



An intensive year for Coop Norden

"The foundations are laid."
CEO Svante Nilsson's comments on page 3.

Major synergy benefits in the Coop Group

Logistics are Coop Norden's joint base.
Pages 10–11.

Coop's own brands are positive driving forces

We're now investing in joint brands.
Page 12.

Sales of organic products

reduced the use of chemical pesticides by 57,000 kg.
Page 18.



2003

Annual Report and ecological and social results attached



COOP NORDEN 2003

Svante Nilsson, President and CEO of Coop Norden AB 3

Vision and business concept 5

Market 6

Logistics 10

Roger Gehrman, Vice President of Coop Norden and head of Logistics 11

Coop's own brands 12

Coop's retail concept 14

Financial results in brief 16

Ecological results in brief 18

Social results in brief 20

What does Coop mean to you? 22

Ebbe Lundgaard, Chairman of Coop Norden AB 23

COOP DANMARK 26

The year in brief: financial, ecological, social 27

H.C. Madsen, President of Coop Danmark 28

COOP NORGE 29

The year in brief: financial, ecological, social 30

Svein Fanebust, President of Coop Norge 31

COOP SVERIGE 32

The year in brief: financial, ecological, social 33

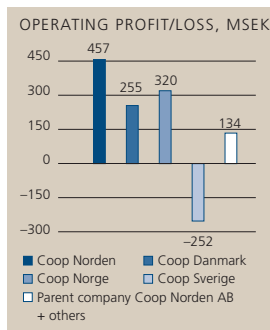
Svein E Skorstad, President of Coop Sverige 34

Board of directors and management 35

The Coop Group 2003 is described in two sections: a commercial report and a separate report of the results for 2003. Both publications reflect the results as a whole – financial, ecological and social. These units and supplementary information are available at: www.coopnorden.com, www.coop.dk, www.coop.no and www.coop.se.

TO MAKE IT EASIER FOR THE READER THE FOLLOWING COLOUR CODES HAVE BEEN USED:

	NORDIC REGION	DENMARK	NORWAY	SWEDEN
Financial	Dark Blue	Blue	Light Blue	Very Light Blue
Ecological	Dark Green	Green	Light Green	Very Light Green
Social	Dark Purple	Purple	Light Purple	Very Light Purple



IMPROVED PROFIT. POSITIVE CASHFLOW

The group's pre-tax profit was MSEK 22 for 2003 compared to MSEK -353 in 2002, representing an improvement of MSEK 375. The operating profit was MSEK 457, an increase of MSEK 348 compared to 2002. The profit was affected by costs of a structural and one-off nature to the order of MSEK -553, plus a total of MSEK 296 from the sale of Margarinfabrikken Norge and the income from KF's guarantee in respect of Coop Sverige's profit in 2002.

The group's cashflow after net financial items was strongly improved compared to previous year. The positive cashflow is due mainly to less capital tied up in operating capital and a lower investment level.

IMPROVED PROFIT IN SUBSIDIARIES

Coop Danmark showed a significant increase in results compared with 2002. The operating result before structural costs rose by MDKK 280 to MDKK 275, which is largely explained by the costs in the previous year for conversion of the Obs! stores into Kvickly xtra. All chains had a result equal to or better than the 2002, with the greatest rise for SuperBrugsen and Fakta. Fakta grew by a total of 22 shops and showed good development both regarding sales and result during 2003.

Coop Norge's result grew both in the retail and the industrial sectors. The operating result before structural costs increased by from MNOK 157 in 2002 to MNOK 177 for 2003 (MNOK 293 including the sale of the margarine activity). All shop chains operated by the co-operative societies showed sales increases over the previous year, with the exception of Coop Marked where there was a reduction in the number of shops.

Coop Sverige's income rose by 1 per cent compared with 2002, with an increase for Coop Forum and a slight fall for Coop Konsum, the latter due to a reduction in the number of shops. The operating result before structural costs increased by MSEK 156 to MSEK 225, which was partly explained by significant reserves for the company's pension fund previously and the sale of premises during 2003.

THE BIGGEST BUYER IN THE NORDIC REGION

The fact that Coop is the biggest buyer of FMCGs in the Nordic region ensures that customers have an attractive range of products at good prices. To make the most of this potential, Coop has reorganised the purchasing and category organisations. The fully integrated Nonfood category organisation is based in Copenhagen. The category organisation for DIY & Gardens is located in Stockholm and Oslo. The category organisation for food products has its main location in Copenhagen, but there are also national mirror organisations to guarantee that allowances are made for the differences in the markets.

INCREASED FOCUS ON JOINT BRANDS

Coop is the new Nordic brand for standard products with high quality and a lower price than other leading brands. X-tra will be Coop's new joint discount brand in the Nordic region. The prices are among the lowest in each market. The range will consist of a limited number of products in strategically selected categories.

Id, ideas daily, is a new brand for disposable articles, candles and serviettes. Id will in due course also include household items such as pans, glass, crockery and home textiles. Tero is Coop's own brand for basic products in the electrical field with a complete range of light bulbs – from regular light bulbs and energy-saving bulbs to halogen bulbs. The Tero brand also includes batteries.

JOINT POLICIES FOR SUSTAINABLE DEVELOPMENT

Joint purchasing means joint requirements, which is why the board of Coop Norden took up the matter of joint policies in the areas of the environment, ethics, product safety and health. These are based on co-operative values, and express high ambitions in these areas in relation to both products and operations.

The results will be published, as part of the annual report and in other ways. We will conduct a continuous dialogue with owners, consumers and other interested parties to influence developments.

The next accounts will be published in March 2005.

As of December 31st 2003 SEK 1 = DKK 1.218 and NOK 1.076.

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The foundations are laid

The time has come to sum up a very intensive 2003, the group's second financial year and my first as President and CEO of Coop Norden AB. Even if the profit represents a significant improvement on the previous year, we are of course still not satisfied. But we do feel that we have taken several steps in the right direction. Psychologically it means a lot, not least for all of our excellent employees, that in 2003 we also achieved a profit after financial expenses.

Poor profits in several of the chains, excessive overheads and major structural costs are reasons why we have not reached our profit objectives.

“Psychologically it means a lot, not least for all of our excellent employees, that in 2003 we also achieved a profit after financial expenses.”

However, if we take a look at what we have actually accomplished during the year, we have good reason to feel a sense of pride. We have created a totally new management and organisational structure, and are now an integrated group with joint group functions for the strategic areas of logistics, business development and IT. In parallel with these major structural changes, we have implemented substantial efficiency programmes out in the three subsidiaries, with the so-called 2 per cent project in the Swedish subsidiary being the most wide-ranging. We have integrated the NAF (Nordic Co-operative Association), which for almost ninety years took care of the Nordic co-operative movement's joint purchases of FMCGs,

into Coop Norden's food organisation. We are of course continuing the strategic collaboration with our Finnish colleagues, with a shared objective of increasing our joint trading transactions. To cut distances and reduce our overall travelling, on October 1st we also moved our head office from Gothenburg to Stockholm.

Through all of these measures we have created the organisation platform required to enable us in the years ahead to realise all of the efficiency improvements and synergies that our merger has made possible.

In the shorter term there is most potential in the field of logistics, where we are now making full use of our purchasing power in negotiations with our suppliers in the various areas.

In the longer term, of course, the biggest potential is in the stores. We are now in full swing with joint group business development, in which concept development and best practice are cornerstones of the process. The areas where we have made most progress are supermarkets and hypermarkets, where this year we will already be able to see the results when we open the very first Coop Forum hypermarkets under our renewed hypermarket concept and the first redeveloped Coop Extra stores. We will then be using all or parts of these concepts in the continued development of our chains in all three countries.

2003 was thus in the first instance a year of establishment. While we may have improved the profit figure, we still have a long way to go to achieve the



profitability that our owners clearly demand. Merging three companies while at the same time turning round the business takes time. We have now laid good foundations, and we expect the results to become evident during the next 12–18 months.

Tougher international competition, industry fragmentation, the shifting of roles between suppliers and retailers – there are many forces for change in our industry. The battle for customers is getting ever tougher. After what we have achieved in 2003, Coop Norden is better equipped to be one of the winners in this battle.

Stockholm, March 2004

A handwritten signature in dark ink, which appears to read 'Svante Nilsson'. The signature is written in a cursive style and is positioned above the printed name and title.

Svante Nilsson
President and CEO



Driving forces

Coop Marked, a chain full of driving forces.

(COOP NORGE) The key value of Coop Marked is: Service. For this reason, in 2002 the chain developed an employee development programme – the Driving Force programme. A number of store managers were trained in the central values, and they put together strategic teams. It will then be the task of these “driving forces” to teach all other store managers in the chain the central values: “What we don’t have, we obtain”, “Correct prices”, “Good, personal service” and “The store as a local meeting point”. The store managers learn presentation techniques and how to run meetings. The programme has generated great enthusiasm and commitment, with a focus at all times on the ability to make things happen and be involved. Coop Market is the biggest chain of local stores in Norway, and most of the stores are located in rural areas.

VISION

“A better, safer everyday life through profitable, member-owned stores.”

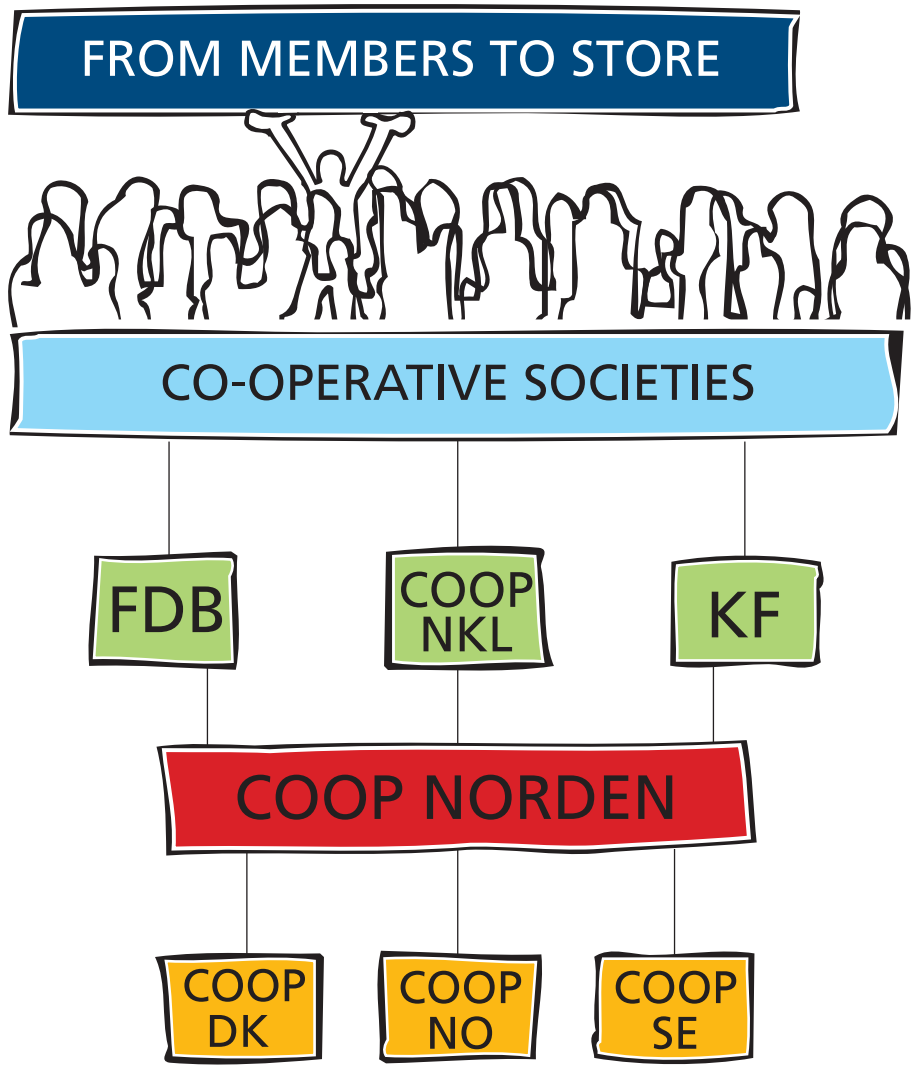
Coop Norden expresses its objective in a newly-formulated vision.

Better everyday life means such things as a good product range, good prices and good service. A safer everyday life includes good product quality, honest product information, strict demands on ethics, the environment and health.

BUSINESS CONCEPT

“With motivated, committed employees, we must offer members and customers a broad range of products, so that efficiency, price, quality, service and consideration make our range competitive.”

A new business concept describes the most important principles in achieving the vision.



More than five million members

The three co-operative societies have around five million members. Each member has one vote and is represented through the national unions. This provides a unique opportunity for influence.

The national unions and co-operative societies

FDB in Denmark with 401 co-operative societies and 1.6 million members. Coop NKL in Norway with 216 co-operative societies and 0.9 million members. KF in Sweden with 63 co-operative societies and 2.9 million members.

The unions and Coop Norden

FDB owns 38% in Coop Norden, Coop NKL 20% and KF 42%.

The co-operative societies and Coop Norden

Coop Norden owns 100% of the subsidiary companies Coop Danmark, Coop Norge and Coop Sverige.

The stores

Coop Danmark runs 1,140 stores. 463 stores are run by the 401 co-operative societies. Coop Sverige runs 398 stores. 679 stores are run by DDF* or KF. Coop Norge owns the concept but does not run any stores. The 953 stores are run by the 216 co-operative societies.

*Co-operative societies which run retail operations

Coop first with full integration in the Nordic region

Continued globalisation increases competitive pressure

In the last decade increasing competition with greater price pressure have generated tremendous pressure on greater efficiency in the retail sector. This in turn has driven globalisation, technical development and a shift in store format towards hypermarkets and low-price outlets. Customer demands have also become tougher – not least due to pressure from the increasingly strong competition from international players – in terms of both prices and experiences.

