	-16
Coop Bank AB ⁶⁾	- 46	-
Coop Elektro AB	14	-100
Fastighets AB Marieberg Centrum ³⁾		44
Fastighets AB TEDOVAL ³⁾		77
Inserator AB ³⁾		7
Karlshamns AB (publ.) ²⁾	10	13
Månadens Bok HB	9	6
Nordico Invest I and II ⁵⁾		-24
Power Hemelektronik AB	- 6	-
Skeidar Möbler & Interiör AB ⁴⁾		-2
Other associated companies	3	-12
Total participations in the earnings of associated companies	28	23

¹⁾ The holding in Bibliotekstjänst AB was divested in 2003, generating a capital gain of SEK 35 M.

²⁾ The profit pertains to additional purchase consideration received. The holding was divested in 2001.

³⁾ The holdings were divested in 2002.

⁴⁾ The holding was divested in 2001.

⁵⁾ Of future investment commitments, profits and cost liabilities, 75% was transferred to the Sixth AP Fund in 2002. The remaining holdings are reported as other associated companies.

⁶⁾ The holding has been reclassified due to the liquidation of Coop Bank AB. In 2002, the holding was classified as a joint venture.

⁷⁾ The outstanding 50% was acquired in February 2003. The holding is reported thereafter as a subsidiary.

NOTE 5

PARTICIPATION IN THE EARNINGS OF JOINT VENTURES

SEK M	Participation	Profit/loss before tax	
	2003	2003	2002
Coop Norden AB	42%	- 63	-148
Coop Bank AB ¹⁾	45%		-149
Total participations in the earnings of joint ventures		- 63	-297

¹⁾ Due to the liquidation of Coop Bank AB, the holding was reclassified in 2003 as an associated company. In 2002, the holding was classified as a joint venture.

NOTE 6

OPERATING PROFIT/LOSS

The operating earnings for the Group are distributed as follows:

SEK M	2003	2002
KF Real Estate incl. Agreement Properties	303	417
KappAhl	120	70
KF Media	64	9
KF Invest	- 3	-13
Profit from associated companies	28	23
Profit/loss from joint ventures	- 63	-297
Others incl. eliminations	- 218	-330
Total operating profit/loss	231	-121

NOTE 7

FINANCIAL INCOME AND EXPENSES

SEK M	Group		Parent Company	
	2003	2002	2003	2002
PROFIT/LOSS FROM PARTICIPATIONS IN GROUP COMPANIES:				
Capital gains			-	33
Writedowns			- 73	-625
Total			- 73	-592
PROFIT/LOSS FROM PARTICIPATIONS IN ASSOCIATED COMPANIES:				
Dividends			-	21
Capital gains			5	10
Writedowns			- 67	-126
Reversal of writedowns pertaining to financial fixed assets			15	-
Total			- 47	-95
PROFIT/LOSS FROM PARTICIPATIONS IN JOINT VENTURES:				
Capital gains			-	0
Writedowns			-	-273
Total			0	-273
PROFIT/LOSS FROM OTHER FINANCIAL FIXED ASSETS:				
Dividends	13	34	13	34
Interest	62	62	62	62
Writedowns	- 64	-43	- 52	-25
Reversal of writedowns pertaining to financial fixed assets	31	20	-	20
Total	42	73	23	91
OTHER INTEREST INCOME AND SIMILAR PROFIT/LOSS ITEMS:				
Dividends	3	2	-	-
Interest	55	152	154	291
Capital gain from sale of financial current assets	56	-14	-	-
Writedowns of financial current assets	-	-68	-	0
Reversal of writedowns pertaining to financial current assets	9	16	22	16
Total	123	88	176	307
INTEREST EXPENSE AND SIMILAR PROFIT/LOSS ITEMS:				
Group companies			- 63	-98
Other companies	- 168	-320	- 148	-269
Total	- 168	-320	- 211	-367
Total financial income and expenses	- 3	-159	- 132	-929
OF WHICH PROFIT/LOSS FROM GROUP COMPANIES:				
Other interest income and similar profit/loss items			106	161
Total			106	161

NOTE 8

TAX

TAX ON PROFIT/LOSS FOR THE YEAR

SEK M	Group		Parent Company	
	2003	2002	2003	2002
Current tax	- 4	-2	-	-
Deferred tax	180	-50	357	144
Tax on participations in associated companies/joint ventures	3	51	-	-
Total	179	-1	357	144

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

SEK M	Group		Parent Company	
	2003	2002	2003	2002
Reported profit/loss before tax	228	-280	- 264	-1 142
Tax at applicable rate of 28% ¹⁾	- 64	78	74	320

Tax effect of non-deductible expenses:

Depreciation/writedown of Group goodwill	- 26	-12		
Writedown of shares and property	- 45	-15	- 54	-294
Allocation/provision, non-deductible	- 12	-2	- 5	-
Other non-deductible expenses	- 13	-8	- 1	-2

Tax effect of non-taxable income:

Utilization of allocation/provision, non-deductible		1	-	-
Dividend on shares and participations	6	10	3	15
Other non-taxable income	51	38	46	47

Sale of shares, property and tenant-owned apartments:

Tax effect of sale of shares	7	4	- 2	-5
Tax effect of sale of property and tenant-owned apartments	- 5	-6	0	0

Loss carryforwards utilized:

Utilization of loss carryforwards capitalized in prior years	0	-2	-	-
Utilization of non-capitalized loss carryforwards	112	82	55	63

Deficit for which loss carryforwards have been revalued, not reported

	193	-103	241	-
Adjustment of current tax pertaining to prior periods	- 2	-1	-	-
Adjustment for tax rate in foreign subsidiaries	0	1		
Adjustment for tax in associated companies and joint ventures	- 22	-65		
Other, net	- 1	-1	-	-
Total tax reported	179	-1	357	144

¹⁾ The current tax rate has been calculated based on the applicable tax rate for the Parent Company.

NOTE 8, CONT.

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

SEK M	Group		Parent Company	
	2003	2002	2003 ¹⁾	2002
Loss carryforward	355	1,483	0	1,105
Total	355	1,483	0	1,105

¹⁾ For 2003, deferred tax pertaining to loss carryforwards in the KF Parent Society was capitalized. The loss carryforward was previously not deemed worthy of inclusion in the balance sheet. KF assesses that several factors strongly suggest that sufficient taxable surpluses will be generated in the future.

TEMPORARY DIFFERENCE PERTAINING TO INVESTMENTS IN SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES THAT HAVE NOT LED TO REPORTING OF DEFERRED TAX

SEK M	Group		Parent Company	
	2003 ¹⁾	2002	2003 ¹⁾	2002
Reported value	–	3,394	–	4,742
Written-down value	–	8,628	–	8,628
Temporary difference	–	5,234	–	3,886

¹⁾ In 2003, tax exemption was introduced for capital gains on participations in related parties and the right to make deductions for corresponding capital losses ceased. As a result of these changes, there are no taxable temporary differences pertaining to investments in subsidiaries, associated companies and joint ventures.