For a long time, retail companies in the Nordic region operated in a reasonably stable competitive situation. This has now been replaced by a period of occasionally dramatic change, in which the old players have to either adapt or disappear from the scene. For a while now the players have been forming themselves into cross-border blocks, and this trend is accelerating in the face of pressure from international players who are opening new stores, industry fragmentation and various initiatives by existing players. Competition is getting tougher by the day.

Both horizontal and vertical integration

Developments are increasingly being characterised by integration – horizontal and vertical. Horizontal integration takes the form of players allying themselves with one another to achieve benefits of scale and extra impetus. Vertical integration involves eliminating expensive middle men.

Coop Norden is the first company with a fully integrated Nordic structure, and is thus driving this trend, in terms of both horizontal and vertical integration.

Horizontal integration is continuing in various forms: mergers (as in the case of Coop Norden), acquisitions, alliances and organic growth. ICA is a block that has been built up by mergers and alliances, while Axfood/Spar Finland has been built up mainly through acquisitions. During the year NorgesGruppen entered into a partnership with Carrefour, and it is also collaborating with Spar Finland Dagrofa/Supergrös in Denmark. The German low-price chain Lidl is expanding in a mainly organic way, and started its Nordic expansion

by moving into Finland in 2002. Following Sweden in 2003, it will be the turn of Denmark and Norway in 2004.

The background to the vertical integration is that suppliers have traditionally had unreasonably high margins compared to the retail sector. At an early stage suppliers built up an international structure, based on efficient production and low labour costs. This produced a number of very strong international suppliers, while the retail sector was in a much weaker position due to its local nature.

The development of own brands in the retail sector must be seen partly in this light. The ability to offer customers more value-for-money products and to improve retail margins are the two main driving forces behind the growing proportion of stores' own brands. This double benefit is based mainly on a reduction of producer margins and marketing costs. Brand profiling focuses on the stores rather than the individual products, which means that the front line in the brand war is being moved forwards. The creation of Coop as a master brand is a reflection of this. Coop will have a stronger presence in terms of both the retail concepts and in its own brands.

Read more about Coop's brand strategy on page 12.

Retail forms in the Nordic region – it's all about market adaptation

The Nordic market exhibits some major differences in terms of the presence of different types of stores and in which types there is growth. Even though some of the differences are somewhat entrenched due to historical or geographical reasons, there is tremendous pressure towards market adaptation and harmonisation.

Stores with a primary focus on low prices (hard discount) are a dynamic segment, especially in Denmark. In Norway the discount stores (which have a less aggressive profile and are therefore called soft discount) account for almost half of retail sales in the country, but despite this the average price level is higher than in the rest of the Nordic region.

The discount segment is also expanding in Sweden. In recent years Netto and Lidl have been opening stores there. In Sweden there are also highly effective hypermarket concepts in the food segment with large product ranges,

high quality and low prices. The launch of Coop Extra in Sweden means that Coop is moving into this dynamic segment of large food stores, which can be viewed as a core area for Coop.

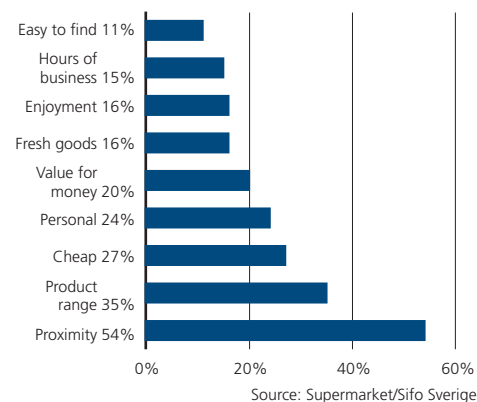
Traditional supermarkets are facing tough pressure from various directions: hypermarkets, food supermarkets, convenience stores and discount stores. There will continue to be room for traditional supermarkets, but the location and the local competition situation will be crucial.

Availability has become an increasingly important dimension in the segmentation of the market, alongside the traditional dimensions of price and product range. High availability in the form of proximity and opening times justify higher prices. Proximity is decisive in the choice of store for 54 per cent of customer choices. Product range determines 35 per cent of choices, and low process 27 per cent of choices. (See below.)

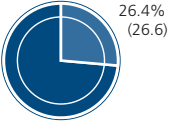
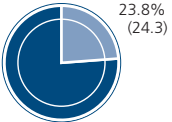
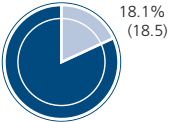
Many of Coop's current supermarkets will be developed into convenience stores. This is a different business model, which affects both the product range and the operating profile. For example, as availability is decisive, you do not have to advertise as much. The main purpose of advertising is to generate traffic.

Hypermarkets are the area in which the Scandinavian markets are most similar. This is also the segment in which Coop is currently most dominant, with Coop Obs! in Norway, Coop Forum in Sweden and Kvickly xtra in Denmark.

CUSTOMER'S CHOICE OF FMCG STORE



The entire Nordic FMCG market grew from there being free traders and consumer co-operative societies – but no real chains. Developments in the three countries have not been quite identical, but for a number of years they have been following a similar pattern and moving in the same direction.

MARKET DESCRIPTION	POSITION	MARKET SHARE
<p>Denmark Quick integration despite fragmented ownership profile Danes are more traditional in their shopping habits than their Nordic neighbours, which encourages small outlets. Small players also characterise the FMCG sector in Denmark in a quite different way than in the rest of the Nordic region. Individual stores currently account for around 30 per cent of total sales. The fragmented ownership structure has made it difficult for major players to buy their way into the market. There are also regulations that forbid the building of stores of more than 3,000 square metres outside urban areas, which has made it even more difficult for multinational companies to break in and compete with local traders.</p> <p>Having once been entrenched in a fragmented structure, integration is now growing rapidly in Denmark. Free traders have joined forces to form SuperGros under the Dagrofa Group, in which collaboration has grown quickly and where the talk is now of a joint retail concept.</p>	<p>The consumer movement has a strong position in Denmark, with 26.4 per cent of total sales and with established chains such as Kvickly, SuperBrugsen and Fakta. The major competitor is Dansk Supermarked with around 30 per cent of the market and Netto as its biggest chain.</p>	<p>THE CONSUMER MOVEMENT'S MARKET SHARE OF FMCG</p> <p>DENMARK</p>  <p>26.4% (26.6)</p>
<p>Norway The discount concept is dominant – but with the highest price level in the Nordic region. The structural change in Norway was initiated initially by the success of Rema- and Rimitutikerna with their Rimi outlets. To reinforce their competitive position, the other players were forced into various collaborations, within and beyond national borders. The Hakon Group merged with ICA in Sweden. Ahold then bought into this in 2000.</p> <p>Norway has had a ban on the building of hypermarkets since 1998, which is why the number of supermarkets is lower than in the other Nordic countries. This, combined with Norway's topography, means that smaller stores dominate. However, the focus on price makes it difficult to run stores as a small player, as cost efficiency is thus poorer.</p> <p>In Norway discount stores account for almost half the total sales in the country. In spite of this, the country in general has a high price level. Against this background consumers are unwilling to pay an additional price premium for narrower concepts.</p>	<p>In Norway the consumer movement has 23.8 per cent of the market. The concept includes everything from the small Coop Marked grocery stores to the Coop Prix discount stores. The main competitor in Norway is Norges-Gruppen with 34 per cent.</p>	<p>THE CONSUMER MOVEMENT'S MARKET SHARE OF FMCG</p> <p>NORWAY</p>  <p>23.8% (24.3)</p>
<p>Sweden New players make competition tougher Collaboration in Sweden between free traders has been gradually broadened and deepened. For example, ICA has its origin in free trade co-operatives, and Axfood collaborates with a significant proportion of Sweden's independent traders. The market in Sweden is characterised by relatively few players. One important event of recent years is Ahold's entry into ICA, although the stores continue to be owned by the individual traders.</p> <p>In contrast to the other Scandinavian countries, there are in general no restrictions on new outlets in Sweden. Quite the opposite, local politicians encourage discount stores to promote competition. Discount players have long been around, but only now is the discount segment – with the arrival of new, international players – starting to play a more prominent role in the market. The hypermarket and supermarket segment is expanding. The streamlining of the concept and the brands has made great progress in Sweden.</p>	<p>In Sweden the consumer movement accounts for around 18.1 per cent of the FMCG market. The Coop Forum hypermarket concept and the Coop Konsum supermarket chain are well dispersed and have a good position. The main competitor is ICA, with 37 per cent of the market.</p>	<p>THE CONSUMER MOVEMENT'S MARKET SHARE OF FMCG</p> <p>SWEDEN</p>  <p>18.1% (18.5)</p>

CHEAPER, MORE EFFICIENT LOGISTICS

(COOP DANMARK) Coop Logistics implemented a comprehensive analysis of the location of warehouses and the distribution system. The distribution of non-food items continues to take place from Odense, dry products from Albertslund, Vejen, Vejle and Aalborg, and fresh products from Hasselager and Brøndby. Distribution from the Christianfeld Dairy Centre was transferred to Hasselager, making it the biggest centre for fresh products in Northern Europe. Modification of milk and meat distribution, efficiency improvements at all levels, the committed efforts of employees and reduced sick leave combined to create major savings, which resulted in paybacks to the stores.

BODØ CLOSURES AND FRUIT AND VEGETABLE WAREHOUSE SET UP

(COOP NORGE) In 2003 the board of Coop Norge decided to close down the warehouse in Bodø as from February 1st 2004. At the same time a smaller warehouse with about seven employees will be set up to supply fruit and vegetables to the Bodø region. Other functions at the Bodø warehouse will be transferred to Tromsø and Trondheim.

Reduced overheads

(COOP SVERIGE) In the spring of 2003 a project started with the aim of reducing central costs in Coop Sverige. The project has the tough, but realistic objective of reducing overhead costs to 2 per cent of turnover no later than 2005. By that time the costs for the business in the chain behind store and terminal must have been cut by the order of SEK 500 million.

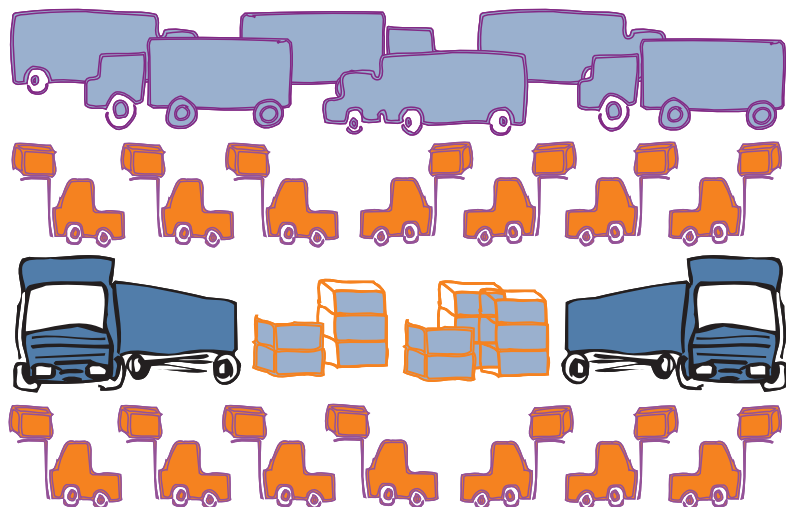
This major reduction is necessary now that competition in the retail sector is tougher, with a greater emphasis on price. Customers and members demand more competitive prices, high quality and good service. To be able to offer this in the long term, Coop Sverige's business must become more efficient.

During the summer and the autumn 2003 all prevailing structures and activities were questioned. The aim was to identify a simplified, more cost-efficient way of working in order to create a service organisation with a strong focus on the market, an organisation that clearly puts customers and stores first.



Coop Sverige's new service office in Solna.

The emphasis of the savings will be on staff costs. In the immediate future Coop Sverige will be halving the number of employees in its central organisation. This has meant that many tough decisions have had to be made about redundancies. An increased co-ordination of activities within the Coop Group is also contributing towards cost reductions, and an improvement of efficiency in the marketing function. The service office's move to new premises are bringing down rental costs.



IMPROVING THE EFFICIENCY OF THE TERMINAL STRUCTURE

(COOP SVERIGE) Coop Sverige has moved towards more large-scale, efficient logistics by means of concentrating activities at the distribution terminals on fewer units. We are creating bigger, more specialised terminals. Bigger terminals enable us to receive larger volumes from suppliers, which means better purchase prices. Handling costs are reduced. Service to the stores can also be enhanced. In the longer term this rationalisation process also creates the conditions for investments in the work environment and ergonomic issues.

Improving the efficiency of the terminal structure will be implemented mainly during 2004. When it has taken effect, this is expected to generate an annual saving of approx. MSEK 40-60.



Irma & Irma City

Ready meals and low in fat

(COOP DANMARK) Two of the most pronounced trends among consumer preferences are more tasty, low-fat food products and more healthy, tasty, ready meals.

Irma, the world's second oldest FMCG chain, founded in 1886, proved that the chain still stands for new thinking and innovation. In collaboration with the small but modern These dairy, Irma presented the world's lowest-fat milk, "Jersey Per Thousand Skimmed Milk" with only 0.05 per cent fat. The combination of flavour and the low fat content made the milk a sales success.

Irma's new convenience concept, Irma City, has steadily attracted customers thanks to the concept of high quality fast food and a range and pricing policy that is extremely competitive with other convenience stores. Irma City now has 3 outlets in Copenhagen.

Major synergy benefits in the Coop Group

The co-operative business model is based on the tremendous gains that can be made through collaboration. Coop Norden is evidence of this. In the group's very first year, 2002, synergy benefits were estimated at SEK 367 million. In 2003 synergies generated SEK 483 million. This means that since the merger it has been possible to generate approx. SEK 850 million by means of synergies. So far this has not yet succeeded in making an impact in the form of lower prices on a large scale, but it has enabled Coop to retain its market position and strengthen its competitive edge. And that's just the beginning.

The Coop Group was created to deal with the trend in the European FMCG market of

larger players in both the supply chain and the retail trade. By merging the FMCG operations of the three Scandinavian consumers' co-operations, we created the largest FMCG retailer in the Nordic region, with excellent potential not only to deal with international competitors but also to lead the way in many areas. The purpose of Coop Norden is to improve products and services offered to members and customers and to increase earning power by utilising the group's size and all of the expertise contained within the merged companies. For this reason Coop Norden has now created joint functions for Logistics, Business Development and IT.

IT investments continue to be high, and in order to achieve savings and other benefits we

are striving to create joint processes and work methods. As far as business development is concerned, it is a matter of building the joint brand and our own brands, developing the chain concept and learning from one another in our work on best practice. This is where the greatest synergy benefits lie in the long term. In the shorter term the greatest synergies can be found in logistics. Through its large purchasing volumes the Coop Group has already been able to negotiate favourable framework agreements with the industry's biggest suppliers. It has been possible to reduce purchase prices by between 5 and 25 per cent.



Logistics

– Coop Norden’s joint base

“Coop is the Nordic region’s biggest buyer of FMCGs”, says Roger Gehrman, manager of Coop Norden’s logistics operation. “This creates tremendous potential to offer our customers an attractive range of products at good prices. For us to be able to make use of the opportunities, we must co-ordinate our purchasing activities as much as possible. It is a question of harmonising our product range and removing unnecessary variances between the countries, while maintaining the differences that are important in each market. There is much that customers in Denmark, Norway and Sweden have in common, but there are also some differences. We have organised our purchasing and category organisations so that they focus on co-ordination and harmonisation, while making allowances for the necessary differences.”

“Our joint logistics operation is based on a few important principles,” he continues. The first is the investment in our own brands, to create both large purchase volumes and synergies in terms of development and marketing costs. The second is a joint methodology as we build our product range to maximise the potential for harmonisation. The third is our joint policies on the environment and ethics, as well as product safety and health. These are a precondition for a harmonised product range and bigger purchase volumes, not least in the food area.

COOP NORDEN’S LOGISTICS OPERATION CONSISTS OF:

Food

The category organisation for food products has its main location in Copenhagen, but there are also national mirror organisations to guarantee that allowances are made for the differences in the markets. Food products are Coop’s core business, and what we do here is quite decisive for our long-term success, in terms of both external branded products and our own brands. As far as branded products are concerned, it is a matter of co-ordinating as much of the range as possible and negotiating joint Nordic purchase agreements on more favourable terms. However, there are national



Roger Gehrman, Vice President of Coop Norden and head of Logistics.

differences in consumption patterns in the area of food products, and these must be fully mirrored in Coop’s product range.

Non-food

A fully integrated function based in Copenhagen that takes care of all of the group’s non-food purchases, except those relating to DIY & Garden. The market for non-food items within the FMCG sector is an expanding one, and an area that the group is prioritising. A number of own brands are also being developed in this segment.

DIY & Garden

A segment in which Coop Norden is big in Norway and Sweden. The function is fully integrated, with locations in Stockholm and Oslo.

Indirect products

This function buys all products, goods and services that are not sold on to customers. Here too it is a matter of co-ordinating and improving the efficiency of purchases within and

“There is much that customers in Denmark, Norway and Sweden have in common, but there are also some differences. We have organised our purchasing and category organisations so that they focus on co-ordination and harmonisation, while making allowances for the necessary differences.”

between markets and concepts in order to create large purchase volumes and thus be able to reduce costs. Major savings have already been possible in a number of areas, such as packaging and the procurement of printed items and paper. Efforts are now being co-ordinated area by area, for example in-store shelves, freezer displays and shopping trolleys, as well as services such as electricity, telecommunication and insurance.

Joint shipping organisation

The co-ordination process is continuing within the group. One example is the field of logistics, where we have started to use a number of common key figures to compare the various businesses and implement best practice across borders. All inflows to Scandinavia will be co-ordinated within a joint shipping organisation.

Coop's own brands are positive driving forces

JOINT BRANDS



Coop Norden's own brands are based on and developed with a focus on customers' wishes and purchasing behaviour. Down the years the co-operative movement has developed greater and greater knowledge of what customers want. Based on this we have identified and successfully been able to fill gaps in various product categories, which has helped to create a stronger range of products for our customers.

Price is one important dimension, but there are others. Änglamark (Sweden), Natura Økologi (Denmark) and Coop Natur (Norway) have enabled us to drive through organic alternatives in a number of categories. In other areas we have become a market leader thanks to our innovation – for example in terms of fresh ready meals or by being the first to launch a totally new, popular product – Quorn – in Sweden. With low-price brands in each country we have kept our promise to offer our customers good products at a low price. This promise remains true – now reinforced by a new, joint brand – X-tra which is also sold by the Finnish consumer movement.

The customers choose. They will never want to have our own brands and nothing else, but they do want a large, multi-faceted range. We will continue to contribute to this. Our own brands will continue to be positive driving forces in creating better alternatives for consumers and a more efficient food industry and trade.

Profitability and product assurance the watchwords in food

As far as own brands in the food segment are concerned, we com-

“Our own brands will continue to be positive driving forces in creating better alternatives for consumers and a more efficient food industry and trade.”

bine a stringent approach to profitability with equally stringent demands on product quality. Environmental and quality assurance – what we refer to as “product assurance” – are a prerequisite for our own brands. Product assurance is by tradition a very high priority in the Nordic co-operative movement, and in the past was guaranteed in the Coop Laboratory in Denmark and Coop Provkök (Test kitchen) in Sweden. Product assurance is now operating on the basis of a joint environmental policy, continued high standards and joint guiding principles. We work according to the producer liability principle, and place tough demands on suppliers in terms of product safety. We will be using external experts to guarantee suppliers' product assurance.

Major investment in own brands in the non-food segment

The potential for developing own brands in the non-food segment is enormous. There is potential here to deal direct with producers and create our own brands, thus eliminating expensive middle men. As the product range is very heterogeneous, this will be an ongoing task. In 2003 the Tero brand of light bulbs was launched, and the beginning of 2004 saw the launch of Id, ideas daily, for candles, serviettes and disposable articles. A number of new brands in various areas will be launched during the course of 2004.

The aim is that our own brands will constitute a significant proportion of Coop's non-food range within the not too distant future. They are also a means of reinforcing the stores' profiles.



Investment in joint brands

Coop

Coop is the new Nordic brand for products with high quality and a lower price than other leading brands. The products will be sold in the co-operative movement's stores and hypermarkets in Denmark, Norway and Sweden, as well as in Finnish co-operative stores. In Sweden this means that Signum will change its name to Coop. In Norway the Norwegian Coop brand will be converted to the new Nordic Coop design. In Denmark Coop will be introduced as a new brand.

X-tra

X-tra is Coop's new, joint discount brand in the Nordic region, with prices among the lowest in each market. The range will consist of a limit-

ed number of products in strategically selected categories. The brand will gradually be introduced to customers, as Blåvitt in Sweden, Godt kjøb in Denmark and XP in Norway will gradually be replaced by X-tra or Coop. X-tra satisfies Coop's strict quality assurance standards. X-tra will also appear in some of the Finnish co-operative's outlets.

Id

At the beginning of February 2004 Coop Norden launched a new brand for items including disposable articles, candles and serviettes. Id will in due course also include household items such as pans, glass, crockery and home textiles.

The products carry the Swan eco-label, and prices are below those of brand suppliers and the quality is comparable or higher.

Tero

In 2002 Coop developed its own brand for basic products in the electrical area – Tero. Tero takes its name from terotechnology, a science that covers functionality and reliability in terms of both human requirements and technical performance. During the past year a full range of Tero light bulbs was launched – from regular light bulbs and energy-saving bulbs to halogen bulbs. These light bulbs replace the old ranges of bulbs in Denmark, Norway and Sweden. The Tero brand has been a success, and will be extended to include other generic categories, e.g. batteries and tools.

National brands

Coop Danmark

Coop Danmark has a large number of own brands, but five in particular enjoy a high profile and are very popular among consumers. The Bluecare brand is used to market washing and cleaning. Minirisk includes a range of cleaning, baby-care and hygiene products, as well as nappies that reduce the risk of allergies and are gentle on sensitive skin. Natura Økologi is Coop's organic brand in Denmark. Danefrost is Denmark's biggest brand for frozen products. Danefrost will gradually be replaced by Coop. Friends is the brand for children's and babies' clothes, nappies and other items for children aged 0–4.

Coop Norge

Coop Norge has three platforms for its own brands. XP is Coop's discount concept in Norway, and in the course of 2004 it will be

replaced by the new Nordic discount concept X-tra. Coop products consist of carefully selected product with at least the same quality as other well-known brands but at lower prices. Coop Natur is an own brand for high-quality organic products. All Coop Natur products are approved by Debio and bear the Ø-label, which is the guarantee of organic production.

Coop Sverige

Coop Sverige has three own brands. Blåvitt was launched as a discount brand back in 1979, and will now be replaced by X-tra. Signum products have the same high quality as other leading brands, but at a lower price. Signum will be phased out over two years and replaced by Coop. Ånglamark is the leading Swedish environmental brand. All FMCG products are KRAV-labelled, except certain charcuterie products, in which nitrite is added for health reasons. Coffee, tea, chocolate cake and cocoa carry the Fair Trade label as well.

NATIONAL BRANDS

Denmark



Norway




Sweden



The Danefrost brand in Denmark, the XP brand in Norway and the Blåvitt and Signum brands in Sweden will be replaced by the joint brands Coop and X-tra.

15 concepts in three countries

CONCEPT	DIRECTION AND PRODUCT RANGE	TARGET GROUP
Local stores		
 Chain Director: Preben Jensen Number of stores: 339	Chain of mini markets in local communities all over Denmark. Most are open seven days a week. Current selection of fresh products. Personal service, with extra service functions, e.g. Post Office.	Families and households who shop locally. 
 Chain Director: Preben Jensen Number of stores: 79	Local shops, usually in smaller local communities. These stores are the smallest in terms of area, but have a current range of fresh products and regular new items in the non-food area.	Families and households who shop locally. 
 Chain Manager: Per Jakobsen Number of stores: 386	Norway's biggest chain of local stores, with a strong focus on personal service and local adaptation. The product range covers everyday grocery needs as well as selected non-food items.	Mainly mature adults, as well as families with strong local roots. 
Supermarkets		
 Chain Director: Nick Bigler Number of stores: 283	Denmark's biggest supermarket chain, with a focus on fresh products, good customer service and a modern range of products.	Quality-conscious consumers, who make demands on products in terms of both safety and joy in food. 
 President: Alfred Josefsen Number of stores: 64	Supermarkets and mini markets, primarily in Greater Copenhagen. High-quality products, good service and inviting stores. Has a wide range and a large market share of organic products.	Modern, quality-conscious consumers in big cities, who are interested in new trends, gastronomy, ecology and animal welfare. Singles of all ages. 
 Chain Manager: Wenche Løvland Number of stores: 157	Coop Mega, Norway's biggest supermarket chain, is the mealtime store that specialises in culinary tips and recipes.	Multi-person households with or without children, who appreciate a varied product range and tasty mealtime solutions. 
 Chain Manager: Thomas Evertsson Number of stores: 342	Sweden's biggest integrated FMCG chain. The chain has one of Europe's widest ranges of organic products, and the business's watchwords are food mastery and organic produce.	People with modern values. Primarily aged 35–50, but also with a focus on those aged 15–35. 
 Chain Manager: Thomas Evertsson Number of stores: 13	During the year, development work continued with the new supermarket chain Coop Extra. Through its skilled and dedicated staff, Coop Extra will become the best grocery store in the area – by offering extra keen prices on a range of products to suit the superstore customer.	Consumers who need major shopping – multi-person households and families with children. 

CONCEPT	DIRECTION AND PRODUCT RANGE	TARGET GROUP
Hypermarkets		
 Chain Director: Michael Thureau Number of stores: 14	Ultra-modern stores with a current range of non-food items and a large, high-quality range of fresh products. Located in Denmark's biggest towns and cities.	Modern, quality-conscious consumers from a large geographical area. 
 Chain Director: Michael Thureau Number of stores: 73	Stores that are primarily the venue for both daily and major shopping trips. Wide selection of fresh products and non-food.	Modern, quality-conscious consumers with an interest in haute cuisine. 
 Appointed Chain Manager: Tom Hermansen Number of stores: 21	Coop Obs! is Norway's only countrywide chain of hypermarkets, selling everything from groceries to clothing and sports equipment.	Families with children and adult households. 
 Chain Manager: Josef Gimsøy Number of stores: 14	Coop Obs! Bygg is Norway's first, and at present only player in the DIY market, with a pure consumer concept, large, rational stores and permanently low prices.	The "DIY" customer and the consumer market. 
 Chain Manager: Hans Johansson Number of stores: 43	Coop Forum – Sweden's largest chain of hypermarkets, offering the widest range of FMCG, specialist goods and DIY & Garden.	Households of two or more people who want to shop rationally and economically. 
Low-price outlets		
 President: Claus Jensen Number of stores: 266	Low-price stores all over Denmark. The product range consists of fresh products, groceries, etc. The stores are suitable for cheap, quick, high-quality purchases.	Young, busy families, single households with quick, smaller purchases. Also those with busy social lives who do not want to spend much time on their shopping. 
 Chain Manager: Aud Lundstad Number of stores: 325	Low-price stores all over Norway, with everything for daily household needs at low yellow prices, all year round.	Primarily families with children and young people setting up home. 

* Coop Norge owns the concept but does not run any stores. The 953 stores are owned by the 216 co-operative societies.

Structural measures produce improved profit

The financial year 2003 was the first calendar year in which the common operation covered twelve months in the Coop Norden group.