DEFERRED TAX LIABILITIES AND TAX ASSETS CLASSIFIED PER BALANCE SHEET CATEGORY

SEK M	Group		Parent Company	
	2003	2002	2003	2002
<i>Deferred tax liability</i> ¹⁾				
Other fixed assets (incl. any untaxed reserves)	71	–	3	–
Total	71	0	3	0
<i>Deferred tax assets</i>				
Other fixed assets	4	0	0	0
Tax loss carryforwards	261	17	241	–
Total	265	17	241	0
Total	194	17	238	0

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

RELATED-PARTY TRANSACTIONS

SALES TO ASSOCIATED COMPANIES AND JOINT VENTURES

SEK M	Group	
	2003	2002
Associated companies	–	9
Joint ventures	238	247
Total sales to associated companies and joint ventures	238	256

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 in conjunction with major building projects. In 2003, the provision of such services to joint ventures totaled SEK 48 M (54). Rent invoiced to joint ventures and associated companies amounted to SEK 213 M (152) and SEK 16 M (9) respectively.

In 2003, KF Media sold books and games to joint ventures for SEK 17 M (34).

KF Card, a part of the KF Parent Society, provides services comprising the administration and marketing of the MedMera card (bonus points) as well as transactions relating to bank cards, debit cards and credit cards. In 2003, these services provided to joint ventures and associated companies amounted to SEK 92 M (85) and SEK 15 M (43) respectively.

NOTE 10

INTANGIBLE FIXED ASSETS

GROUP SEK M	Capitalized development expenditure	Patents, licenses, trademarks & similar rights	Tenancy rights & similar rights	Goodwill	Total intangible fixed assets
ACCUMULATED ACQUISITION VALUES:					
Balance at January 1, 2003	124	68	20	925	1,137
Acquisitions during the year	46	13	0	13	72
Divestments, scrapping and closures	-33	-10	-	-	-43
Reclassifications/companies acquired	-4	48	-	-24	20
Exchange rate differences	-2	0	-	-64	-66
Total acquisition value	131	119	20	850	1,120
ACCUMULATED AMORTIZATION ACCORDING TO PLAN:					
Balance at January 1, 2003	-43	-39	-19	-295	-396
Divestments, scrapping and closures	32	10	-	-	42
Reclassifications/companies acquired	0	-6	-	21	15
Amortization according to plan for the year	-28	-19	0	-66	-113
Exchange rate differences	0	0	-	15	15
Total amortization according to plan	-39	-54	-19	-325	-437
ACCUMULATED WRITEDOWNS:					
Balance at January 1, 2003	-28	0	0	-168	-196
Reclassifications/companies acquired	-	-36	-	24	-12
Writedowns for the year ¹⁾	-	-	-	-67	-67
Exchange rate differences	-	-	-	8	8
Total writedowns	-28	-36	0	-203	-267
Reported value at December 31, 2003	64	29	1	322	416
Reported value at January 1, 2003	53	29	1	462	545

¹⁾ Writedowns for the year are included under cost of goods sold in the income statement.

PARENT COMPANY SEK M	Capitalized development expenditure	Patents, licenses, trademarks & similar rights	Total intangible fixed assets
ACCUMULATED ACQUISITION VALUES:			
Balance at January 1, 2003	0	2	2
Acquisitions during the year	8	-	8
Reclassifications/companies acquired	2	-2	0
Total acquisition value	10	0	10
ACCUMULATED AMORTIZATION ACCORDING TO PLAN:			
Balance at January 1, 2003	0	0	0
Amortization according to plan for the year	-1	-	-1
Total amortization according to plan	-1	0	-1
Reported value at December 31, 2003	9	0	9
Reported value at January 1, 2003	0	2	2

NOTE II

TANGIBLE FIXED ASSETS

GROUP SEK M	Investment properties; buildings ¹⁾	Investment properties; land & land improvements ¹⁾	Equipment, tools, fixtures & fittings	Construction in progress	Total tangible fixed assets
ACCUMULATED ACQUISITION VALUES:					
Balance at January 1, 2003	2,702	480	1,304	76	4,562
Acquisitions during the year, capitalized expenditure	154	77	149	261	641
Divestments and scrapping	-247	-109	-86	-	-442
Reclassifications/companies acquired	117	44	45	-213	-7
Exchange rate differences	-	-	-48	-	-48
Total acquisition value	2,726	492	1,364	124	4,706
ACCUMULATED DEPRECIATION ACCORDING TO PLAN:					
Balance at January 1, 2003	-348	-18	-828	0	-1,194
Divestments and scrapping	17	0	68	-	85
Reclassifications/companies acquired	9	2	-1	-	10
Depreciation according to plan for the year	-30	-3	-139	-	-172
Exchange rate differences	-	-	34	-	34
Total depreciation according to plan	-352	-19	-866	0	-1,237
ACCUMULATED WRITEDOWNS:					
Balance at January 1, 2003	-87	-3	0	0	-90
Reclassifications/companies acquired	2	-	-	-	2
Reversal of writedowns during the year	10	-	0	-	10
Writedowns for the year	-10	-	-2	-	-12
Total writedowns	-85	-3	-2	0	-90
Reported value at December 31, 2003	2,289	470	496	124	3,379
Reported value at January 1, 2003	2,267	459	476	76	3,278

PARENT COMPANY SEK M	Investment properties; buildings ¹⁾	Investment properties; land & land improvements ¹⁾	Equipment, tools, fixtures & fittings	Construction in progress	Total tangible fixed assets
ACCUMULATED ACQUISITION VALUES:					
Balance at January 1, 2003	303	59	116	1	479
Acquisitions during the year, capitalized expenditure	-	0	3	6	9
Divestments and scrapping	-	0	-6	-	-6
Reclassifications/companies acquired	14	0	2	-2	14
Total acquisition value	317	59	115	5	496
ACCUMULATED DEPRECIATION ACCORDING TO PLAN:					
Balance at January 1, 2003	-106	-8	-59	0	-173
Divestments and scrapping	-	-	6	-	6
Reclassifications/companies acquired	-12	0	0	-	-12
Depreciation according to plan for the year	-3	0	-13	-	-16
Total depreciation according to plan	-121	-8	-66	0	-195
ACCUMULATED WRITEDOWNS:					
Balance at January 1, 2003	-12	0	0	0	-12
Reclassifications/companies acquired	-3	-	-	-	-3
Total writedowns	-15	0	0	0	-15
Reported value at December 31, 2003	181	51	49	5	286
Reported value at January 1, 2003	185	51	57	1	294

ASSESSED VALUES SEK M	Group		Parent Company	
	2003	2002	2003	2002
Investment property; buildings	1,636	1,646	166	167
Investment property; land and land improvements	460	464	69	69
Total	2,096	2,110	235	236

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

NOTE II, CONT.