The economic result for the year 2003 is characterised by mixed results within the retail operation, and by significant investments in structural measures to gain the desired advantage from the potential offered by Scandinavian collaboration. In addition to the group's common structural investment, major rationalisation programs have been carried out within Coop Sverige.

Activities in Kvikly xtra, Kvikly, Coop Konsum and Coop Forum did not generate the expected result, while in contrast other chains exceeded expectations.

THE OPERATING REVENUE INCREASED by 2.5 per cent compared with 2002 to MSEK 86,054. Adjusted for currency effects, the increase was 4.1 per cent. The strongest growth was in sales to the co-operative societies in Norway, especially to the supermarkets Obs! and the low price chain Prix. Despite the good developments in retail, the co-operative retail trade in Norway lost some market share due to a new rate of new establishments. Coop Danmark's shop income increased by 2 per cent, which was a slightly lower increase than that in the total market. The best growth was achieved by Fakta and Dagli'-/LokalBrugsen, while Kvikly and Kvikly xtra dropped sales compared with the previous year. In Sweden sales were unchanged in relation to the previous year, which led to a reduced market share. Coop Forum's sales rose while Coop Konsum's fell, the latter mainly due to a reduction in the number of shops.

THE GROUP RESULT after financial items was MSEK 22 for 2003 compared with MSEK -353 for 2002, which means an improvement of MSEK 375. The operating result amounted to MSEK 457, an increase of MSEK 348 over 2002. The result for 2003 was debited with costs of MSEK 553 of a structural and extraordinary nature and extraordinary positive income totalling MSEK 296 from the sale of the Margarinfabrikken Norge and income from KF's guarantee relating to Coop Sverige's result in 2002. The structural costs mainly concern Coop Sverige's rationalisation program and the formation of a group-wide Supply function in Denmark.

THE GROUP CASH FLOW after financial items improved greatly in relation to the previous year. The positive cash flow is mainly due to less restriction of working capital and a lower investment level. The group's liquid funds at the end of the year amounted to MSEK 1,812 (898). Of the group's total current account credit of MSEK 3,840, only MSEK 36 (830) was utilised at 31 December 2003, which is explained by the positive cash flow.

COOP DANMARK SHOWED a significant increase in results compared with 2002. The operating result before structural costs rose by MDKK 280 to MDKK 275, which is largely explained by the costs in the previous year for conversion of the Obs! stores into Kvikly xtra. All chains had a result equal to or better than the 2002, with the greatest rise for SuperBrugsen and Fakta. Fakta grew by a total of 22 shops and showed good development both regarding sales and result during 2003.

COOP NORGE'S RESULT GREW both in the retail and the industrial sectors. The operating result before structural costs increased by from MNOK 157 in 2002 to MNOK 177 for 2003 (MNOK 293 including the sale of the margarine activity). All shop chains operated by the co-operative societies showed sales increases over the previous year, with the exception of Coop Marked where there was a reduction in the number of shops.

COOP SVERIGE'S INCOME rose by 1 per cent compared with 2002, with an increase for Coop Forum and a slight fall for Coop Konsum, the latter due to a reduction in the number of shops. The operating result before structural costs increased by MSEK 156 to MSEK 225, which was partly explained by significant reserves for the company's pension fund previously and the sale of premises during 2003.

INTERNET SALES DOUBLED

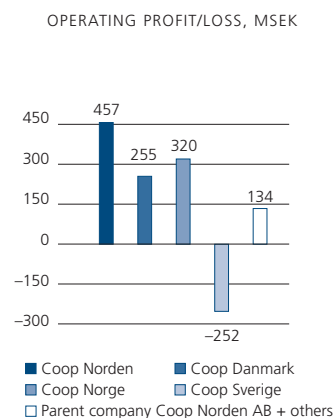
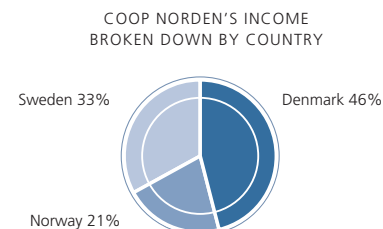
(COOP DANMARK) When the classic chair, The Egg, by Danish architect Arne Jacobsen was put up for sale on NETtorvet at 24:00, chairs to a value of DKK 460,000 were sold in the first 17 minutes. In 2003 Danish consumers have really taken to Coop Danmark's online store, NETtorvet. Average daily sales passed DKK 500,000 this year, and experience tells us that there is no limit to the kind of product that can be sold. The Top Ten most-sold products include: adjustable beds, exclusive wines and exercise machines.

Activities at www.coop.dk were extended to include more new stores. In the autumn an exclusive online store opened with women's lingerie. It featured the old classic Danish lingerie brand Asani, which was relaunched in a modern style. Customers can see and order the products on the Internet and pay for them in any of the 800 or so stores within Kvikly, Kvikly xtra, SuperBrugsen, Dagli'Brugsen and LokalBrugsen.



SUMMARY OF 2003 COMPARED TO 2002

FINANCIAL	2003	2002
Operating income, MSEK	86,054	83,976
Gross margin, %	17.6	17,6
Operating profit/loss excluding one-off costs, MSEK	713	615
Operating profit, MSEK	457	109
Profit/loss after financial items, MSEK	22	-353
Profit/loss after tax, MSEK	29	-205
Equity, MSEK	3,818	4,093
Risk-bearing capital, MSEK	4,718	5,193
Operating capital, MSEK	8,168	11,273
Net borrowing, MSEK	3,451	6,079
Working capital, MSEK	-2,636	-789
Net investments incl. acquisitions, MSEK	475	1,493
Return on operational working capital, %	4.71	1.08
Equity/assets ratio, %	20.4	22.1
Net debt/equity ratio, times	0.73	1.17
Interest coverage ratio, times	3.61	2.46
Cashflow from operational business, MSEK	2,905	-809
Number of stores Coop Norden	1,074	1,073



SWEDEN'S FIRST SELF-SERVICE CHECKOUT

(COOP SVERIGE) Coop Forum in Jönköping was the first to have a self-service checkout in the store, where customers take care of paying for their goods entirely on their own.

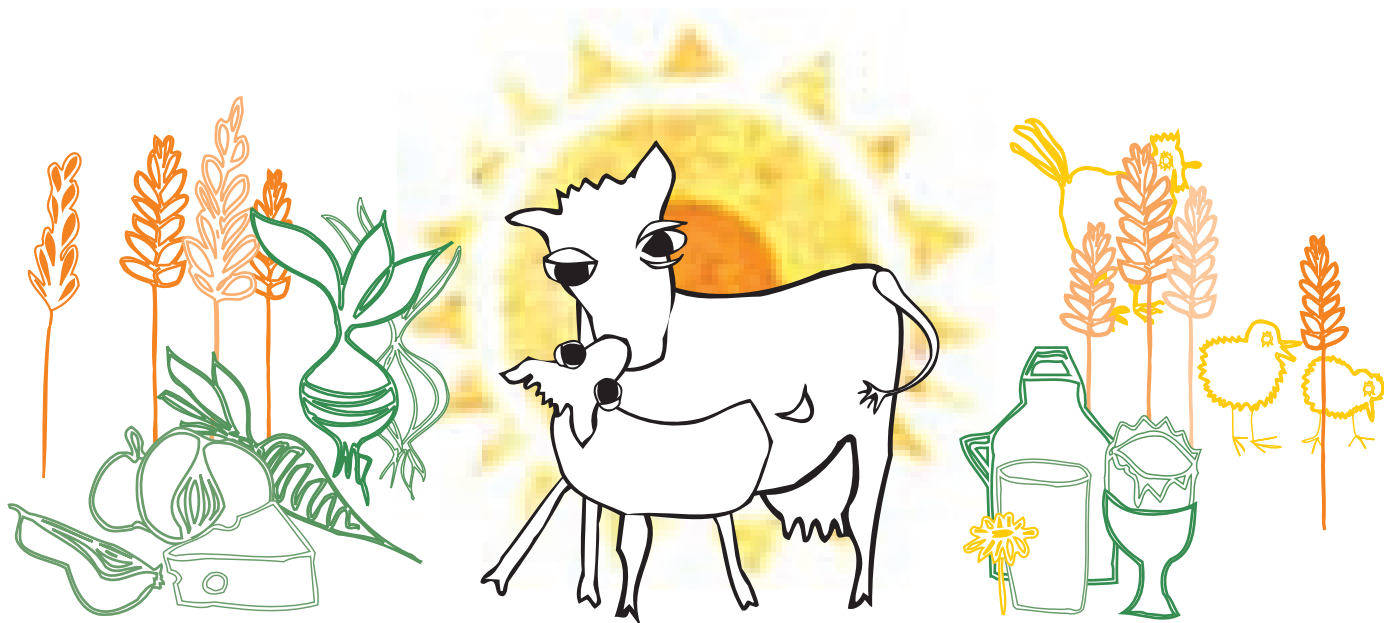
The checkout is available to members who shop with ShopExpress. In the store the customers use a hand-held scanner to read the barcodes on the products and put them straight in their shopping basket. As the products have already been registered when the customer reaches the checkout, they do not have to be placed on the conveyor. The customer simply swipes his or her charge card to complete the purchase. The gate by the checkout opens automatically, the customer takes his or her receipt and leaves.



A simple way of shopping that definitely reduces the queues.

HALF THE PRICE AND BIGGER SALES

(COOP NORGE) When Coop started to purchase shoes at a Nordic level, the prices in Norwegian Coop stores fell by an average of almost one half. But Coop experienced a 15 per cent increase in shoe sales, against a drop in the industry of 6 per cent (2003 compared to 2002). About 70 per cent of shoe purchases are now undertaken at a Nordic level, and the aim is to increase this in future. The stores also have fewer complaints than before. The result: customers now get cheaper, better shoes and the stores have improved their earnings.



Joint Nordic policies

Joint purchasing means joint requirements, which is why the board of Coop Norden took up the matter of joint policies in the areas of the environment, ethics, product safety and health. These are based on co-operative values, and express high ambitions in these areas in relation to products and operations. The environment is affected mainly by the products that we sell, which is why we must have a broad range of products that contribute towards sustainable development. The ethical policy deals with the demands we make of our suppliers, regardless of where we buy our products from. In the field of health and safety our policy expresses the importance of offering healthy, safe products in our stores.

What all of these policies have in common is that the results will be published, as a part of the annual report and in other ways. We will conduct a continuous dialogue with owners, consumers and other interested parties to influence developments.

The widest and cheapest range of organic food

(COOP SVERIGE) A survey conducted by the Swedish Consumer Agency showed that the biggest range of organic food can be found in the co-operative movement's stores. Organic food here also cost less.

Coop selected as public partner in organic campaign

(COOP NORGE) The Norwegian Ministry of Agri-

culture selected Coop as its sole partner from the major FMCG chains in its advertising campaign for organic products in the autumn of 2003. The campaign was timed to coincide with Coop running its organic environmental weeks, as the Ministry felt that Coop had the best thought-out marketing plans.

Fresh chicken without campylobacter

(COOP DANMARK) For three years Coop Denmark has been selling the world's first guaranteed campylobacter-free frozen chicken, with the aim of reducing growing problems with this pathogenic bacterium. At the beginning of 2003 the first campylobacter-free fresh chicken was launched in collaboration with the chicken supplier Danpo.

Organic products reduce the use of chemical pesticides

(COOP SVERIGE) In 2003 Coop Norden sold 93,800 tonnes of organic products. According to our estimates, this reduced the use of chemical pesticides by approx. 57,000 kg.

First with 100% FSC-labelled garden furniture

(COOP DANMARK) Coop Denmark was the first major Danish company to be able to guarantee that all of the season's garden furniture made of wood came from sustainable production, bearing the official FSC label. This was the result of four years' targeted work to guarantee

Danish consumers that their garden furniture did not come from forests that were being exploited, but from controlled, sustainable production.

200 tonnes of Fair Trade coffee from Guatemala

(COOP NORGE) In 2003 Coop Coffee bought almost 200 tonnes of coffee from the Fedecocagua co-operative in Guatemala. Coop Norge Kaffe AS now uses this coffee in all of its blends wherever possible, as well as selling the coffee under its own brand – "Café Futuro".

Lower price for organic milk

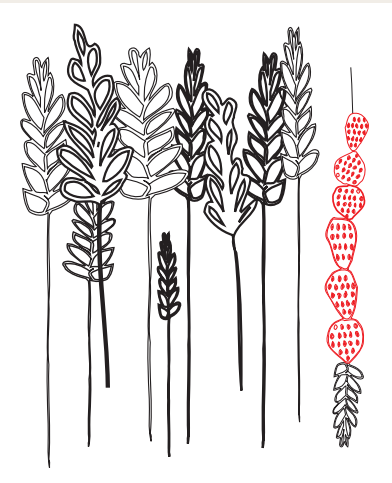
(COOP SVERIGE) The price of organic milk was reduced by SEK 0.25 in Coop Konsum's stores. This was one more step towards the objective of only selling organic milk in Coop Konsum. An increase in the demand for organic milk is contributing towards enabling more and more farmers to switch to organic animal farming.

Organic cotton – first in the Nordic region.

(COOP SVERIGE) Coop is the first retailer in the Nordic region to sell eco-labelled cotton products. After about two years' hard work, Swan-labelled and KRAV-labelled hand towels, pillowcases, sheets and duvet covers from Änglamark are now available at Coop Forum.

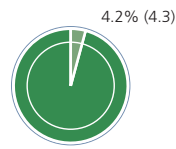
COOP AMONG THE BEST ENVIRONMENTAL COMPANIES IN NORWAY

(COOP NORGE) 47 per cent of people questioned believe that Coop is one of the most environmentally aware companies in Norway. Coop was in fifth place in terms of total ratings of environmental awareness in MMI's major customer survey of 115 major Norwegian companies in 2003. This puts Coop at the top of all trading companies in the country, and by far the best among the FMCG competitors in Norway.