TANGIBLE FIXED ASSETS

INVESTMENT PROPERTY

– FAIR VALUE AND CHANGE IN FAIR VALUE

SEK M	Group 2003	Parent Company 2003
Balance at January 1	3 618	479
Acquisitions during the year	223	0
Investments in property	250	2
Divestments	–430	–1
Balance at December 31	3 776	509
Change in value	115	29

Fair value was determined based on internal assessments. Fair value 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 the net capitalization method, where a normalized operating net is divided by a market-adjusted direct yield requirement.
- For properties that are more difficult to assess, the valuation was supplemented by a yield valuation using cash-flow estimates, whereby a present value computation is made of the property's future operating net and estimated residual value.
- In some cases, the location-price method was used to assess the value of the property based on sales of equivalent properties in the market.

EFFECT OF INVESTMENT PROPERTIES ON NET PROFIT/LOSS FOR THE PERIOD

GROUP	Rental income	Operating net	Direct yield
SEK M	2003	2003	2003
Shopping centers	214	119	7,9%
Hypermarkets	42	30	6,8%
Supermarkets	14	10	8,4%
Storage and distribution	57	38	12,3%
Development/retail	5	–1	–0,4%
Development/non-retail	23	4	0,9%
Other	21	7	3,2%
Total	376	207	6,5%

PARENT COMPANY	Rental income	Operating net	Direct yield
SEK M	2003	2003	2003
Shopping centers			
Hypermarkets			
Supermarkets			
Storage and distribution	43	33	13,5%
Development properties/retail	1	–2	–2,1%
Development properties/non-retail			
Other	9	6	4,2%
Total	53	37	7,7%

Direct costs for unleased floor space in the Group amount to SEK 16.5 M, most of which pertain to vacant premises in development properties (non-retail). Direct costs for unleased floor space in the KF Parent Society amount to SEK 4.6 M and pertain mainly to development properties (non-retail).

NOTE 12

FINANCIAL FIXED ASSETS

GROUP SEK M	Partici- pations in associated companies	Receivables from associated companies	Partici- pations in joint ventures	Receivables from joint ventures	Other investments held as fixed assets	Deferred tax assets	Other long-term receivables	Total financial fixed assets	
ACCUMULATED ACQUISITION VALUES:									
Balance at January 1, 2003	97	0	1,696	684	452	17	192	3,138	
Additional assets/receivables during the year	54	–	163	–	47	241	40	545	
Deductible assets/settled liabilities	–98	–	–73	–84	–4	–64	–58	–381	
Reclassifications/companies acquired	43	11	–65	–	–	–	–59	–70	
Exchange rate differences	0	–	–128	–	–	–	–3	–131	
Total acquisition value	96	11	1,593	600	495	194	112	3,101	
ACCUMULATED WRITEDOWNS:									
Balance at January 1, 2003	0	0	0	0	–111	0	–4	–115	
Deductible assets/settled liabilities	–	–	–	–	–	–	3	3	
Reversal of writedowns during the year	–	–	–	–	31	–	–	31	
Writedowns for the year	–22	–	–	–	–64	–	–	–86	
Total writedowns	–22	0	0	0	–144	0	–1	–167	
Reported value at December 31, 2003	74	11	1,593	600	351	194	111	2,934	
Reported value at January 1, 2003	97	0	1,696	684	341	17	188	3,023	
PARENT COMPANY SEK M	Partici- pations in Group companies	Partici- pations in associated companies	Receivables from associated companies	Partici- pations in joint ventures	Receivables from joint ventures	Other investments held as fixed assets	Deferred tax assets	Other long-term receivables	Total financial fixed assets
ACCUMULATED ACQUISITION VALUES:									
Balance at January 1, 2003	3,293	355	0	2,331	684	288	0	62	7,013
Additional assets/receivables during the year	73	33	–	162	–	34	241	35	578
Deductible assets/settled liabilities	–	–154	–	–	–84	–4	–	–	–242
Reclassifications/companies acquired	–	256	11	–256	–	–	–	–59	–48
Total acquisition value	3,366	490	11	2,237	600	318	241	38	7,301
ACCUMULATED WRITEDOWNS:									
Balance at January 1, 2003	–661	–240	0	–528	0	–75	0	0	–1,504
Deductible assets/settled liabilities	–	44	–	–	–	–	–	–	44
Reclassifications/companies acquired	–	–192	–	192	–	–	–	–	0
Reversal of writedowns during the year	–	15	–	–	–	–	–	–	15
Writedowns for the year	–73	–67	–	–	–	–53	–	–	–193
Total writedowns	–734	–440	0	–336	0	–128	0	0	–1,638
Reported value at December 31, 2003	2,632	50	11	1,901	600	190	241	38	5,663
Reported value at January 1, 2003	2,632	115	0	1,803	684	213	0	62	5,509

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

INCOME STATEMENT:

SEK M	2003	2002
Operating income	36,143	35,270
Operating profit	191	46
Net financial expense	– 182	–194
Tax	4	62
Minority share	– 1	0
Net profit/loss for the year	12	–86

BALANCE SHEET:

SEK M	2003	2002
Fixed assets	4,811	5,218
Current assets	4,892	4,589
Total assets	9,703	9,807
Equity	1,603	1,719
Minority share	6	5
Provisions	196	80
Long-term liabilities	2,700	3,189
Current liabilities	5,198	4,814
Total equity and liabilities	9,703	9,807

NOTE 13

CURRENT RECEIVABLES

SEK M	Group		Parent Company	
	2003	2002	2003	2002
Accounts receivable	373	287	74	18
Lending, MedMera	133	–	133	–
Other receivables	852	1,021	278	358
Prepaid expenses and accrued income	223	191	21	7
Current account receivables, external	9	21	9	21
Receivables from associated companies	96	139	10	105
Receivables from joint ventures	114	99	47	57
Receivables from Group companies			360	381
Current account receivables, Group companies			2,206	2,495
Total current receivables	1,800	1,758	3,138	3,442
<i>Prepaid expenses and accrued income comprise:</i>				
Prepaid rents	78	72	–	–
Other	145	119	21	7
Total	223	191	21	7

NOTE 14

DEPOSITS FROM AND LENDING TO MEDMERA CARD HOLDERS

MedMera card holders are able to deposit money into their account. Card holders can also be granted credit, subject to a credit check. In October 2002, all MedMera accounts were transferred from KF to Coop Bank. Including accrued interest, the transferred balance amounted net to SEK 1,362 M. When the bank was phased out, all MedMera accounts were transferred back to KF in November 2003. The balance amounted to SEK 1,218 M. All MedMera accounts have continuously been handled by KF Card in the same manner as before the transition.

NOTE 15

CURRENT INVESTMENTS

SEK M	Group		Parent Company	
	2003	2002	2003	2002
Bank investments	1,300		1,300	
Current investments in joint ventures	60	1,000	60	1,000
Bonds and certificates	864	40	864	40
Shares and participations	387	123		
Total current investments	2,611	1,163	2 224	1,040

NOTE 16

EQUITY

KF's rules state that each member must pay a contribution or initial fee of at least SEK 10,000. When a surplus is reported, 2/3 of this surplus is transferred to the members' accounts in the form of a return. Members who resign their membership or who are excluded from KF are entitled to reimbursement of their funds, subject to the approval of the Board. Members can also apply to the Board to transfer their contribution, or part thereof, 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 cooperative, carries the right to payment out of the assets of the company immediately after payment to the cooperative'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 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 utilized to cover the loss carried forward. Profit carried forward is made up of the non-restricted equity from the preceding year after possible transfers to the statutory reserve and after possible payment of dividends.

NOTE 17

UNTAXED RESERVES

PARENT COMPANY SEK M	Balance at Jan. 1, 2003	Appro- priations	Balance at Dec. 31, 2003
Accumulated additional depreciation, property	10	0	10

NOTE 18

GUARANTEED CAPITAL

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

NOTE 19

PROVISIONS

GROUP SEK M	Pensions ¹⁾	Guarantee commitments ²⁾	MedMera bonus ³⁾	Other provisions	Total provisions
Balance at January 1	57	5	8	48	118
Provisions for the year	2	–	1	45	48
Companies acquired	–	–	–	2	2
Provisions utilized	–	–	–	–6	–6
Divestments/reclassifications	–1	–	–	–	–1
Reversed provisions	0	–	0	–11	–11
Exchange rate differences	–5	–	–	–3	–8
Balance at December 31	53	5	9	75	142

PARENT COMPANY SEK M	Guarantee commitments ²⁾	Other provisions	Total provisions
Balance at January 1	5	17	22
Provisions for the year	–	25	25
Reversed provisions	–	–1	–1
Balance at December 31	5	41	46

¹⁾ Of the amount allocated for pensions, SEK 22 M (21) is secured through an insurance policy with FPG. Otherwise, KF secures its pension commitments through the KP Pension & Försäkring foundation.

²⁾ Relates to outstanding guarantees in connection with the divestment of operations (applies until January 2004).

³⁾ 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 yet redeemed at year-end, with account taken of redemption frequency and period of validity.

NOTE 20

PLEDGED ASSETS

SEK M	Group		Parent Company	
	2003	2002	2003	2002
FOR OWN BENEFIT:				
<i>Pledged assets for liabilities to credit institutions:</i>				
Property mortgages	–	334	–	111
<i>Pledged assets for unutilized bank overdraft facilities:</i>				
Property mortgages	478	140	28	140
<i>Pledged assets for purposes other than debt:</i>				
Corporate mortgages	92	90		
Property mortgage		0		
Other pledged assets	20	23	20	23
<i>Total pledged assets for purposes other than debt</i>	112	113	20	23
Total pledged assets	590	587	48	274

NOTE 21

LONG-TERM LIABILITIES

SEK M	Group		Parent Company	
	2003	2002	2003	2002
<i>Deposits from members:</i>				
5-year loan ¹⁾	202	222	202	222
Total deposits from members	202	222	202	222
<i>Other long-term liabilities:</i> ²⁾				
Liabilities to credit institutions	51	50	50	50
Total long-term liabilities	253	272	252	272

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

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

NOTE 22

CURRENT LIABILITIES

SEK M	Group		Parent Company	
	2003	2002	2003	2002
<i>Deposits from members:</i> ¹⁾				
Savings Association	2,962	2,580	2,962	2,580
5-year loan	248	247	248	247
Total deposits from members	3,210	2,827	3,210	2,827
<i>Other current liabilities:</i>				
Deposits, MedMera	1,410	–	1,410	–
Liabilities to credit institutions	9	540	–	274
Advance payment from customers	71	0	3	–
Accounts payable	595	599	141	56
Liabilities to Group companies			902	1,130
Liabilities to associated companies	54	58	49	54
Liabilities to joint venture	360	629	355	624
Current account liabilities, external	810	705	810	705
Tax liabilities	4	5	–	–
Other liabilities	317	321	98	105
Accrued expenses and prepaid income	709	708	86	104
Current account liabilities, Group companies			263	643
Total other current liabilities	4,339	3,565	4,117	3,695
Total current liabilities	7,549	6,392	7,327	6,522
<i>Accrued expenses and prepaid income comprise:</i>				
Personnel-related costs	251	252	10	11
Premium reserve, insurance	128	118		
Goods delivered but not yet invoiced	46	8		
Other	284	330	76	93
Total	709	708	86	104

¹⁾ Deposits from members mainly comprise savings deposited by members of the consumer cooperatives, and also investments from certain affiliated member organizations. Savings in KF's Savings Association are distributed across a number of different accounts. Customers depositing funds in KF's 5-year deposit account 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, subject to a one-year period of notice. Customers may also choose to leave the funds in place for a new five-year period on the same terms. The portion of the 5-year loan that falls due after more than one year is reported as a long-term liability. Deposits from members were reclassified in 2003 and are now broken down into a current and a long-term portion. To enable comparison with prior years, the figures for 2002 have also been reclassified accordingly.

NOTE 23

FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

FINANCIAL INSTRUMENTS

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

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

FINANCIAL INSTRUMENTS REPORTED IN THE BALANCE SHEET:

SEK M	Reported value ¹⁾	Fair value ²⁾
	2003	2003
<i>Assets:</i>		
Bonds	647	661
Holdings in venture capital companies and of unlisted shares	351	351
Financial assets with absolute yield requirements	199	199
Convertible loans	636	721
Short-term equity investments	187	193
Certificates	219	219
Investments in banks and other short-term interest-bearing instruments	1,380	1,380
Lending, MedMera	133	133
Cash and bank balances	541	541
Other	346	348
Total assets	4,639	4,746
<i>Liabilities:</i>		
Savings Association	3,412	3,412
Deposits, MedMera	1,410	1,410
Other	1,226	1,223
Total liabilities	6,048	6,045

¹⁾ Reported value includes accrued unrealized interest.

²⁾ Interest-bearing financial instruments including convertible loans are valued using the DCF method. Listed assets are valued at market value. Unlisted holdings are valued in accordance with EVCA's valuation guidelines.

OFF-BALANCE-SHEET FINANCIAL INSTRUMENTS:

SEK M	Fair value
	2003
Interest rate swaps	–2
Currency futures	–20
Total	–22

KF invests its liquid assets in bank accounts, short-term interest-bearing instruments, commercial papers with a short maturity and in mortgage-backed bonds. The purpose of these investments is to generate a return that matches the cost of interest on deposits. KF also has an equity portfolio, 65% of which is valued based on the SIX Return Index and 35% based on the Morgan Stanley World Index NDR. In addition to equities and interest-bearing securities, KF has participations in venture capital companies and unlisted shares as well as investments in mutual funds with absolute yield requirements.