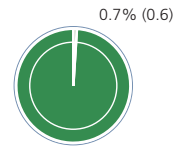


ORGANIC FMCGS AS A PROPORTION OF TOTAL FMCG SALES IN SEK

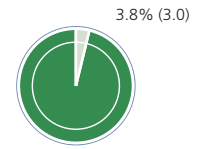
COOP DANMARK



COOP NORGE

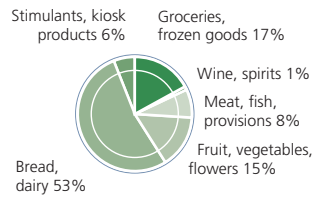


COOP SVERIGE

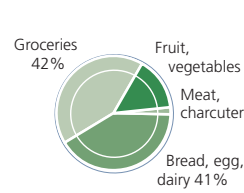


DISTRIBUTION OF SALES OF ORGANIC ARTICLES PER CATEGORY BREAKDOWN IN

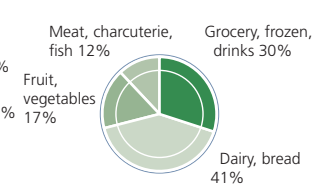
COOP DANMARK



COOP NORGE



COOP SVERIGE



COOP KONSUM IN FIRST PLACE

(COOP SVERIGE) In 2003 Coop Konsum was once more in first place in terms of environmental image, further increasing its lead over its competitors. Every year the magazine Miljö Eko conducts an image survey, in which consumers and environmental managers give ratings to the environmental image of Swedish companies.

This first place is the result of a number of environmental activities on various fronts. Among other things, for a number of years Coop Konsum has undertaken broad-based environmental training of its employees, which has in turn generated increased organic sales.

2003 IN BRIEF

ORGANIC	COOP NORDEN	CHANGE, %	COOP DANMARK	CHANGE, %	COOP NORGE	CHANGE, %	COOP SVERIGE	CHANGE, %
Total sales of eco-labelled/organic foods, tonnes	93,800	1	51,900	-2	3,887	6	38,010	5
Number of eco-labelled/organic food products	2,297	7	1,200	1	152	9	945	16
Sales of eco-labelled health & beauty products as a % of total sales of health & beauty products			16		46		34	
Number of eco-labelled health & beauty products	354		24		55		275 ¹⁾	
Sales of eco-labelled hygiene products as a % of total sales of hygiene products			11		21		43	
Number of eco-labelled hygiene products	442		27		35		380 ¹⁾	
Number of eco-labelled (Swan, EU Flower) other products	1,149		330		74		745	
Number of FSC-labelled products	125		41		15		69	
Recycled plastic in terminal/warehouse, tonnes			625 ²⁾		822		900	
Recycled cardboard in terminal/warehouse, tonnes			378		3,333		13,907	
Carbon dioxide emissions from warehouse/terminal to store, tonnes			16,042		8,152		24,961	

1) Includes Bra Miljöval (Good Environmental Choice).

2) Relates to stores.

Coop Norge's figures only include sales and operations at Coop Norge's distribution units, not retail sales.

Good working environment and good development opportunities



Coop Norden's workplaces must be characterised by a good working environment and good development opportunities, and healthy working conditions in general. It is the task of the HR functions to initiate and support implementation of this work, and thus to establish our personnel policy.

In the competitive world in which we operate, the conditions for our jobs and thus the job content will be constantly changing. These changes must be implemented with professionalism, good ethics and respect for the individual employee.

Within the integrated Coop Norden the subsidiaries have the main responsibility for HR work.

The main responsibility for policies and guidelines, as well as operational responsibility for a number of key processes in the provision of managers, skills development, wages, terms and conditions, and trade union collaboration lie at group level.

Organisational development and staffing

During the year the Nordic structure has been established and a number of joint group functions have been formed. At the same a need has been identified for a more efficient organisation with a clearly defined allocation of what is done on Nordic level and in the subsidiaries and between the subsidiary and the retail consumer societies.

The organisation and staffing have been developed in close, trusting collaboration with the trade union organisations despite a complicated collective agreement situation.

Skills and management

A Nordic trainee scheme started in 2003, the structure of which is based on experiences of the previous schemes in the three Nordic countries.

Candidates for the next generation of management teams in the subsidiaries are to be developed in a "high-potential" scheme. Participants were selected during the year, with the scheme due to start in spring 2004. The scheme also aims to encourage more female senior managers.

During the year work started on establishing a joint group management development process and a process for skills development.

To promote flexibility of skills between the various units and the subsidiaries, a model for the Nordic labour market has been developed, and we have started to implement this.

Review of terms and conditions

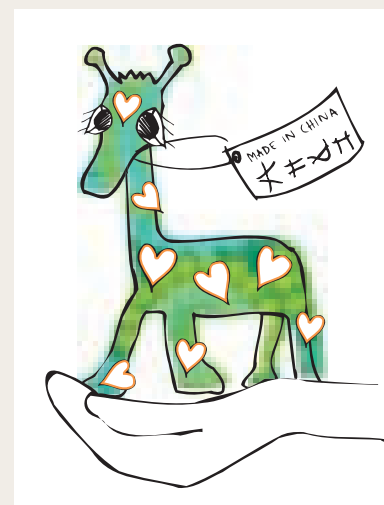
A review has been started of the wage system and terms of employment within Coop Norden. This includes guidelines for the bonus system, wage policy and contracts of employment.

Trade union collaboration

An information body comprising participants from the three Nordic countries – the EWC Council – was formed in 2003. This collaboration will be further developed, so that good trade union collaboration can be maintained, with the opportunity to have an early involvement in decision-making processes.

ETHICS IN THE FAR EAST

(COOP DANMARK) To ensure that non-food products from the Far East live up to Coop's ethical requirements, courses have been implemented in auditing for employees of Intergroup Far East Limited, who take care of purchasing in China, Indonesia, Pakistan and Vietnam. A supplier that failed to grant access to Intergroup's employees in 2003 for a check was excluded as a supplier.



Denmark's biggest customer survey

(COOP DANMARK) Kvickly and SuperBrugsen conducted the biggest survey so far of satisfaction among customers and employees. Under the heading "Customer Monitor", in the spring more than 100,000 responded to an electronic questionnaire, and provided good advice on how to create improvements. A corresponding survey was conducted once more in the autumn.

Coop – a company that people know and trust

(COOP NORGE) Coop Norge was in tenth place in MMI's major countrywide profile survey, and fourth in terms of a positive image in another survey. The results in 2003 show that no less than 86 per cent of people know Coop. Coop is running an internal quality project known as "Ready for the customer". This has become an important tool in improving the quality of Coop's stores in Norway, and it was also introduced into the non-food stores in 2003.

Credible and modern

(COOP SVERIGE) Coop Konsum's campaign with the message "We've stopped selling eggs from battery hens" attracted great attention. It was noticed by 72 per cent of the population where it was displayed. 83 per cent had a positive response to the campaign and thought that the message was an important one. Surveys of the Coop brand show that it is recognised by 90 per cent of the Swedish population, which also believes that Coop is credible, modern, environmentally active and honest.



2003 IN BRIEF

SOCIAL	NORDIC REGION	DENMARK	NORWAY	SWEDEN
Number of co-operative societies		401	216	63
Number of members	5,440,139	1,618,156	945,526	2,876,457
Average number of employees ¹⁾	27,087	13,700	1,796	11,591
Women	13,948	6,830	420	6,698
Men	13,139	6,870	1,376	4,893

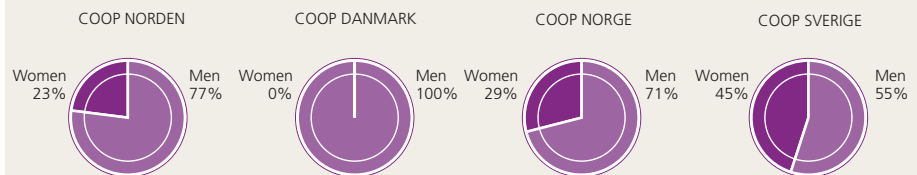
1) Converted into full-time employees. The figures above include the employees of the Parent Company, in each country.

ABSENTEEISM, %	COOP DANMARK	COOP NORGE	COOP SVERIGE
Absence through illness	3.8	8.9	9.0
Parental leave	0.85	1.2 ¹⁾	3.0
Care of ill children	0.07	0.3 ¹⁾	0.5

Legislation in Denmark, Norway and Sweden differs in relation to sick leave and parental/childcare leave. The figures are not therefore comparable.

1) Excl. Coop Norge Industri.

DISTRIBUTION OF WOMEN AND MEN RESPECTIVELY IN MANAGEMENT GROUPS



HEALTHY ACTION AGAINST ABSENCE THROUGH ILLNESS

(COOP SVERIGE) Absence through illness has been on the increase in Coop Sverige for six years. The total cost of this is now estimated at SEK 100 million every year. A figure that is far too high, in both commercial and human terms. Because of this, Coop Sverige has started a project for a healthier future and lower levels of absence through illness.

The project involves an increased focus on preventive action. Studies have shown that sick leave in itself is a cause of ill health. The question of absenteeism is therefore being attacked from several angles.

We are taking action at an early stage to identify when someone is absent through illness regularly, so that the employee does not drift into a long period of sick leave. A system-

atic approach to healthcare is being instigated. All employees who have been absent through illness for more than 30 days undergo a rehabilitation review. Within this project new methods have been developed for better, more effective rehabilitation work.

In certain selected stores and hypermarkets employees have also been given access to around-the-clock emergency telephone assistance on a trial basis. This involves speaking with a nurse, who gives advice and replies to questions, and is also the person who informs the manager that the employee is ill. This is a good service. The emergency telephone help-line also gives Coop Sverige good information on which to base action to reduce absence through illness.

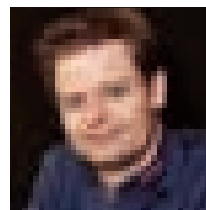
What does Coop mean to you?

A few comments from employees



Two weeks ago I switched from being the team leader for fresh products at SuperBrugsen Skovlunde to my present job as team leader for dry products at SuperBrugsen Svanemøllen. I enjoy having new challenges. As a Coop employee you have the opportunity to develop in various areas, so I appreciate the flexible structure. And I've been given a really warm welcome in this store.

*Britt Friis Daugaard, Coop Danmark
Team leader for dry products at SuperBrugsen
Svanemøllen*



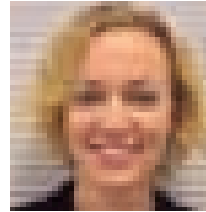
When you work for Coop you have plenty of opportunities for professional development, but personally I'm happy at Kvickly Roskilde, so I've no real desire to move to another store. In 2003 we had lots of good initiatives in the meat department, and customers really welcomed our convenience goods such as meat loaf, filled pancakes and fresh-meat rissoles ready for the pan.

*Mads K. Jensen, Coop Danmark
Butcher, Kvickly Roskilde*



Coop is an international organisation with opportunities, a high-skills operation with interesting jobs, and with a good profile and image. I use my experience of communications, and I'm proud to work at Coop. Coop is there in people's everyday lives, and literally supplies everyday goods.

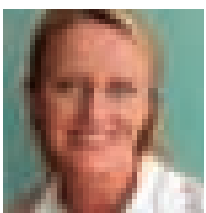
*Rune Gutteberg Hansen, Coop Norge
Communications Manager. New
channels. Sales Department.*



I have an enjoyable, challenging job, with really good colleagues and a good boss. Here I make use of my qualifications. Excellent development opportunities, plenty of different functions with international opportunities, says Gøril, who has lived in Denmark and enjoys collaborating across Nordic borders.

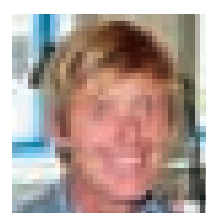
*Gøril Joys Johnsen, Coop Norge
Controller – Central Finance*

A few comments from customers



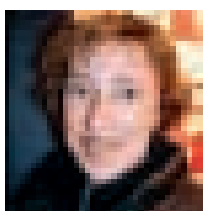
I shop at SuperBrugsen and Kvickly, and it's reassuring to know that Coop's products are OK. I know that they've been tested – and that they consider the ethical aspects, and I think that Coop have shown the way in terms of avoiding allergenic substances in their products – and in terms of organic goods. There's also a good product range, with a wide range of vegetables, and the prices are reasonable.

Mia Knudsen, Denmark



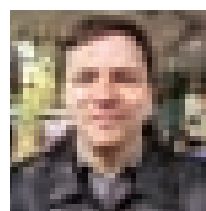
I shop mainly at Irma and Kvickly, and I'm especially interested in a wide range, delicacies and organic products. I'm also really impressed by SuperBrugsen's range of wines. And it's an important detail for me that I can buy milk from the Thise Dairy, so that I'm not supporting the Arla conglomerate.

Jacob Harder, Denmark



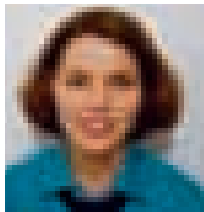
I often do my shopping in Coop stores. I have no complaints at all in terms of organic products, the product range and the quality of the goods. I trust Coop.

Eva Lundamo, Norway



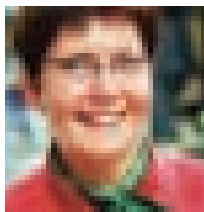
I'm very happy with Coop's stores, here at Coop Mega there's a good range of products and I can trust the quality. I think it's good to have organic products, although I'm not a big buyer of those items myself.