FINANCING AND FINANCIAL RISK MANAGEMENT PRINCIPLES

KF is exposed to various types of financial risk. KF's financial operations are managed centrally by KF Finance, a unit which

NOTE 23, CONT.

functions as KF's internal bank. Internal banking operations also encompass the consumer cooperatives.

The centralized financial services function enables professional management of risk, payment flows and bank relations.

KF Finance is responsible for the Group's financing, financial risk management and cash management. Hedging is implemented via KF Finance using intra-group transactions that KF Finance then hedges against external counterparties.

KF Finance's transaction and deviation limits are determined by the Board of KF. The current limits are SEK 10 M for currency transactions and SEK 5 M for interest transactions, calculated as a 5% negative change in exchange rates or a 1% change in interest rates.

CURRENCY RISK

Currency risk is the risk of currency transactions having a negative impact on the consolidated income statement and balance sheet. Currency risk is normally divided into transaction exposure and translation exposure. Transaction exposures result from the Group's operational and financial currency flows. Translation exposure depends on assets, liabilities and equity abroad, such as those arising from foreign operations.

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 KF's currency positions in nominal amounts translated to SEK.

OUTSTANDING CURRENCY POSITIONS AT DECEMBER 31, 2003:

SEK M		2004	2005	Subsequent years
Sell	EUR	67		
Sell	HKD	11		
Sell	NOK	426		
Sell	PLN	43		
Sell	USD	162		
Sell total		709	0	0
Buy	EUR	99		
Buy	HKD	80		
Buy	NOK	117	16	9
Buy	PLN	7		
Buy	USD	414		
Buy total		717	16	9
Net		-8	-16	-9

Translation exposure:

KF's translation exposure derives mainly from its shares in Coop Norden and from foreign assets in the wholly-owned subsidiaries KappAhl and Pan Vision. Exposure is mainly in DKK and NOK. KF does not normally hedge its translation exposure.

INTEREST-RATE RISK

Interest rate risk is defined as the risk of changes in 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, and other equity. KF's debt portfolio is subject to relatively short fixed-interest terms.

LIQUIDITY RISK

KF's liquidity is satisfactory. At December 31, 2003, the Group's liquid assets amounted to SEK 2,764 M (1,528). Liquid assets are managed in short-term interest-bearing instruments with varying maturities and credit ratings.

COUNTERPARTY AND CREDIT RISK

KF has limited its counterparties to large banks and securities brokers. KF aims to select counterparties with a high credit rating and a good reputation in the market. Counterparties are reviewed and evaluated on a continual basis. The single largest counterparty exposure at December 31, 2003 amounted to SEK 1,000 M and pertained in its entirety to an interest-bearing overnight investment with Nordea. KF's accounts receivable are associated with very limited credit risk, which is a natural consequence of the nature of the Group's operations.

NOTE 24

CONTINGENT LIABILITIES

	Group		Parent Company	
SEK M	2003	2002	2003	2002
<i>For own benefit:</i>				
Guarantees	27	36	-	2
Other	112	69	107	69
<i>For the benefit of subsidiaries:</i>				
Guarantees	-	-	31	77
<i>For the benefit of joint ventures:</i>				
Guarantees	157	3	35	-
Total	296	108	173	148

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

NOTE 25

FEES AND REMUNERATION TO AUDITORS

	Group		Parent Company	
SEK M	2003	2002	2003	2002
Audit, KPMG	5	6	1	1
Other assignments, KPMG	2	7	1	4
Total	7	13	2	5

NOTE 26

CASH-FLOW INFORMATION

INTEREST PAID AND DIVIDENDS RECEIVED

SEK M	Group		Parent Company	
	2003	2002	2003	2002
Dividend received	33	73	13	55
Interest received	117	214	216	353
Interest paid	- 163	-294	- 208	-356
Net	- 13	-7	21	52

ADJUSTMENTS FOR ITEMS NOT INCLUDED IN CASH FLOW

SEK M	Group		Parent Company	
	2003	2002	2003	2002
Less: participation in earnings of associated companies/joint ventures ¹⁾	80	380		
Dividend received from associated companies/joint ventures	17	37		18
Depreciation and writedowns of assets	409	371	193	1 039
Unrealized exchange rate differences	2			
Capital losses on sale of fixed assets	- 190	-295	- 8	-91
Capital losses on sale of operations/subsidiaries		-102		-36
Pension provisions	2	2		
Other provisions	28	-2	23	
Total	348	391	208	930

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

ACQUISITION OF SUBSIDIARIES AND OTHER BUSINESS UNITS

SEK M	Group	
	2003	2002
<i>Acquired assets and liabilities:</i>		
Intangible fixed assets	9	
Tangible fixed assets	6	
Inventories	11	
Operating assets	13	
Liquid assets	16	
Total assets	55	0
Provisions	3	
Loans	5	
Operating liabilities	22	
Total minority, liabilities and provisions	30	0
Purchase sum paid	25	0
Less: liquid assets in the acquired operation	- 16	0
Effect on liquid assets	9	0

DIVESTMENT OF SUBSIDIARIES AND OTHER BUSINESS UNITS

SEK M	Group	
	2003	2002
<i>Divested assets and liabilities:</i>		
Intangible fixed assets		58
Tangible fixed assets		4,452
Financial assets		828
Inventories		2,287
Operating assets		1,144
Liquid assets		429
Total assets	0	9,198
Provisions		97
Loans		2,413
Operating liabilities		5,899
Total liabilities and provisions	0	8,409
Sales price		891
Less: received capital contributed in kind		-765
Purchase sum received	0	126
Less: liquid assets in the divested operations	0	-429
Effect on liquid assets	0	-303

LIQUID ASSETS

SEK M	Group		Parent Company	
	2003	2002	2003	2002
<i>Liquid assets comprise the following:</i>				
Cash and bank balances	541	488	452	384
Current investments, equivalent to liquid assets ¹⁾	2, 223	1, 040	2, 224	1, 040
Total	2, 764	1, 528	2, 676	1, 424

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

CHANGE IN NET DEBT

SEK M	Group		Parent Company	
	2003	2002	2003	2002
Net debt at January 1	2,329	4,814	1,228	531
New interest-bearing debt incurred	1,073		608	
Amortization of interest-bearing debt		-1,747		-2,143
Other changes in interest-bearing debt	5	-240	73	-35
Changes in pension provisions	- 4	2		
Investment in new interest-bearing assets	- 439			
Divestment/reduction of interest-bearing assets		3,494	186	3,877
Other changes in interest-bearing assets	84	-3,472	183	14
Change in liquid assets	- 1,236	-522	- 1,251	-1,016
Net debt at December 31	1,812	2,329	1,027	1,228

NOTE 27

EMPLOYEES AND SALARIES

Average number of employees	Group		Parent Company	
	2003	2002	2003	2002
Women	2,879	2,981	62	69
Men	697	777	34	36
Total	3,576	3,758	96	105
<i>Of which active abroad:</i>				
<i>Europe:</i>				
Women	978	945		
Men	69	106		
Total Europe	1,047	1,051		
<i>Asia:</i>				
Women	31	47		
Men	29	49		
Total Asia	60	96		
<i>Total abroad:</i>				
Women	1,009	992		
Men	98	155		
Total abroad	1,107	1,147		

Salaries and remuneration SEK M	Group		Parent Company	
	2003	2002	2003	2002
Group, Board and President ²⁾	28	36	2	9
Others	1,004	905	48	39
Total	1,032	941	50	48
<i>Of which active abroad:</i>				
<i>Europe:</i>				
Group, Board and President	6	8		
Others	286	236		
Total Europe	292	244		
<i>Asia:</i>				
Group, Board and President	1	1		
Others	8	10		
Total Asia	9	11		
<i>Totalt utlandet:</i>				
Group, Board and President	7	9		
Others	294	246		
Total abroad	301	255		

Social costs SEK M	Group		Parent Company	
	2003	2002	2003	2002
Social security expenses	418	425	33	76
<i>Of which, pension costs for:</i>				
Group, Board and President	13	20	4	7
Others	95	119	13	30

Gender distribution in executive management %	Group		Parent Company	
	2003	2002	2003	2002
<i>Percentage of women:</i>				
Board	26%	25%	30%	33%
Other senior executives	38%	32%	–	–

Absence due to illness,
Parent Company

% 2003 ¹⁾

Absence due to illness as a percentage of
normal hours worked

Absence due to illness, 60 days or more

Absence due to illness, by gender:

Men **3.9%**

Women **7.7%**

Absence due to illness, by age category:

29 years or younger **2.5%**

30–49 years **4.8%**

50 years or older **8.0%**

¹⁾ Refers to January 1–December 31, 2003.

²⁾ Salary paid to the President is included in the Group total only.

KF secures its pension commitments through the KP Pension & Försäkring foundation. At December 31, 2003, the Group's balance in the foundation corresponded to the pension liability.

As resolved by the Annual General Meeting, the total fee paid to the Board was SEK 1,081,000 (1,213,000), of which the Chairman received SEK 324,000 (320,000) as agreed by the Board. In addition to fees, compensation is paid for loss of earnings.

Salary of SEK 4,323,000 (3,678,000) was paid to the President. The bonus paid amounted to SEK 228,000. The retirement age is 62. An annual pension provision is made at 35% of salary and other benefits. The agreement for the President also includes an additional pension commitment corresponding to 36 months' salary.

The period of notice from the company is six months, with pension contributions payable in full during this period. In addition, the President is entitled to 30 months' severance pay, net of the above-mentioned pension commitment.

NOTE 28

SHARES AND PARTICIPATIONS

Company SEK 000s	Corporate reg. no.	Registered office	Holding %	Number of shares/ participations	Book value
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 Supermarktfastigheter 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
Superco Förvaltnings AB	556174-7717	Stockholm	100		
KF Media AB	556398-2387	Stockholm	100	25,000	46,909
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 AB	556592-2480	Stockholm	100		
Tidningen Vi AB	556041-3790	Stockholm	100		
Vision Park Entertainment AB	556541-1179	Stockholm	97		
Bokus AB	556538-6389	Lund	100		
KappAhl AB	556060-4158	Göteborg	100	60,000	201,735
KF Föreningsrevision AB	556198-2330	Stockholm	100	1,000	100
KF Försäkrings AB	516401-8417	Stockholm	100	10,000	20,000
Vår Gård Kursgården AB	556035-2592	Saltsjöbaden	100	35,000	4,200
Others and dormant companies					52,579
Total subsidiaries, KF Parent Society					2,632,114

Company SEK 000s	Corporate reg. no.	Registered office	Holding %	Number of shares/ participations	Book value, Parent Company	Proportion of equity in Group
ASSOCIATED COMPANIES, KF PARENT SOCIETY						
<i>Direct ownership</i>						
Coop Bank AB	516406-0005	Stockholm	45	450,000	32,459	32,459
Coop Elektro AB	556589-3731	UpplVäsby	47	468,692	14,693	14,693
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					50,454	50,454
<i>Indirect ownership</i>						
Barnens Bokklubb AB	556103-0445	Stockholm	50	1,525		7,812
Böckernas klubb med journalen AB	556317-0629	Stockholm	43	7,658		6,281
HB Månadens bok	900203-8106	Stockholm	30			7,101
Other associated companies						2,813
Total indirect ownership						24,007
Total associated companies, KF Group						74,461

NOTE 28, CONT.

Company SEK 000s	Corporate reg. no.	Registered office	Holding %	Number of shares/ participations	Book value, Parent Company	Proportion of equity in Group
JOINT VENTURES						
<i>Direct ownership</i>						
Coop Norden AB	556585-8585	Gothenburg	42	210,000	1,901,312	1,604,200
Total joint ventures, KF Parent Society					1,901,312	1,604,200
<i>Indirect ownership</i>						
Kilen Syd AB	556621-6361	Strängnäs	50	1,000		-12,546
Other joint ventures						1,166
Total indirect ownership						- 11,380
Total joint ventures, KF Group						1,592,820

Company SEK 000s	Corporate reg. no.	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	15,000
Nordico Invest I KB	969660-1518	Stockholm	12		9,151
Nordico Invest II KB	969660-1500	Stockholm	12		22,224
Saba Trading AB	556008-7891	Stockholm	15	265,327	139,738
Bilda Förlag Ek för	702000-2601	Stockholm	11	5,250	1,028
Other holdings					3,265
Total other companies in the KF Parent Society					190,406
<i>Holdings by subsidiaries</i>					
Baltic Rim Fund, Jersey					39,801
IDI KB	969640-9631	Stockholm	10		78,106
Litorina kapital KB	969653-7555	Stockholm	22		35,811
Other holdings					6,747
Total holdings by subsidiaries					160,465
Total other companies in the KF Group					350,871

Stockholm, April 2, 2004

Nina Jarlbäck
Board chairman

Jan Andersson

Hans Eklund

Caterina Franceschi

Lena Ingren

Curt Johansson

Hans-Erik Johansson

TorBjörn Jonsson

Göran Lindblå

Mats Lundquist

Bodil Nilsson

Börje Fors
President

AUDIT REPORT

To the Annual General Meeting of the Swedish
Cooperative 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 of Directors and the President of the Swedish Cooperative Union (KF) for the year 2003. These accounts and the administration of the company are the responsibility of the Board of Directors and the President. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

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

solidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the Society in order to be able to determine the liability, if any, to the Society of any Board member or the President. We also examined whether any Board member or the President has, in any other way, acted in contravention of the Cooperative Societies Act, the Annual Accounts Act or the rules of the Society. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and thereby give a true and fair view of the Society's and the Group's financial position and results of operations in accordance with generally accepted accounting principles in Sweden.