Bent Brakas, Norway



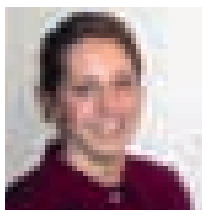
The supermarkets have a flat organisation, where all jobs are equally important and all employees have their own responsibility towards customers. Our personnel policy works well in supporting good values such as sharing your knowledge. We benefit from the expertise of the staff and learn from one another. I hope that there will be even more sharing of experience within Coop in future.

*Annelie Eriksson, Coop Sverige
Head of general merchandise, Coop Forum*



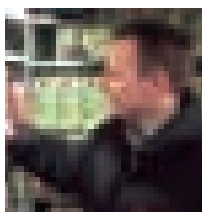
Coop looks after its employees well, and there are opportunities to train for those who are interested. Food and ecology are important issues at Coop Konsum, and it's good that we are so firm in our consideration of environmental issues. As a food expert I've obtained good, basic knowledge of food. I answer customers' questions and give them tips and advice on everyday food and special occasions.

*Birgitta Kumblad, Coop Sverige
Food expert, Coop Konsum*



Coop has a relatively wide range of KRAV-labelled goods, and we're now also starting to see more Fair Trade products in the stores. I hope that you continue to increase the range of organic and Fair Trade goods, and increase your commitment to Without Borders. I shop at Coop because I think it's important to accept my responsibility as a consumer. But it's every bit as important that companies such as Coop, as well as decision-makers, also assume responsibility.

Lotta Waller, Sweden



Coop's a reliable food supplier. You can rely on the products in the stores actually delivering what is promised on the packaging. It's also quick and easy to shop using Shop Express. Everything's packed and ready to go when you get to the checkout, and you don't have to queue.

Anders Ekström, Sweden

On the way to profitability 2006



2003 was a year of consolidation. Work on implementing the merger continued apace, and Coop Norden is now a unit that is fully operational in a number of key areas. We have moved closer to the objective of

creating an effective Coop Norden that benefits our customers and members.

The challenges certainly continued during the course of the year. The global economy is still not fully recovered, and at the same time the internationalisation of the FMCG sector is making serious inroads into the Nordic region. This underlines that creating one effective Nordic unit is the right approach.

The major task of completing the merger involves both positive and negative aspects. On the plus side, the merged units for purchasing, finance and IT are already showing signs of being a success. On the other hand it has been necessary to incur a series of structural costs, also in the subsidiaries, which were not envisaged in the original merger plans. This means that we cannot expect to have a profitable business, and thus seriously achieve the financial objectives of the merger, until 2006.

As part of this process we will draw on our five million members and our fundamental values, and draw inspiration to make our stores into an even greater experience.

A large board of directors, such as Coop Norden's with 15 members, gives everyone a special responsibility in terms of being able to act in a commercially dynamic and responsible way. As Chairman of the Board, I am sure that we have made the right, necessary decisions in 2003. We will continue to strive to do this in 2004. It is our duty.

Ebbe Lundgaard
Chairman of Coop Norden



Battery hens

Released from their cages

(COOP SVERIGE) Coop Konsum outlets have decided to stop selling eggs from battery hens. This is one step along the road to more ethical animal welfare.

Which is why, at the end of May, people strolling around the streets and squares of Stockholm, Gothenburg and Malmö encountered large cages crammed full of people. The message was "Coop Konsum has stopped selling eggs from battery hens. Take seven people into the cage with you, and you'll understand why." Through this campaign Coop Konsum aimed to show how cramped it can be in such a cage and to encourage people to think in terms of improving conditions for hens. The campaign generated great attention in the media. It was also awarded first prize in the "100 Watt" advertising competition run by the Association of Swedish Advertisers and the newspaper Dagens Industri. It is pleasing to note that since Coop Konsum stopped selling the cheaper eggs from battery hens, egg sales have increased.



Carrier bags benefit the Danish Red Cross

(COOP DANMARK) In 2003 Coop Danmark was a member of the Danish Red Cross's "Klub 10" fund-raising club. This involved all Coop chains selling a Red Cross carrier bag during August, for which customers could choose to pay one Krone extra. The project was supported by a number of Denmark's most popular actors,

who offered their services for free and appeared in an advert for the project. At the beginning of the summer Kvickly launched a range of summer clothes for the benefit of the Danish Red Cross. The projects generated a donation of approximately MDKK 2.

Shopping Aid

(COOP SVERIGE) SEK 6.2 million to help people in the third world. This is the result of action by customers and members of the co-operative movement in Sweden in 2003. 121,668 members signed up to the Shopping Aid scheme [Bistånd på köpet], which involves every sum being rounded up to the nearest Swedish Krona every time you pay with the MedMera card. The money generated is donated to the Vi Agroforestry project and Co-operation Without Borders.



Products with low fat and a signal for better health

(COOP DANMARK/COOP SVERIGE) To make it easier for consumers to find the products with the least fat, Coop Danmark introduced a new label, Low fat! It can be found on more than 200 different products. As a rule of thumb, the one third of products with the lowest fat content within a given group can carry this label.

Coop Forum and Coop Konsum are helping customers to find the right products for a healthier lifestyle. The health signal points out where there are wholesome recipes, fruit and vegetables, keyhole-labelled products and products for exercise and movement.



The world's first Swan-labelled certified store in Tromsø

(COOP NORGE) Coop Prix Elverhøy in Tromsø was the first FMCG store in the world to receive Swan certification. The Swan label is awarded for heat recycling, energy consumption, transport and a wide range of organic and environment-friendly products. Coop Prix Håpet in Tromsø was voted Norway's best Environmental Beacon Company in a competition among all environmental beacon companies in the whole of Norway run by the Environmental Beacon Secretariat. In the first group certification, seven Coop Mega stores were certified as Environmental Beacons.





This is Coop Danmark



At the end of 2002 the Coop Group merged its two wholly owned subsidiaries in Denmark. OBS! Danmark A/S was integrated in Coop Danmark A/S. At the end of 2003 the company was running a total of 1,140 stores together with the independent co-operative societies. The chains are Kvikly and Kvikly xtra with a total of 87 stores, 15 of which are owned by independent co-operative societies, SuperBrugsen, Dagli'Brugsen and LokalBrugsen with a total of 701 member stores, 427 of which are owned by co-operative societies. All of the stores in Irma (64) and Fakta (265) are owned by Coop Danmark. There are also a number of stores on Greenland, the Faroe Islands and Brugsen stores in Denmark.

Coop is responsible for purchasing, logistics, IT and marketing for all stores. A large proportion of turnover comes from the members

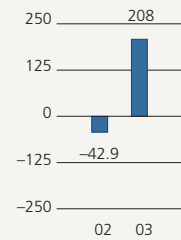
of the FDB and the co-operative societies. These have a total of 1,618,156 members, representing a net increase of 104,968 compared to the previous year. Every month the member stores market special offers to members and give bonuses on Coop products.

SEVERAL EVENTS DURING THE YEAR
SALES IN Coop Danmark rose by 2 per cent to MDKK 43.7. The market share remained unchanged.

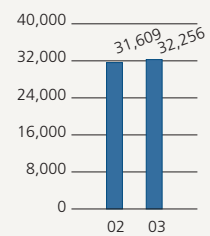
THE OPERATING PROFIT for Coop Danmark rose by MDKK 230 to MDKK 208 (-22).

NON-FOOD SALES continued to rise, and Coop Danmark intensified product development work on its own design goods.

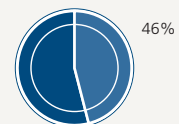
PROFIT/LOSS, MDKK



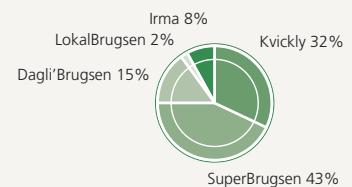
SALES EXCLUDING VAT, MDKK



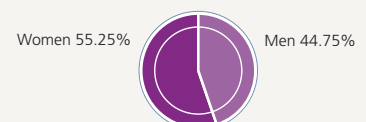
COOP DANMARK'S SHARE OF COOP NORDEN'S TOTAL INCOME



DISTRIBUTION OF SALES OF ORGANIC ARTICLES PER CHAIN



AVERAGE NUMBER OF EMPLOYEES, WOMEN AND MEN RESPECTIVELY



President H.C. Madsen Average no. of employees 13,700 Number of stores 1,140



DUTY REDUCTIONS BOOST sales of spirits. On October 1st the Danish government reduced the duties on spirits, making a typical bottle of spirits around DKK 40 cheaper. This immediately created rapid growth, with sales more than doubling in the weeks following the duty reduction. Coop used this example to demand a reduction in the duty on beer, as a survey revealed that every third beer drunk in Denmark is bought south of the border.

DE 5 GAARDE. As well as large suppliers, Coop also aims to use smaller suppliers with unique products. In 2003, a new brand was launched in the grocery sector under the name De 5 Gaarde. This range is the idea of Bendt Wedell, Troels Holch Povlsen and H.R.H. Prince Joachim, who manage the five country houses and estates of Frijsenborg, Wedellsborg, Gyllingnæs, Constantinsborg and Schackenberg. Produce is sourced from these estates to make very high quality groceries. Amongst the first products in the range were potatoes from Schackenberg and cheese from Gyllingnæs.

INCREASED SALES OF PRESCRIPTION-FREE MEDICINE. Following the liberalisation of sales of prescription-free medicine in Denmark in October 2001, consumers have shifted more and

more of their purchases to FMCG stores. Sales at Coop Danmark increased by more than 30 per cent in 2003.

TWO CO-OPERATIVE SOCIETIES came back to Coop. After 12 and 8 years respectively outside the FDB co-operative movement, two co-operative societies on Zealand, Hvalsø Brugsforening and Lynge Uggerløse Brugsforening, decided to return to Coop. They joined Coop Danmark as of January 1st 2004, at the same time becoming part of SuperBrugsen. The two co-operative societies represent turnover of around DKK 160 million.

ENVIRONMENTAL IMPROVEMENTS at banana supplier. An unusual collaboration between a supplier and a retailer led to new environmental improvements in Central America in 2003. Involved were the world's biggest producer of bananas, Chiquita, and Coop Danmark, which has exclusive rights for Chiquita in Denmark, who have been working together for five years now to reduce the environmental impact of the banana plantations. A check was performed in 2003 with the aid of the environmental organisation Nepenthes. Chiquita has achieved ethical certification SA 8 000 for Social Accountability.

IN TERMS OF CONSUMER politics, Coop was the first major company in Denmark to have exclusively FSC-labelled wooden garden furniture from the 2003 season. Coop Danmark was awarded the Danish Food Association's prize for the launch of the first chilled campylobacter-free chicken.

INCREASED ORGANIC SALES in major cities. After two years of stagnation and a slight fall in sales of organic products, a Coop Danmark survey showed that sales were falling in rural areas but on the increase in big cities. Coop Danmark identified Birkerød, to the north of Copenhagen, as the organic capital of Denmark. In this municipality organic milk accounted for around 70 per cent of total milk sales in Coop's stores.

FINANCIAL	SUPERBRUGSEN		DAGLI'BRUGSEN		LOKALBRUGSEN		IRMA		KVICKLY & KVICKLY XTRA		FAKTA	
Sales excluding VAT, MDKK	5,448.1		1,884.0 ¹⁾				1,653.6		8,266.5		5,402.2	
Chain's proportion of total sales, %	24		8 ¹⁾				7		37		24	
ENVIRONMENT/ORGANIC												
Organic products as a proportion of total food sales, %	3.9		2.4		2.6		10.8		3.9		2.3	
Eco-labelled health & beauty products as a proportion of total category, %	14.5		11.4		14.0		36.2		15.6		11.6 ²⁾	
Eco-labelled hygiene products as a proportion of total category, %	10.5		11.4		14.3		31.0		7.6		0	
Electricity consumption in kWh per square metre of gross floor space	280		243		217		260		282		235	
Water consumption m ³ per square metre of gross floor space	0.32		0.16		0.23		1.23		0.44		0.08	
Heat consumption in kWh per square metre of gross floor space	88		71		82		35		85		-	
SOCIAL												
	WOMEN		MEN		WOMEN		MEN		WOMEN		MEN	
Average employees, women and men respectively, %	52	48	56	44	47	53	42	58	57	43	51	49
Distribution of women and men respectively in managerial roles, %	4	96	5	95	33	67	31	69	4	96	27.5	72.5

1) Relates to Dagli'Brugsen and LokalBrugsen.
2) Includes detergents and softeners.



More rational operations, says H.C. Madsen

Coop Denmark once more improved its operating figures for the fourth successive year in SuperBrugsen, Dagli'Brugsen and LokalBrugsen, Fakta and Irma. Unsatisfactory results in Kvickly. Significant improvement in logistics.

2003 saw a noticeable toughening of competition on the Danish FMCG market. First and foremost, the discount stores have expanded, with many new outlets and an increasing market share, and there are now four countrywide discount chains fighting for new ground, with one more player entering the Danish market.

For H.C. Madsen, President of Coop Denmark, this means extra demands for more rational operations, an ever tighter control of costs, and a greater focus on developing managers and employees.

"For 2003 we achieved particularly satisfying improvements in our logistics operations. Our delivery performance improved, while at the same time we achieved a significant reduction in costs. Improved productivity, less sick leave and the reallocation of work have enabled us to send almost DKK 60 million back to the stores, as distribution was cheaper than we expected," says H.C. Madsen.

Coop Denmark is at the forefront of developments in the discount field. During 2003 Coop Denmark's discount chain, Fakta, opened 26 new stores (net growth 22). Despite this rapid

expansion, it also achieved a significant improvement in earnings, and the chain achieved its best profit figures ever. Development of the chain will continue unabated in 2004.

SuperBrugsen, Irma, Dagli'Brugsen and LokalBrugsen also achieved significant improvements in their earnings. The fact that the company did not achieve quite as big an improvement in operations as expected is due to the unsatisfactory results in Kvickly. In 2004 top priority is being given to Kvickly and Kvickly xtra, and the focus will be firmly on this area. At the beginning of 2004 the new director of the chain, Michael Thureau, took up his post.