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

Stockholm, April 2, 2003

Bertil Hammarstedt

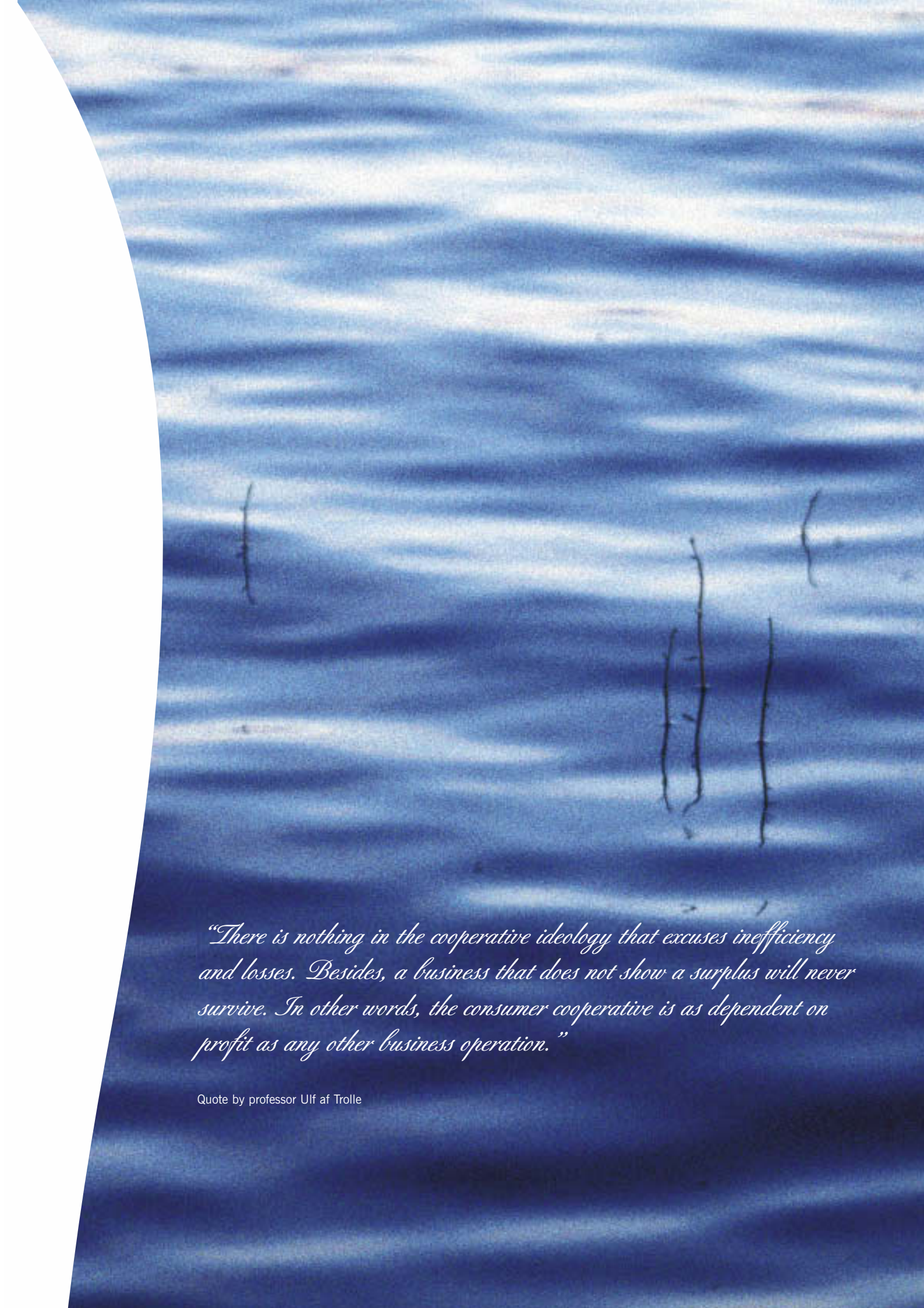
Carina Rödner

KPMG Bohlins AB

Per Bergman
Authorized Public Accountant

Bernhard Öhrn
Authorized Public Accountant

This audit report relates to the annual accounts as shown on pages 30–59.

The background is a blue-toned photograph of a landscape. In the foreground, there are several bare, dark trees. The sky is filled with horizontal, wispy clouds. On the left side of the image, there is a large, white, curved shape that resembles a stylized 'C' or a partial circle, which is part of the page's design.

"There is nothing in the cooperative ideology that excuses inefficiency and losses. Besides, a business that does not show a surplus will never survive. In other words, the consumer cooperative is as dependent on profit as any other business operation."

Quote by professor Ulf af Trolle



A STRONG KF — FOR THE BENEFIT OF OUR MEMBERS

*I*n the annual accounts for 2003, KF is pleased to report a strong equity/assets ratio, a substantially reduced debt/equity ratio and profitable operations. The measures taken in the past two years have produced results, providing KF with the necessary conditions to fulfill its commitments in a responsible manner. These commitments relate both to KF's role as the joint union for consumer cooperatives in Sweden, involving overall responsibility for the consumer cooperative movement, and to its role as an active owner of various business activities and, in particular, the Nordic FMCG group, Coop Norden.

It is also pleasing that the sharp rise in membership continued during 2003. During the past three years, the number of members has increased by a net of 30,000, serving as clear confirmation of the attractiveness of membership. All in all, the cooperatives' retail operations, membership activities and offers as well as the retail operations of Coop Konsum and Coop Forum, KF's specialized retail companies and the membership benefits through Coop MedMera, including bonus points and high-interest accounts, make membership very attractive.

However, KF membership entails so much more than member offers and benefits. It is a means of exerting influence. KF's activities are unique in this respect. In addition to making purchases in supermarkets and hypermarkets, members of this democratically-run organization can influence its long-term orientation. Within the Nordic cooperative movement, about 20,000 elected representatives are involved in developing the movement to benefit its members. This refers to the activities of the consumer cooperatives and the national cooperatives – Coop NKL in Norway, FDB in Denmark and KF in Sweden. It also refers to building up the jointly owned Coop Norden and realizing the efficiency gains that Nordic coordination can provide. It applies to the local nature of cooperatives. The financial position that KF has now achieved provides excellent opportunities for continuing to develop the cooperative movement to an efficient, competitive retail movement that benefits its members.

Nina Jarlbäck
Chairman of the Board

MEMBER ORGANIZATIONS

Sixty-three consumer cooperatives were members of the Swedish Cooperative Union (KF) at December 31, 2003. The cooperatives own KF through their membership. During 2003, two cooperatives, Ockelbo kf and Resö kf, went into liquidation.

For the third year in a row, the cooperatives reported a substantial increase in membership. The net increase amounted to SEK 85,667, resulting in a total of 2,876,457 members. The voting list for the Annual General Meeting of KF is drawn up based on the number of members in each cooperative.

In addition to the consumer cooperatives, KF also has the following members:

OK associations

Folksam Liv

Folksam Sak

Fonus

Cooperative	Location	No. of members Dec 31, 2003			
Stockholm, Ktf	Stockholm	554 918	Billesholm, Ktf	Billesholm	1 673
Svea, Ktf	Uppsala	547 522	Forsbacka, Kf	Forsbacka	1 466
Solidar, Ktf	Malmö	301 334	Lönsboda kp hf	Lönsboda	1 383
Väst, Koop. ktf	Gothenburg	296 162	Skärplinge, Konsum	Skärplinge	1 326
Nord, Konsum	Umeå	211 172	Lenhovda kf	Lenhovda	1 221
Göta, Ktf	Växjö	182 055	Orrefors m o, Kf	Orrefors	1 217
Kristianstad-Blekinge, Ktf	Kristianstad	116 378	Svängsta ktf	Svängsta	1 122
Värmland, Ktf	Karlstad	106 711	Frillesås, Ktf	Frillesås	1 092
Gävleborg, Ktf	Gävle	94 195	Vislanda kp hf	Vislanda	1 006
Norrbottnen, Konsum	Luleå	86 964	Knäred m o, kf	Knäred	961
Bohuslän-Älvsborg, Ktf	Uddevalla	76 914	Getinge kp hf	Getinge	954
Norrort, Konsum	Upplands Väsby	56 199	Tåsjö kf	Hoting	938
Jämtland, Konsum	Östersund	41 717	Framåt, Hf	Tvååker	837
Oskarshamn, Ktf	Oskarshamn	28 527	Sollerö ktf	Sollerö	789
Gotland, Ktf	Visby	27 482	Kågeröds hf	Kågeröd	750
Malmfälten, Ktf	Gällivare	26 735	Möja Kf	Möja	690
Norra Östergötland, K	Finspång	23 868	Morups handelsförening	Glommen	649
Karlskoga, Ktf	Karlskoga	16 654	Fågelmara ktf	Fågelmara	495
Karlshamns ktf	Karlshamn	11 086	Hajoms koop handelsfören.	Hajom	442
Varbergs ktf	Varberg	7 802	Styrsö kf	Styrsö	395
Svedala, Konsum	Svedala	6 885	Åmots kp hf	Åmotsbruk	335
Tabergsdalens ktf	Norrahammar	5 521	Svensby koop hf	Svensbyn	305
Mellersta Nissadalens ktf	Hyltebruk	4 614	Framåt, KpF	Broakulla	299
Norra Dalarna ktf	Älvdalen	3 823	Klippan, Koop handelsför.	Bohus-Malmön	288
Färingsö, Konsum	Stenhamra	3 127	Glava, ktf	Glava	286
Veberöds kf	Veberöd	2 925	Mattmars kf	Mattmar	275
Mörum, Ktf	Mörum	2 709	Garda-Lau, hf	Ljugarn	198
Mellersta Dals kf	Mellerud	2 434	Sörsjöns koop handelsf	Älvdalen	198
Oskarström m o, kf	Oskarström	2 410	Centrum, Handelsföreningen	Källö-Knippla	172
Dalsjöfors ktf	Dalsjöfors	2 184	Östbjörka ktf	Rättvik	113
Bjursås, Ktf	Bjursås	1 748	Axmarby hf	Axmar	107
Långsele kf	Långsele	1 700	Total number of members		2 876 457



KF BOARD

From left: Curt Johansson, Hans-Erik Johansson, Bodil Nilsson, Nina Jarlbäck, Börje Fors, Göran Lindblå, Mats Lundquist, Jan Andersson, Caterina Franceschi, TorBjörn Jonsson, Lena Ingren, Hans Eklund

KF's BOARD AND THE DEMOCRATIC ELECTION PROCESS

The 2.9 million members can attend local store or district annual meetings and elect a representative to attend the annual meeting of the relevant consumer cooperative. At these meetings, representatives are elected for the 10 district meetings. The district meetings then elect 94 representatives to attend the KF annual meeting. KF's other members elect 7 representatives to the KF annual meeting.

The 101 representatives attending the annual general meeting of KF then elect members and deputy members to the KF Board. There is to be a minimum of 9 and a maximum of 13 Board members elected by the meeting.

The Board then appoints a Chairman and a Deputy Chairman. The Chairman must not be employed within KF or by a member of KF. The Board appoints a President, who also becomes a member of the Board. Employee representatives and deputies are appointed by the Commercial Employees' Union.

BOARD MEMBERS AND DEPUTIES

MEMBER

Nina Jarlbäck, Husby Rekarne
Chairman of the Board
Chairman, Svea Cooperative

DEPUTY

Britt Marinder, Ludvika
Board member, Svea Cooperative

MEMBER

Jan Andersson, Umeå
Deputy Chairman of the Board
Chairman, Konsum Nord

DEPUTY

Bo Sundin, Sandviken
Chairman, Gävleborg Cooperative

MEMBER

Hans Eklund, Uppsala
Board member, Svea Cooperative

DEPUTY

Leif Linde, Västerås
Board member, Svea Cooperative

MEMBER

Caterina Franceschi, Gothenburg
Board member, Väst Cooperative

DEPUTY

Ulf Clark, Gothenburg
Board member, Väst Cooperative

MEMBER

Lena Ingren, Tullinge
Chairman, Stockholm Cooperative

DEPUTY (until September 2003)

Carin Jämtin, Farsta
Board member, Stockholm Cooperative

MEMBER

Curt Johansson, Luleå
Chairman, Norrbotten Cooperative

DEPUTY

Jan Bohlin, Hagfors
Board member, Värmland Cooperative

MEMBER

Hans-Erik Johansson, Växjö
Kf Göta

DEPUTY

Jarl Karlsson, Habo
Chairman, Göta Cooperative

MEMBER

Göran Lindblå, Stockholm
President, OK Cooperative Association

DEPUTY

Doris Gustafsson, Ronneby
Chairman, Kristianstad-Blekinge Cooperative

MEMBER

Mats Lundquist, Stockholm
Board member, Stockholm Cooperative

DEPUTY

Marianne Svensson, Malmö
Board member, Solidar Cooperative

MEMBER

Börje Fors, Stockholm
President and CEO, KF

Employee representatives appointed by the
Commercial Employees' Union:

TorBjörn Jonsson, regular
Bodil Nilsson, regular
Melinda Hedström, deputy

Auditors:

MEMBER

Bertil Hammarstedt, Umeå
Carina Röjdner, Haninge

DEPUTY

Georg Axelsson, Borgvik
Martin Hansson, Karlstad

KPMG

Per Bergman, Authorized Public Accountant
Bernhard Öhrn, Authorized Public Accountant



KF's EXECUTIVE MANAGEMENT

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

KF's EXECUTIVE MANAGEMENT

As of January 1, 2003, KF's executive management comprises the following:

Börje Fors,	President and CEO
Magnus Håkansson,	CFO
Ivar Fransson,	Head of KF Card
Per Agefeldt,	Head of KF Cooperative Matters
Lars Hillbom,	Head of KF Union Secretariat
Bernt-Olof Gustavsson,	President of KF Real Estate

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