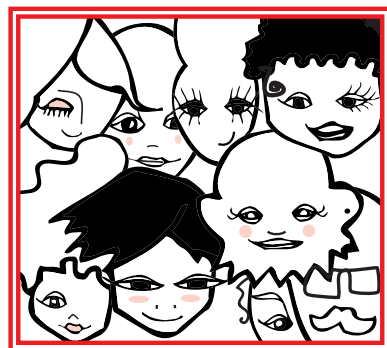
Surveys of satisfaction among employees in the stores and job satisfaction behind the scenes revealed very satisfactory improvements. Manager development will be a priority this year, and at the beginning of 2004 HR Director Thomas Jellum took up his post, not least with the aim of reinforcing efforts in this area. The organisation was simplified at the end of 2003. The previous model, comprising a board of



H.C. Madsen, President, Coop Denmark.

directors with three members, was changed to fit in with the structure of Coop Norden, with a President, an executive board and a management group comprising a total of 18 members, compared to 30.

"Coop Denmark is far better equipped to face the tougher competition, which will continue. But we still need to further improve efficiency, with all elements of our business being run more rationally and with lower costs than has so far been the case," says H.C. Madsen.



SIGNIFICANT SUCCESS IN JOB SATISFACTION BEHIND THE SCENES

Satisfaction among employees working behind the scenes in Coop Denmark increased, according to a satisfaction survey in May 2003. No fewer than 89 per cent of employees responded that they were "very satisfied" or "satisfied" with their jobs at Coop. The survey covered seven areas. For an individual area

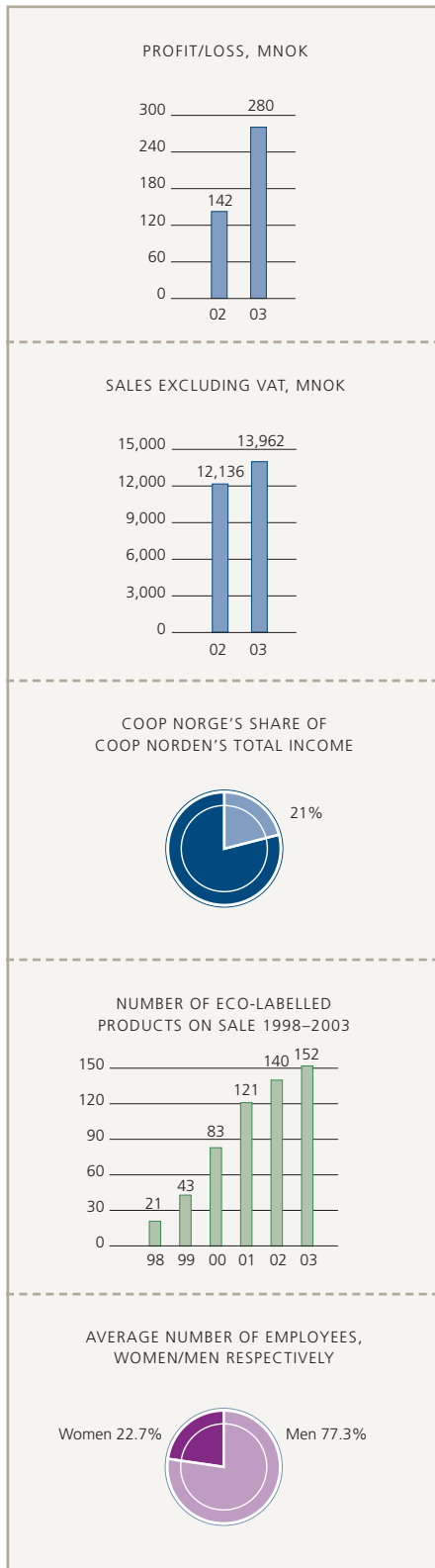
to satisfy the objective, at least 50 per cent of employees had to have answered "satisfied" or "very satisfied". While Coop Denmark satisfied the objectives in three of the seven areas last year, this year they succeeded in all seven areas.

FEWER PESTICIDES IN SPANISH FRUIT AND VEGETABLES

Coop Denmark continued work on reducing the use of pesticides in Spanish fruit and vegetable plantations that deliver products to Danish consumers every winter. About a dozen toxins were banned, after good results had been achieved by removing a dozen crop sprays from the Spanish farmers. Checks in the Coop Laboratory showed that fewer samples exceeded the limits.



This is Coop Norge



The Coop Group's wholly owned subsidiary Coop Norge AS exists the purpose of purchasing, logistics, chain operations and marketing to stores run by the Norwegian co-operative societies. 953 stores in the FMCG chains Coop Marked, Coop Prix, Coop Mega and Coop Obs! obtain their goods from Coop Norge AS. The company also supply 14 large DIY stores in the Coop Obs! Bygg chain, and to non-food brands such Coop Byggmix, Coop Elektro and other local profile-based stores.

The operation, development and marketing of the chain concepts is Coop Norge's top-priority activities. Good stores with the right product range are crucial for success.

Coop Norge AS owns Coop Norge Industri AS, which consists of Coop Kaffe, Røra factories and the Goman bakeries. All of Coop's stores in Norway are owned by the co-operatives, which run approximately 1,300 stores.

SEVERAL EVENTS DURING THE YEAR SALES AMOUNTED TO 13,962 MNOK compared with 12,136 MNOK for 2002. The increase is due to higher through invoicing and stock turnover within both the grocery and the wholesale ranges.

THE OPERATING RESULT for the Coop Norge group was 280 MNOK during 2003 compared with 142 MNOK the previous year. The figures include the profit of 117 MNOK achieved from sale of the margarine plant. Strong cost concentration, Scandinavian integration and more efficient operation were the main factors in the strong operating result. The funds available to Coop NKL amounted to 286 MNOK during 2003.

TURNOVER WITHIN Coop Norge Industri fell by 53 MNOK during 2003 compared with 2002, which is due to the sale of the margarine plant.

President Svein Fanebust Average no. of employees 1,796 Number of stores 953, including the other concepts CoopByggMix, Coop Elektro, etc.



COOP NORGE INDUSTRI had an operating result of 96 MNOK excluding the sale of the margarine plant. The result development for the remainder of the company was good.

AS MARGARINFABRIKKEN SOLD. Margarinfabrikken was founded in 1911, and margarine was the first product that the co-operative movement produced itself. September 1st was the final, sad day for the Per Margarin brand and the other Coop brands produced in Oslo.

RENOVATION OF THE CENTRAL warehouse in Grorud. In 2003 Coop renovated the warehouse and set up a central warehouse, and introduced digital warehouse management systems. The goods will now be picked in the central warehouse and distributed to the local units, where they will be matched up with goods picked from the local warehouse, before all of the goods are transported together to each individual store. This creates more efficient warehouses and cheaper goods.

COOP STORES OPEN LONGER. A new law on opening times means that it is now possible to remain open until 24:00 on weekdays. Depending on the local market situation, many Coop stores introduced longer opening hours.

FIFTY YEARS OF COOP KAFFE. Coop Kaffe Norge AS celebrated the fiftieth anniversary of the arrival of Norway's first countrywide coffee brand. The celebrations included the awarding

of the prize for the number one coffee drink in Coop stores and an anniversary party.

DIPLOMA AND HIGH PRAISE. The Glass bear is a national environmental prize. Coop Norge Trondheim was praised for setting up a recycling station, and the freezer supplier Norild AS won an award for its patented refrigeration system at Coop Mega Tøyen in Oslo.

2003 WAS CHARACTERISED BY work on coordinating environmental work within Coop Norden. The most important result is a joint Nordic policy on the environment, ethics, product safety and health. This policy will form the basis of the development of our joint product requirements. This is important if Coop is to be able to offer more environment-friendly products that can influence and change consumption patterns, and because Coop's biggest environmental impact is caused through the products that Coop sells. Coop Norge increased sales of organic products in 2003, albeit it by a little less than in 2002. Coop recorded a small increase in eco-labelled product. Waste volume and energy consumption in relation to sales were reduced in 2003. This shows that Coop is on the right track.

IN 2003 COOP NORGE was represented on the boards of the Foundation for Environmental Labelling, the Retailers' Environment and Packaging Forum, Debio and the Initiative on Ethical Trading, and participates in other coun-

cils and committees working on environmental and ethical issues. Coop has extensive contact with various voluntary organisations, authorities, the media and not least of all customers. Coop Norge is one of the partners in the Bel-lonias Environmental Foundation. This collaboration provides Coop with important specialist environmental input in a number of areas.

THE YEAR'S BIGGEST SINGLE EVENTS on the environmental side were the certification of Coop Prix Elverhøy in Tromsø as the world's first Swan-labelled store, Coop Prix Håpet in Tromsø being named as Norway's best Environmental Beacon company, and sales of Cafe Futuro, showing a significant increase in 2003.

COOP AND THE NORWAY CUP. In 2003 Coop sponsored 250 teams (4,000 players) in the Norway Cup, the world's biggest football competition for youth teams. Each team was given equipment to a value of NOK 15,000. Values such as co-ownership, diversity and solidarity are important for both Coop and the Norway Cup.

THOSE WHO GIVE DO NOT FREEZE. In 2002 our customers donated more than MNOK 2 to the Salvation Army via the collection boxes in Coop's stores. This year too the money continued to flow to help the Salvation Army's social work: distribution of food parcels, clothes and other support to our fellow human beings with extra needs. Through its collaboration with the Salvation Army, Coop assumes a social responsibility.

FINANCIAL	2003	CHANGE, %
Sales excluding VAT, MNOK	13,962	
<hr/>		
ENVIRONMENT/ORGANIC		
Sales of KRAV-labelled or equivalent foods, tonnes	3,887	6
Sales of eco-labelled products, MNOK	341.3	0.04
Proportion of eco-labelled products in total hygiene sales, %	21.0	-1.1
Proportion of eco-labelled products in health & beauty sales	45.7	3.7
Amount of waste (tonnes) per million of sales	0.41	-9.5
Proportion of material recycled	0.33	0.8
Electricity consumption (kWh) per million of sales	2,310	-32.5
<hr/>		
SOCIAL	WOMEN	MEN
Average number of employees, %	22.7	77.3
Distribution in managerial roles, %	29	71
Parental leave, %	1.2 ¹⁾	
Care of ill children, %	0.4 ¹⁾	0.3 ¹⁾

1) Excl. Coop Norge Industri.
Coop Norge's figures only include sales and operations at Coop Norge's distribution units, not retail sales.

GARBAGE TURNS INTO MONEY

Coop Norge in Trondheim is making firing briquettes out of scrapped pallets and selling them in its stores. In the past Coop used to have to pay to burn 150,000 pallets a year. Now they are delivered to a sawmill, where they are dried and crushed. Firing briquettes are then made out of the pallets. The sawmill uses chippings from its own production for both heating and operation of the plant. Coop buys back the briquettes, and in 2003 the company sold 300 pallets of firing briquettes to a value of NOK 1.3 million. One kg of briquettes generates three times as much heat as one kg birch. Now Coop Firing Briquettes are to be launched in a larger size. In addition to 10 kg briquettes in sacks, they are to be sold in boxes together with fire-lighting briquettes, which are also made of recycled material.

Svein Fanebust:

Coop in Norway well-equipped for 2004

2003 was a year of major changes for the new, large, co-operative FMCG company Coop Norden AB, and it was a busy year. We can see that the creation of Coop Norden is generating major synergy benefits, which are making an important contribution in the new, tougher competitive situation.

All employees of Coop Norge AS have been involved in creating good results, which have made a valuable financial contribution to Coop Norden AB and to the co-operative societies. One of the prioritised areas has been purchasing collaboration in the Nordic region, to enable prices to be reduced in Coop's stores. This year has seen major changes in the Coop Norge organisation, in order to integrate the expertise within the three countries. In 2004 these processes of change will be completed, so that the co-operative societies and not least of all the customers will be able to see even more results of this work on their checkout receipts.

Coop shall also be a leading player in taking these developments forwards. One of these was Coop being the first Norwegian FMCG player to start selling non-prescription medicines. We also made our mark in the non-food segment, with a proactive approach to selling new kinds of product types at low prices.

The Coop 2003 cost and change project achieved greater cost savings than budgeted, and contributed towards the good financial result achieved by Coop Norge AS in 2003. Work on further efficiency improvements and streamlining of operations will continue in 2004.

Coop's members and customers are still being offered several good in-house brands, which are an important element in the task of creating competitive stores with an attractive product range. Our FMCG chains have

stepped up their marketing with such initiatives as new slogans for Coop Mega (Bon appetit!) and Coop Prix (Yellow Prices).

Coop Industri has had an excellent year. The coffee factory celebrated an anniversary, as it is 50 years since the launch of Norway's first countrywide brand of coffee. Coop Kaffe, the Goman bakeries and Røra factories have generated sound results, by offering quality products that our customers demand.

Competition is getting tougher, and in 2003 a decision was taken to sell AS Margarin-fabrikken Norge to Mills. Operations at our warehouse unit in Bodø were also discontinued as from February 1st 2004. None of these decisions were easy, but were considered necessary if we are to be better equipped to deal with future competition. Coop has also made tremendous progress on the logistics side, where we have introduced new warehouse management systems and renovated the grocery warehouse in Grorud.

Coop's environmental profile means practical action in everyday life, not just fine words. This is also true of the past year. Examples include the first store in the world with the Swan label, a common Nordic environmental policy, further development of our own plant for waste management at Coop Trondheim and 200 tonnes of Fair Trade coffee purchased from Fedecocagua in Guatemala. But I still believe that we must take even more action in the



Svein Fanebust, President, Coop Norge.

future in the area of the environment/solidarity, as we can never be good enough in this area.

2004 may well be one of the most exciting years for many decades in the retail sector in Norway, with a new competitive situation and the strong likelihood of some new competitors in the market. We look forward to this, and promise that in 2004 Coop will continue to supply competitive products and the right chain concepts that are ideally suited to local market conditions, which, combined with skilled employees, will help create a store for consumers. In future Coop will focus even more on its own branded products under the names X-tra, Coop, Coop Natur, Goman and Coop Kaffe. Good in-house brands and Coop Norden's joint purchasing power and expertise will ensure that Coop in Norway is well equipped for 2004.



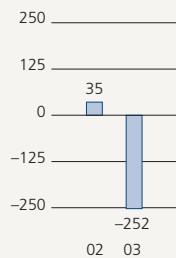
COOP PRIX AND "YELLOW PRICES"

In February Coop restored the slogan "Yellow Prices" for Coop Prix. This has been a successful strategy. Towards the end of 2003 a survey revealed that 67 per cent of the population associated this slogan with Coop Prix. The slogan was last in use when Coop was known as Forbrukersamvirket in 2001. Surveys show that Coop was no. 9 in a list of adverts best remembered by people in November 2003.

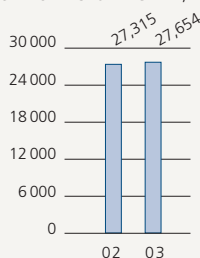


This is Coop Sverige

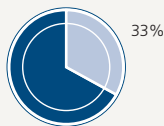
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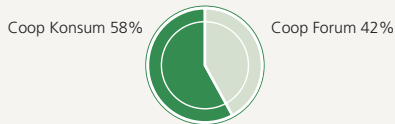
SALES EXCLUDING VAT, MSEK



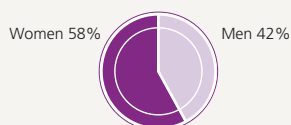
COOP SVERIGE'S SHARE OF COOP NORDEN'S TOTAL INCOME



DISTRIBUTION OF SALES OF ORGANIC ARTICLES PER CHAIN



AVERAGE NUMBER OF EMPLOYEES, WOMEN/MEN RESPECTIVELY



Coop Sverige is the Coop Group's wholly owned subsidiary in Sweden. Coop Sverige is responsible for around 60 per cent of the total turnover of the co-operative FMCG sector in Sweden. The remaining 40 per cent is generated directly by a number of retail consumer societies.

Coop Sverige's retail activities are run within the two chains Coop Konsum and Coop Forum. With its 355 stores, Coop Konsum is Sweden's biggest integrated FMCG chain. Sweden's biggest hypermarket chain, Coop Forum, has 43 hypermarkets. Coop Sverige's market share of the retail sector is 10.3 per cent.

2003 saw the launch of Coop Extra, a new retail concept within Coop Konsum, with 13 large stores. More stores are being planned, and the concept is being developed as a Nordic concept so that it can be used throughout the Nordic market.

Coop Sverige also includes functions for purchasing, logistics, marketing and store management.

SEVERAL EVENTS DURING THE YEAR

COOP SVERIGE'S INCOME rose by 1 per cent compared with 2002, with an increase for Coop Forum and a slight fall for Coop Konsum, the latter due to a reduction in the number of shops.

THE OPERATING RESULT before structural costs increased by MSEK 156 to MSEK 225.

TO GET THE HIGH COSTS under control, savings initiatives were implemented across a broad front, in the central organisation, the terminal structure and the chains. A project has been launched with the aim of almost halving costs in the stages behind stores and terminals. The terminal structure has been rationalised by concentrating operations on fewer units. The concept has been simplified, and there have been staff reductions in stores and hypermarkets.

THE OWN BRANDS had good sales increases, and the share increased by 3 per cent. The Signum range increased by 5 per cent.

THE GROSS MARGIN GREW by 0.2 per cent partly as a result of more efficient purchasing within the Coop group.

President Svein E. Skorstad Average number of employees 11,591 Number of stores 398



AS A RESULT OF RE-ORGANISATION within the Coop Group, and rationalisation measures implemented, a number of extraordinary restructuring costs occurred which affect the result.

SALES OF ENVIRONMENTALLY approved goods rose by 2 per cent. In total sales of environmentally approved articles in Coop Sverige amounted to 1,300 million. Coop Forum increased its sales by 9 per cent and those of Coop Konsum fell by 2 per cent. The greatest increases were seen in the product groups eggs, fresh produce and delicatessen products.

COOP SVERIGE'S sales to the retail consumer societies increased by 5 per cent.

ÄNGLAMARK PRIZE for the Rördrommen Field Station. Coop Sverige's annual environmental grant was awarded to the Rördrommen Field Station, which works successfully to restore and preserve a living cultural landscape and encourage increased biodiversity by the Sörfjärden Bay at Lake Mälaren.

JOINT ENVIRONMENTAL REPORT. Coop Forum and Coop Konsum joined forces to produce an environmental report, which was published on

the Coop Sverige website, under the address www.coop.se/miljorapporten.

RECYCLING CAMPAIGN. To encourage recycling of hard plastic, Coop Forum conducted a campaign together with Plastkretsen AB. Customers were encouraged to shop, sort and then return packaging in containers outside the hypermarkets.

LAUNCH FOR ORGANIC SALMON. Coop Sverige launched farmed organic salmon from Norway's first salmon farm to satisfy the rules for KRAV approval.

DOUBLE POINTS for eco-labelled goods. To draw attention to our new environmental receipt, for a two-week period we awarded double Med-Mera points on all purchases of eco-labelled products.

THE ABSENTEEISM TREND has turned. During the year the level of sick leave remained unchanged compared to the year before. The past trend of increasing sick leave has thus been broken. However, the cost of sick leave has increased, as since the middle of the year employers have also had to pay sick pay for the third week of illness.

A NEW PENSION SOLUTION has been developed within KP. This has made it possible to reduce pension costs significantly.

FRIENDS AGAINST BULLYING. Every day around 100,000 Swedish children are bullied. Coop Sverige is the main sponsor of the Friends foundation, which encourages pupils to take action against bullying. During the summer Coop Konsum, Coop Extra and Coop Forum sold 80,000 bottles of sparkling water for the benefit of Friends.

THREE DAYS WORK, THREE DAYS OFF. A new working time system has been tested at Coop Konsum Lägerhyddan in Linköping. Staff there work for three days and then have three days off. The aim is to contribute towards a better working environment and less sick leave.

OPERATION WORKING DAY. For one day pupils from more than 200 schools worked in the cooperative's stores to earn money to build a new school in Paraguay.

FINANCIAL	COOP KONSUM	COOP EXTRA	COOP FORUM	
Sales excluding VAT, MSEK	9,822	1,238	11,957	
Chain's proportion of Coop Sverige's total sales, %	36	4	43	
ENVIRONMENT/ORGANIC	COOP KONSUM	CHANGE, %	COOP FORUM	CHANGE, %
Sales of KRAV-labelled or equivalent foods, tonnes	29,500	2	8,510	17
Proportion of eco-labelled products in total hygiene sales, %	46.9		39.9	
Proportion of eco-labelled products in total health & beauty sales	37.6		31.8	
Proportion of waste to disposal/incineration, %	42		42	
Proportion of organic waste, %	5		5	
Proportion of material recycled, %	52		52	
Environmental training, total number of hours	5,015		2,000 ¹⁾	
SOCIAL	WOMEN	MEN		
Average number of employees, %	58	42		
Distribution in managerial roles, %	33	67		
Parental leave, %	4.3	1.0		
Care of ill children, %	0.5	0.5		
Cost of sick pay in relation to total wage costs, %		2.0		

1) Incl. education in Health.

FOOD FOR CHILDREN AND YOUNG PEOPLE

In 2003 the Coop Test Kitchen struck a blow for children's and young people's food. Coop's Great Food Prize was awarded to domestic science teacher Monika Mårtensson, who has spread the gospel of food awareness and joy in food to future consumers, children and young people.

Together with the Health Movement, the Coop Test Kitchen arranged the Best Green School Lunch competition, to inspire and create interest in preparing vegetarian food in large-scale kitchens and school dining-rooms. The winner was Katja Olsson from Falkenberg Upper Secondary School.

The dietician Latifa Lindberg produced a highly-regarded cook book entitled "Food for children & their parents" as a response to families' questions about food for children, allergies and obesity.

The Cookbook was a sales success, and was also named Best Children's Cookbook of the Year by Årets Svenska Måltidsliteratur 2003.



Svein E. Skorstad:

Wide-ranging change projects

In 2003 it became very clear that Coop Sverige's costs are too high in relation to its income, and that dramatic action had to be taken if we are to achieve satisfactory financial results. This is why this year we launched a number of projects to rationalise and improve efficiency in the business.

Savings programmes were instigated across a broad front, in the central organisation, the terminal structure and in our chains. At the level behind our stores and hypermarkets we are reducing costs by virtually halving the number of employees. We are also introducing a simplified, more cost-efficient way of working, with a clear market focus with the emphasis on customers and stores.

Work also started on rationalisation within the terminal structure to provide the facility for more large-scale, efficient logistics. Businesses in various parts of the country are being merged to create fewer units. This produces increased concentration and specialisation, which means better service to the stores and the use of new technology.

We also implemented cutbacks in our hypermarkets and stores, and started work on simplifying the concept.

With the launch of all of these wide-ranging change projects, 2003 became a traumatic year for Coop Sverige. The wide-ranging structural changes generated major one-off costs that had an adverse effect on our profits. But these measures will create a foundation for renewed competitive strength and an opportunity for development.

Of course we cannot simply focus on profitability, we must also look after our income. This is why 2004 will see us focusing on sales, on well-run stores and an attractive product range.

The concept is being reviewed to create a more rational, efficient operation that will form the basis of a value-for-money range of products. As an element of this initiative, we are creating our third concept, Coop Extra, with hypermarkets offering a broad range of FMCGs at competitive prices and the very best we have in the non-food line.

In 2004 I also look forward to extending our collaboration with the retail co-operative societies. In 2003 we made a positive start on the joint development of concepts and product

ranges, and I see tremendous potential for both parties in this venture.

2004 will be an important year, with the Nordic integration process proceeding apace. As one of the three operational units, Coop Sverige has much potential to be gained from Coop Norden's shared functions. The synergy gains will benefit Coop Sverige, not only on the cost side, but also through purchasing and better margins. 2004 should therefore be a successful year for Coop Sverige, even if we still have a long way to go.



Svein E. Skorstad, President, Coop Sverige.

ECO-LABELLED PRODUCTS LISTED ON THE RECEIPT



At Coop Forum and in many Coop Konsum stores our customers can easily see how many eco-labelled goods they have bought. Each eco-labelled product bought is denoted with a three-leaf clover on the receipt. The receipt also includes a row with the text "Of which eco-labelled goods", where the total value of purchases is stated.

Goods denoted with a three-leaf clover on the receipt are labelled with: KRAV, Falcon (Good Environmental Choice), the Swan (SIS), FSC, the EU flower, TCO or our very own Ånglamark brand. A range of products that contains more than 2,400 articles – everything from milk to paint.

By drawing a little extra attention to the eco-labelled products, we want to encourage customers and members to take part in "the world's smallest environmental movement", i.e. moving their hand towards the shelf and choosing an eco-labelled product.

The Board of Coop Norden



Front row from left: Nils Edvard Olsen, Coop NKL, *Vice Chairman*. nils-edvard.olsen@coop.no. **Ebbe Lundgaard**, FDB, *Chairman*. el@fdb.dk. **Nina Jarlbäck**, KF, *Vice Chairwoman*. nina.jarlbäck@kf.se. **Second row:** **Henrik Larsen**, FDB, *Director*. henrik@larsen-family.dk. **Laszlo Kriss**, KF, *Director*. laszlo.kriss@atriumfastigheter.se. **Ulla Verholt**, FDB, *Employee Representative*. verholtu@post.tele.dk. **Third row:** **Jan Andersson**, KF, *Director*. jan.andersson2@kf.se. **Bernt Aas**, Coop NKL, *Director*. bernt.aas@coop.no, **Paul Mollerup**, FDB, *Director*. pm@fdb.dk. **Fourth row:** **Torbjörn Jonsson**, KF, *Employee Representative*. torbjoern.jonsson@coop.se. **Palle Birk**, FDB *Employee Representative, deputy*. palle.birk@coop.dk. **Björn Christensen**, Coop NKL, *Director*. bjorn.christensen@coop.no. **John Thunes**, Coop NKL, *Director*. john.thunes@fss.coop.no. **Leif Olsson**, KF, *Director*. leif.olsson@konsumvarmland.se. **Magnus Möller**, KF, *Employee Representative, deputy*. magnus.moller@coop.se. **Holger Damgaard**, FDB, *Director*. hoda@post2.tele.dk. **Missing on the picture:** **Börje Fors**, KF, *President*. borje.fors@kf.se.



The Management Group of Coop Norden

From left: **Lars Härenstam**, *Senior Vice President, Corporate Staff*. lars.harenstam@coop.se. **Svein Fanebust**, *Executive Vice President; President Coop Norge AS*. svein.fanebust@coop.no. **Roger Gehrman**, *Executive Vice President; Corporate Supply Chain*. roger.gehrman@coop.se. **Erik Skånsberg**, *CFO, Group Finance*. erik.skansberg@coop.se. **Svein E. Skorstad**, *First Executive Vice President and Deputy CEO; President Coop Sverige AB*. svein.skorstad@coop.se. **H.C. Madsen**, *Executive Vice President; President, Coop Danmark A/S*. HC@coop.dk. **Maria Arnholm**, *Senior Vice President, Corporate Communication*. maria.arnholm@coop.se. **Claes Eriksson**, *Senior Vice President, Business Development*. claes.eriksson@coop.se. **Svante Nilsson**, *President and CEO*. svante.nilsson@coop.se. **Missing on the picture:** **Verner Jensen**, *Executive Vice President, IT*. verner.jensen@coop.se.

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